



EUROPEAN UNION
DELEGATION
TO THE REPUBLIC OF UZBEKISTAN

PEFA



2018 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

January 2019



Uzbekistan PEFA Assessment

Public Financial Management Assessment following PEFA Methodology
for Uzbekistan

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

PEFA Secretariat

January 18, 2019

**COUNTRY'S CURRENCY AND INDICATIVE EXCHANGE RATES
(AS OF DEC 31, 2017)**

1 EUR = 9743.22 UZS

1 USD = 8120 UZS

**Fiscal Year
January 1 to December 31**

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Abbreviations and Acronyms

ADB	Asian Development Bank
BSL	Budget System Law
BCG	Budgetary Central Government
CBU	Central Bank of Uzbekistan
COA	Chart of Accounts
COM	Cabinet of Ministers
CRU	Control and Revision Unit
FRD	Funds for Reconstruction and Development
e-GDDS	Enhanced General Data Dissemination System
EU	European Union
GFMIS	Government Financial Management Information System
GFSM	Government Finance Statistics Manual
GoU	Government of Uzbekistan
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
IA	Internal Audit
MoF	Ministry of Finance
MTBF	Medium-Term Budget Framework
NAPM	National Agency for Project Management
NSDP	National Summary Data Page
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SBS	State Budgeting System
SDMX	Statistical Data and Metadata Exchange
TSA	Treasury Single Account
UCA	Unified Chart of Accounts
UFRD	Uzbekistan Fund for Reconstruction and Development
UNDP	United Nations Development Programme
UzASBO	Uzbekistan Automated System for Budget Organizations
UZS	Uzbekistan Som

Executive Summary

Purpose and Management of the Assessment

1. The main purpose of the 2018 PEFA assessment is to provide the Government of Uzbekistan and its development partners with an objective up-to-date diagnostic of the national-level public financial management performance based on the latest internationally recognized PEFA methodology. The 2018 PEFA assessment is intended to provide an update of progress in Public Finance Management (PFM) since the last PEFA in 2012, but also establish a new PEFA baseline using the 2016 PEFA methodology.
2. This methodology identifies the seven pillars of performance that are essential for an open and orderly PFM system. These include budget reliability, transparency of public finances, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit.
3. The assessment process seeks to build a shared understanding of PFM performance and those dimensions that require improvement. The results of the assessment are expected to assist the government in monitoring the implementation of Uzbekistan's Public Financial Management Reform Strategy to achieve long-term sustainability.
4. The Assessment was undertaken jointly by the Government of Uzbekistan, consultants hired by EU and the World Bank. The project was co-financed by the World Bank and the European Union Delegation to Uzbekistan. The European Union commissioned the Ecorys company, which directed three international experts to conduct the assessment. The World Bank coordinated the assessment on behalf of the development partners and financed PEFA training of government staff at the related workshops.

Assessment Coverage and Timing

5. This assessment covers budgetary and extrabudgetary units of the central government of Uzbekistan. The performance in PFM of subnational governments is not analysed in this assessment, except partly in one indicator (PI-7).
6. The assessment started in September 2018 and was finalized in January 2019. The first fieldwork mission took place in September 2018. Most of the indicators were assessed during this mission, which enabled a draft report to be sent to the PEFA Secretariat and the reviewers in November 2018. After comments were received from the peer reviewers, a second field mission was performed in December 2018 in order to finalize the dimensions scoring.

Impact of PFM Systems on the Three Main Budgetary Outcomes

7. The PFM evaluation in Uzbekistan shows good monitoring mechanisms that ensure fiscal and budgetary control at a high operational level. It also demonstrates that mechanisms are in place to ensure fiscal stability and sustainability. However, with the present organisation, efficiency and effectiveness of service delivery are still limited, because all efforts are focused on the analysis of revenues and expenses.

Aggregate Fiscal Discipline

8. Overall, fiscal discipline is good in Uzbekistan, and most elements in the overall PFM system that contribute to achieving this objective appear to be sound although there are variances less than 10% in expenditure against the original budget according to functional and economic classification (PI-2). On the revenue side, performance is good (PI-3). These are not distorted by payment arrears, the stock of which is less than 0.5% of total expenditure (PI-22).

9. In addition, the risks to attaining fiscal discipline are limited, due to several factors: there are few off-budget operations (PI-6) and fiscal information is not fully disclosed; monitoring of fiscal risks from other public sector entities covers wider aspects than fiscal risks only, and is also not complete (PI-10) as only a subset of public entities are strictly monitored; and the debt is low and the recording of government debt is comprehensive (PI-13) but there is need to develop a debt management strategy. In addition, accounts in foreign currencies are opened in commercial banks and their inclusion in the consolidation of government cash/bank balances is not performed regularly.

10. The total amount of revenue arrears is insignificant (PI-19) and internal controls of the system concerned with budget execution (PI-23 to PI-25) are sound, even though they are not using the best practices (risk analysis and internal audit) or may be too bureaucratic in the procurement domain (PI-24). They nevertheless contribute efficiently to the attainment of aggregate fiscal discipline.

Strategic Allocation of Resources

11. The five indicators concerned with policy-based fiscal strategy and budgeting, (PIs 14 to 18) did not receive good overall ratings, which demonstrates that the process to allocate budgetary resources is not in accordance with government's declared strategic objectives.

12. The multi-year focus in fiscal planning is non-existent (PI-16.3 and PI-16.4). Consequently, new indicators that relate to this budgetary outcome, such as Macroeconomic and Fiscal Forecasting (PI-14) and Fiscal Strategy (PI-15) do not score well. This weakness is worsened by the absence of establishing ceilings in the budget preparation process even for the next budget year and the fact that Parliament does not have a close oversight of in-year amendments to the approved budget. This situation does not prevent a good rating for PI-2, which suggests that the present budget formulation process nevertheless produces the desired results.

13. Other indicators contribute to the strategic allocation of resources function relatively well, notably the comprehensiveness of the budget documentation, and its classification in accordance with international standards. The indicators related to revenue collection (PIs 19 and 20) are also performing well with the exception of revenue audits processes that are still in development (PI-19-3). However, Public Investment Management (PI-11) does not sufficiently reflect generally accepted good practice.

Efficient Use of Resources for Service Delivery

14. In this respect, the PFM system in Uzbekistan does not work particularly well, as can be seen in the poor ratings for the processes that plan services (PI-16 and PI-17 mentioned above). Intergovernmental fiscal relations are not fully determined by a transparent and rule-based transfer system (PI-7).

15. As a result, the rating related to the specific service delivery performance indicator, which can demonstrate the efficiency with which services are delivered (PI-8) is not performing well, as is that of Public Asset Management (PI-12), which does not show enough transparency to what is effectively maintained by the government.

16. Nevertheless, the mechanisms in place to reduce possible leakages in the system, such as internal controls, and controls over payroll (PIs 25 and 23, respectively) are good in spite of the absence of an Internal Audit approach (PI-26). Accounting controls (PI 27) are good but procurement was too cumbersome for users and not transparent enough (PI-24), although the situation has improved in 2018.

17. Lastly, while the oversight arrangements (addressed in PIs 30-31) are partially effective, they show a mixed picture. There are improvements, for example, in the Parliamentary scrutiny of the Chamber of Accounts' reports. On the other hand, the lack of financial independence of the Chamber of Accounts reporting to the President and its lack of international recognition, can be seen as a constraint on the scope and nature of the work performed by the external audit entity.

18. In summary, most aspects of the PFM system are functioning at a satisfactory level – one that should allow the government of Uzbekistan to reach its fiscal and budgetary objectives. Nevertheless, various areas require improvement, such as multiyear budget programming, implementation of risk analysis and audit approach, performance information on service delivery; capturing and publishing all assets bought with public funds; issuing more detailed budget execution reports; and improving the (financial) independence of the Chamber of Accounts and the scrutiny of the Parliament on budget proposals and executions, some of which are already incorporated in the PFM reform strategy.

Performance Changes Since Last Assessment

19. The previous 2012 PEFA assessment covered the assessment period for years 2009-2011.

20. The main strengths arising from the 2012 PEFA assessment were in the following indicators: all indicators related to the credibility of the budget; budget classification; comprehensiveness of information included in budget documentation; extent of unreported government operations; transparency of inter-governmental fiscal relations; orderliness and participation in the annual budgetary process; transparency of taxpayer obligations and liabilities; effectiveness of measures for taxpayer registration and tax assessment; effectiveness in collection of tax payments; predictability in the availability of funds for commitment of expenditures; recording and management of cash balances, debt and guarantees; effectiveness of internal controls for non-salary expenditure; timeliness and regularity of accounts reconciliation; availability of information on resources received by service delivery units; quality and timeliness of in-year budget reports; and legislative scrutiny of the annual budget law.

21. The main weaknesses arising from the 2012 PEFA assessment were in the following indicators: public access to key fiscal information; multi-year perspective in fiscal planning, expenditure policy and budgeting; competition, value for money and controls in procurement; effectiveness of internal audit; quality and timeliness of annual financial statements and scope, nature and follow-up of external audit.

Prospects for Reform Planning and Implementation

22. The Government has been implementing a comprehensive reform in public finance management since 2008. It has achieved a lot in modernising the functions and approximating the PFM structure and functions to international standards and practices over the last ten years. The reform is embedded in the PFM Reform Programme (2008-2018) outlining a Strategic Action Plan for implementation on a short-term basis. Key strategic documents that underpin the reforms are the Development Strategy 2017 focusing on building foundations for sustainable economic growth, creating environment for development of private sector, expanding social protection initiatives to support the public from the adverse impact of the economic reform.

23. Latest strategy on PFM reforms covers the period 2018-2028, which is mainly based on improving the efficiency and effectiveness of the Government of Uzbekistan, through the introduction of program budgeting and its use to improve the quality of services provided. The strategy completes the already launched reforms (introduction of ISUGF¹ (GFMIS), improvement of legislation, inter-budget relations, expansion of fiscal transparency) and elaborates on the direction and priorities for PFM reform in accordance with the previous Strategy and Action Plan for 2017-2021.

24. The development partners (ADB, World Bank, IMF, UNDP and EU) are actively contributing to the implementation of the reforms through development projects, budget support operations, technical assistance to build capacity in areas such as mid-term budget framework, internal audit and procurement. The World Bank recently extended a development policy financing loan to support the efforts of the government to transition towards a market economy.

The table on the following page provides an overview of the scores for each of the PEFA indicators. A dynamic web-based view of the scoring and associated analysis is also available at:

<https://public.tableau.com/profile/pefa.uzbekistan²>

¹ ISUGF is the Government Financial Management Information System (GFMIS). Its name in Russian is, “Информационная система управления государственными финансами”.

² Readers are advised that this PEFA Assessment report and any information derived from it and published by the PEFA Secretariat on its official website are the only authoritative sources of scores and scoring-related information.

Summary Assessment 2018 Ratings							
			Dimensions				
Performance Indicator		Scoring Method	1	2	3	4	Overall Score
I. Budget Reliability							
PI-1	1. Aggregate expenditure outturn		A				A
PI-2	2. Expenditure composition outturn	M1	B	B	A		B+
PI-3	3. Revenue outturn	M2	A	B			B+
II. Transparency of Public Finances							
PI-4	4. Budget classification		B				B
PI-5	5. Budget documentation		B				B
PI-6	6. Government operations outside financial reports	M2	D	B	C		C
PI-7	7. Transfers to subnational governments	M2	D	D			D
PI-8	8. Performance information for service delivery	M2	D	D	A	D	D+
PI-9	9. Public access to fiscal information		C				C
III. Management of Assets and Liabilities							
PI-10	10. Fiscal risk reporting	M2	B	A	D		B
PI-11	11. Public investment management	M2	C	C	C	C	C
PI-12	12. Public asset management	M2	C	C	C		C
PI-13	13. Debt management	M2	A	A	D		B
IV. Policy-Based Fiscal Strategy and Budgeting							
PI-14	14. Macroeconomic and fiscal forecasting	M2	C	C	C		C
PI-15	15. Fiscal strategy	M2	C	C	C		C
PI-16	16. Medium term perspective in expenditure budgeting	M2	A	D	D	N/A	C
PI-17	17. Budget preparation process	M2	A	D	A		B
PI-18	18. Legislative scrutiny of budgets	M1	B	B	A	B	B+
V. Predictability and Control in Budget Execution							
PI-19	19. Revenue administration	M2	A	C	C	A	B
PI-20	20. Accounting for revenue	M1	A	A	A		A
PI-21	21. Predictability of in year resource allocation	M2	A	A	A	A	A
PI-22	22. Expenditure arrears	M1	A	A			A
PI-23	23. Payroll controls	M1	A	A	A	B	B+
PI-24	24. Procurement management	M2	A	D	B	A	B
PI-25	25. Internal controls on nonsalary expenditure	M2	A	A	A		A
PI-26	26. Internal audit	M1	B	C	D	D	D+
VI. Accounting and Reporting							
PI-27	27. Financial data integrity	M2	D	B	A	B	B
PI-28	28. In year budget reports	M1	A	C	C		C+
PI-29	29. Annual financial reports	M1	D	B	D		D+
VII. External Scrutiny and Audit							
PI-30	30. External audit	M1	C	A	B	B	C+
PI-31	31. Legislative scrutiny of audit reports	M2	A	C	D	D	C

1. Introduction

1.1 Rationale and Purpose

25. The main purpose of the 2018 PEFA assessment is to provide the Government of Uzbekistan and its development partners with an objective up-to-date diagnostic of the national-level public financial management performance based on the latest internationally recognized PEFA methodology. The 2018 PEFA assessment is intended to provide an update of progress in PFM since the last PEFA in 2012 and establish a new PEFA baseline using the 2016 PEFA methodology.

26. The PEFA assessment aims at: (i) informing the government on areas of PFM strengths and weaknesses; (ii) facilitating and updating the dialogue on PFM between Government and development partners; and (iii) helping development partners build budget support programmes.

27. It is expected that the PEFA assessment will be used to provide a clear and updated picture of Uzbekistan's public finance system in order to contribute to the achievement of desirable budget outcomes (aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery) and will help the Government in updating of its ongoing Public Financial Management Reform Strategy.

1.2 Assessment Management and Quality Assurance

28. The data used for rating the indicators covers the years 2015, 2016, 2017 (the last three completed fiscal years). The cut-off date is December 4th, 2018.

29. The stakeholders of the PEFA assessment were the national authorities and the main development partners involved in PFM in Uzbekistan. The Assessment was undertaken jointly by the Government of Uzbekistan, three international consultants for the company Ecorys (the Netherlands) hired by EU and staff from the World Bank. The Ministry of Finance of Uzbekistan played the lead role on the Government side, while the World Bank coordinated the assessment on behalf of the development partners. The European Commission was responsible for undertaking the PEFA assessment and its quality assurance.

30. The oversight team of the Government of Uzbekistan was led by the Ministry of Finance who was coordinating an assessment team composed of the representatives of all the lead institutions, that included: the Chamber of Accounts, the National Agency for Project Management (Procurement Regulatory Body), the Ministry of Economy, Parliament's Senate and Parliamentary Committees on Budget and Economic Reforms, the State Tax Committee, and State Customs Committee and any other relevant institutions. The team was coordinated by Ismonjon Mamadjanov, Deputy Head of the State Budget Main Department and the Head of the State Budget Methodology Department, as the focal person who worked closely with the World Bank and EU assessment teams. The team reported to Dilshod Sultanov, who was appointed as new Deputy Minister of Finance and head of the Treasury on September 2018.

31. The Ministry of Finance coordinated the data collection on the government side and arranged meetings between the World Bank and EU assessment teams and government counterparts. The Ministry of Finance also facilitated the provision of data by other government institutions involved in the assessment.

32. The assessment team worked closely with the government’s representative and coordinated both with the World Bank and EU staff members. After the first field assessment mission, a draft PEFA report was produced, shared with the officials of the Government of Uzbekistan and sent for peer review from the PEFA Secretariat and other peer reviewers.

Box 1: Assessment Management and Quality Assurance Arrangements

1. Oversight Team

- Daniel Boyce, Practice Manager, World Bank
- Elbek Khodjaev, Project Manager, Cooperation Section, Delegation of the European Union to the Republic of Uzbekistan
- Dilshod Sultanov, Deputy Minister of Finance, Republic of Uzbekistan

2. Technical Assistance

- Julia Dhimitri, PEFA Secretariat

3. Assessment Team Leader and Team Members

- Task Leader: Patrick Umah Tete, Senior Financial Management Specialist, World Bank
- EU Team leader : Jean-Marc Philip, EU Consultant
- EU Team Members : Ferdinand Philipsen, EU Consultant ; and Elisaveta Teneva, EU Consultant
- World Bank Team Members: Vinayak Nagaraj, Senior Economist; Ian Halvdan Ross Hawkesworth, Senior Public Sector Specialist; Elbek Yusupov, Senior Financial Management Specialist; Fasliddin Rakhimov, Procurement Specialist; Djamshid Iriskulov, Financial Management Specialist; and Raykhon Ikramovna Kasimova, Administrative Assistant.

4. Review of Concept Note and/or Terms of Reference

- Date of reviewed draft concept note and/or terms of reference: September 11, 2018
- Invited reviewers: PEFA Secretariat, Ministry of Finance, EU Delegation, IMF, the World Bank.
- Reviewers who provided comments: Urska Zrinski, Public Sector Specialist, PEFA Secretariat; Ministry of Finance representing the Republic of Uzbekistan coordinated by Ismonjon Mamadjanov, Deputy Head of the State Budget Main Department and the Head of the State Budget Methodology Department; EU Delegation, coordinated by Elbek Khodjaev, Project Manager, Cooperation Section, Delegation of the European Union to the Republic of Uzbekistan; Amanda Sayegh, PFM Technical Advisor, Fiscal Affairs Department, IMF; and John Otieno Ogallo, Senior Financial Management Specialist, World Bank. Comments were provided on September 17, 2018.
- Date(s) of final concept note and/or terms of reference: September 21, 2018.
- Review of the Assessment Report
- Date of transmission of draft report: November 14, 2018.
- Invited reviewers: Dilshod Sultanov, Deputy Minister of Finance, coordinating comments on behalf of Republic of Uzbekistan; Urska Zrinski, Public Sector Specialist, PEFA Secretariat; EU Delegation, coordinated by Elbek Khodjaev, Project Manager, Cooperation Section, Delegation of the European Union to the Republic of Uzbekistan; Amanda Sayegh, PFM Technical Advisor, Fiscal Affairs Department, IMF; and John Otieno Ogallo, Senior Financial Management Specialist, World Bank.
- Reviewers who provided comments: the above persons from the PEFA Secretariat, IMF, EU Delegation and the World Bank. Comments were provided on November 29, 2018. The Ministry of Finance organized a workshop on December 4, 2018 where all PEFA assessment participating institutions were invited to provide their comments to the PEFA mission team.
- Date of the PEFA Secretariat awarded the ‘PEFA CHECK’: January 18, 2019.

1.3 Assessment Methodology

Scope and Coverage of the Assessment

33. The PEFA assessment covered the central Government of Uzbekistan and all related ministries and State bodies. Public corporations and subnational government were only considered in the context of indicators where they were specifically included in the PEFA methodology (PI-10 and PI-7).

34. A previous PEFA Assessment was undertaken in 2012 based on the previous PEFA methodology (PEFA 2011). Conducting a comparison with assessments based on earlier PEFA versions requires completion of a supplementary annex (Annex 4). Hence, the performance change since the previous assessment was also tracked using the PEFA 2011 framework version as suggested by the PEFA Secretariat in its “Guidance on tracking performance across time: Comparing PEFA 2016 against PEFA 2005 or PEFA 2011”³.

Timeline of the Assessment

35. The assessment started in September 2018 and was finalized in January 2019. Most of the indicators were assessed using data covering the period 2017 and the two-previous completed fiscal years. The cut-off date was December 4th, 2018.

Sources of Information

36. The assessment was based on interviews with numerous government officials and other stakeholders, plus on the review of documents provided by the Uzbekistan administration. This information is listed in Annex 3.

Other Methodological Issues

37. At the beginning of the first field mission, a two-days capacity building workshop was organised by the Oversight Team on 20-21 June 2018 for officials of the administration before the data collection phase at which the PEFA Secretariat and the team leader of the assessment team presented. The main purpose of the workshop was to enable the officials to fully understand the methodology, indicators and requirements of the PEFA assessment, as well as the method of determining ratings and performance. It included exercises for participants to help them understand the application of the PEFA methodology (using training material provided by the PEFA Secretariat).

³ The guidance note is available at the PEFA website:
https://pefa.org/sites/default/files/Guidance%20on%20performance%20changes%20from%202011%20or%202005%20versions%20in%20PEFA%202016%20FINAL%20edited_0.pdf

38. At the end of the second field mission, a one-day workshop was organised by the Oversight Team on December 4th, 2018 during which the assessment team presented the provisory results contained in the draft report.

39. All 31 indicators of the PFM Performance Measurement Framework (PEFA 2016) were used for this assessment. However, component 16.4 *“Consistency of budgets with previous year’s estimates”* was considered as “non-applicable”, because it was not possible yet at the time of the assessment. The medium-term budget was put in place only in 2018.

2. Country Background Information

2.1. Country Economic Situation

40. Uzbekistan is moving steadily from a planned economy to a functioning market economy. It has enjoyed a robust GDP and budget surplus over a long period of time. The factors explaining its strengths are the global market of its key products (copper, natural gas, cotton), the discipline of the government at macro-economic management, and the strong fiscal position explained by the limited exposure to world financial markets. Today the challenging external environment suggests that Uzbekistan will need to find new drivers for economic growth in the future. Increased exports of gas, gold, and other minerals combined with high commodity prices generated revenues that financed large increases in investment and salary increases to bolster consumption. However, gas and mineral export volumes will likely plateau, and commodity prices are not expected to return to the levels of the past decade soon. Uzbekistan's reform agenda needs to offset the downside risks and put the economy on a more sustainable path of income growth and job creation.

41. Following more than a decade of high 7-8 percent growth, the Uzbekistan economy expanded at a slower pace in 2017. Real GDP growth decelerated to 5.3 percent in 2017, down from 7.8 percent in 2016, partly reflecting a more muted—but still robust—domestic demand growth. A benign external environment throughout the year and the exchange rate adjustment in the last quarter helped net exports to recover as a growth driver. On the supply-side, services, construction and industry were supported by government programs, but agriculture expanded by just 2 percent in 2017 (compared to 6.6 percent in 2016), with cotton and cereal production falling as the government reduced mandatory land area dedicated to these crops and enforced compliance on labour codes.

42. Uzbekistan's external position strengthened in 2017. During 2014-16, the country compensated for the impact of lower commodity export prices by boosting export volumes. This trend continued in 2017, albeit at a decelerating rate as global commodity prices rose through the year. The pick-up in growth in Russia and China, Uzbekistan's key trade partners, also helped export growth. Exports rose by 9.5 percent in 2017 (to USD 10.4 billion), while imports grew by 3.2 percent (to USD 10.8 billion). Overall, the trade balance registered a deficit of 0.9 percent of GDP in 2017, while the current account surplus rose from 0.7 percent of GDP in 2016 to 3.7 percent of GDP in 2017 thanks to the steep recovery in remittances. Net foreign direct investment (FDI) as a share of GDP grew in 2017, but this was primarily due to the fall in the dollar value of nominal GDP (as the exchange rate devalued) and not an increase in FDI stocks. Gross international reserves rose to USD 28.1 billion by end-2017 (from USD 26.5 billion in 2016), representing a comfortable buffer of nearly 19 months of imports of goods and services.

43. Uzbekistan's growth prospects are expected to remain broadly favourable, but there are risks related to this phase of economic transformation. The baseline scenario projects a slight deceleration of growth to 5.0 percent for 2018 and 2019 as reforms are implemented, while support of private-sector investment and export-oriented growth will reignite overall economic growth in 2020 to 5.5 percent, as transitional adjustments stabilize.

44. External accounts would remain stable over the medium term, including the structure of the balance of payments changes in the context of a more open, dynamic domestic economy. While the current account

surplus improved significantly last year, under a successful reform scenario, this surplus should moderate over the medium term as imports of capital and intermediate goods pick up, mirroring a solid capital and financial account backed by growing FDI (and lending from IFIs), among other sources of foreign finance. On balance, Uzbekistan should be able to maintain its already comfortable external buffers.

45. Uzbekistan’s fiscal policy framework has been supporting robust real GDP growth while helping maintain macroeconomic stability for over a decade, including while facing severe external shocks in 2009-2016, and supporting economic liberalization in 2017-2018. The framework has favoured the provision of infrastructure, education and health services to help back a sustainable and robust medium-term economic growth. The Uzbekistan Fund for Reconstruction and Development (UFRD) played a useful macro-stabilizing role, but there is considerable scope to bring its activities in line with best international practices. The official general government budget, including the finances of UFRD, was in deficit in 2017.

46. Off-budget operations, however, comprise a significant part of fiscal spending, and are considerably less transparent. Off-budget spending comprises directed lending through the UFRD or State-owned banks, direct spending through SOEs, and spending from a large number of extrabudgetary funds (pensions, education and health infrastructure, rural irrigation, and non-tax revenue funds directly managed by line ministries). In July 2018, the government signalled that it would begin to close these funds and integrate expenditure and revenue directly into core budget operations commencing from the 2019 Budget year.

47. In addition to consolidating public expenditure into the budget, the government has signalled that it intends to pilot the use of a medium-term budgetary framework from the 2019 Budget.

48. Prior to the exchange rate adjustment, official public debt – almost all of it external – represented about 10.5% of GDP. As a result of the devaluation in September 2017, it is now about 24%. Almost all domestic debt was repaid last year. The IMF’s latest debt sustainability analysis suggests that Uzbekistan faces a low risk of debt distress. The IMF’s analysis was conducted after the devaluation. The government does not have a debt strategy separate to its overall public commitment to maintain fiscal prudence.

49. Overall fiscal policy became more expansionary in 2017, helping soften the impact of the exchange rate adjustment. In Uzbekistan, fiscal policy has been largely characterized by on-budget activities that are disciplined and rules-bound, coupled with off-budget activities—mainly financed by the UFRD—to support government priority sectors and/or SOEs, particularly through directed (often subsidized) lending. Together, the on-budget and off-budget activities form an “augmented” fiscal balance that captures the aggregate fiscal stance in the economy. Overall fiscal policies became expansionary (moving from an augmented fiscal deficit of 0.6 percent of GDP in 2016 to a deficit of 3.3 percent of GDP). The expansion had two components:

- Off-budget operations, largely financed by the UFRD, helped soften the blow of the exchange rate unification on the balance sheets, both for the banking sector (through pre-emptive recapitalization earlier in the year) and the SOEs (through the restructuring of foreign-exchange denominated debt). The total widening of the UFRD deficit from 2016 to 2017 reached 3.4 percent of GDP, reflecting the impact cost of the transition cushioned through the authorities’ assets.
- The State budget was prudent; demand-boosting fiscal measures implemented through the year were financed within-budget via tax increases and expenditure-savings.

50. To boost consumption and help promote private business development, the authorities raised public spending on salaries, pensions and social allowances (by a nominal 15 percent in December 2017, vis-à-vis 15 percent in 2016 and 10 percent in 2015; an average overall increase of 33 percent in the period 2008-2014), and further reduced direct income taxes on SMEs in services, farms and the low-income households. This was financed on-budget through hikes in indirect taxes, and a reduction of subsidies through adjustments in the prices of energy, bread and utilities towards cost-recovery levels.

Table A: Selected Economic Indicators, 2015 - 2017

	2015	2016	2017
National Income			
Real GDP growth (% change)	7.9	7.8	5.3
GDP per capita (USD)	2,124	2,094	1,491
Population (millions)	31.3	31.8	32.1
GDP at current prices (annual % change)	17.8	15.8	25.3
GDP at constant prices (annual % change)	7.9	7.8	5.3
Prices			
Consumer price inflation (% change, end of period)	8.4	7.9	18.9
GDP deflator (% change)	9.2	7.4	19.0
External Sector			
Exports of goods and services (% change)	-10.3	-2.8	9.4
Imports of goods and services (%change)	-16.4	-2.8	3.7
Current account balance (% of GDP)	0.7	0.7	3.7
External debt (% of GDP)	18.5	20.3	41.3
Exchange rate (UZS per USD; end of period)	2,810	3,231	8,120
Real effective exchange rate (% average, negative value denotes depreciation)	-2.4	-7.0	-31.8

Source: IMF Country Report 2018 Article IV Consultation

2.2. Fiscal and Budgetary Trends

51. According to official data, the State budget for the last three fiscal years was approved with a deficit but was executed with a surplus (0.1% surplus of GDP in 2015, 0.05% in 2016 and 0.1% in 2017).

52. For the 2017 budget, the revenue part of the budget was projected at 21.4% of GDP or UZS 62.229 trillion, while the expenditures were projected at 21.4% to GDP or UZS 62.17 trillion.

53. However, Table B: Central Government Actuals (percent of GDP), presents a deficit for the central government operations for each of the last 3 years. Uzbekistan recorded a Government Budget deficit of equal to 3.3 percent of the country's Gross Domestic Product in 2017. Government Budget in Uzbekistan averaged -0.47 percent of GDP from 1995 until 2017, reaching an all-time high of 2 percent of GDP in 2010 and a record low of -3 percent of GDP in 2017. Further, the augmented fiscal deficit rose above 3.3% of GDP, driven by lending operations (mainly through the UFRD) that expanded credit to State enterprises.

Table B: Central Government Actuals (percent of GDP)

Government Finance	2015	2016	2017
Consolidated revenue and grants	33.0	30.5	30.1
Consolidated expenditure and net lending	34.2	31.3	30.2
Consolidated primary budget balance	-1.2	-0.8	-0.1
Consolidated fiscal balance	-1.2	-0.8	-0.1
Fund for Reconstruction & Development: Revenues	1.3	1.6	1.6
Fund for Reconstruction & Development:	1.4	1.4	4.8
Fund for Reconstruction & Development: Balance	-0.1	0.2	-3.2
Augmented fiscal balance (incl. FRD)	-1.3	-0.6	-3.3
Augmented revenues & grants (incl. FRD)	34.3	32.1	31.6
Expenditures & net lending (incl. FRD)	35.6	32.7	34.9
Public debt	9.3	10.5	24.5

Source: IMF Country Report 2018 Article IV Consultation

Table C: Uzbekistan Aggregate Fiscal Data, 2016 to 2017 (UZS billion)

Element	FY 2016	FY 2017
Total Revenue	60,627	74,865
– Own revenue	60,627	74,865
– Grants	0	0
Total Expenditure	62,213	75,037
– Noninterest expenditure	62,072	74,635
– Interest expenditure	141	402
Aggregate Deficit (incl. grants)	-1,112	-8,240
Primary Deficit	-971	-7,838
Net Financing	1,084	7,463
– External	1,599	3,289
– Domestic	-515	4,174
Public and Publicly Guaranteed (PPG) debt	20,882	*61,038
Ratio of PPG Debt to GDP	10.5	*24.5

Source: IMF Country Report 2018 Article IV Consultation

* Official exchange rate was devalued in September 2017 by about 50%

54. The Senate approved the State budget for 2018 on December 20, 2018 with a surplus of 0.02% of GDP or UZS 59 billion.

Table D: Actual Budgetary Allocations by Sectors (of total expenditures)

Sectors	2015	2016	2017
Education	34.2%	34.4%	33.4%
Health care	14.4%	14.2%	15.1%
Culture and sport	1.1%	1.1%	1.5%
Social benefits	6.2%	5.4%	5.1%
Economic affairs	10.6%	10.6%	6.4%
Other expenses	33.6%	34.2%	38.6%
Total	100.0%	100.0%	100.0%

Source: Ministry of Finance

Table E: Actual Budgetary Allocations by Economic Classification (of total expenditures)

Nature	2015	2016	2017
Compensation of employees	51.7%	50.9%	52.1%
Use of goods and services	9.5%	9.6%	10.4%
Consumption of fixed capital	4.7%	4.9%	5.2%
Interest	0.3%	0.2%	0.2%
Subsidies	0.7%	0.7%	0.6%
Grants	0.1%	0.1%	0.1%
Social benefits	0.6%	0.6%	0.5%
Other expenses	32.3%	33.1%	30.8%
Total expenditure	100.0%	100.0%	100.0%

Source: Ministry of Finance

2.3. Legal and Regulatory Arrangements for PFM

55. **The Republic of Uzbekistan is a unitary State:** The system of government in the Republic of Uzbekistan is presidential, with a Parliament elected by universal suffrage (hereinafter also known as "Oliy Majlis"). Executive power is exercised by the government. Legislative power is vested in the two chambers of the Oliy Majlis: (i) the Senate and (ii) the Legislative Chamber. The judiciary is composed of the Supreme Court, Constitutional Court, and Higher Economic Court exercising judicial power.

56. **Constitution:** The Constitution defines the structure of the State having legislative, executive and judicial powers. The Constitution was proclaimed on 8 December 1992 and divides State power between the executive, legislative and the judicial branches of government. It is the supreme law of the Republic of Uzbekistan.

57. **Budget Code (2013):** replaced the previous Budget System Law and introduced the principle of the effectiveness of the use of the budgets of the budget system, the principle of transparency, the preparation of the budget for more than one fiscal year, the strengthening of financial independence of regions.

58. **Tax Code (2007):** introduced the tax system and regulates the rights and obligation of taxpayers, tax control and inspection, the non-compliance responsibility; it is currently being amended covering more aspects of the new tax policy, risk management system, and update on practice in relation to the changing social and economic environment.

59. **Law on Public Procurement (2018):** public procurement regulation and the related documentation, procurement methods, monitoring and control, complaints.

60. **Customs Code (2016):** regulates the transportation and import and export of goods across the country border, payment of duty, customs clearance procedure and documentation; customs control and inspection and the related information for the public; also, in process of being updated to reflect changes in customs administration and control aligned to international practice.

61. **Law on Parliamentary Control (2016):** regulates the procedures applied in deliberations of the budget and the audit report undertaken by the Parliament.

62. In addition to the laws approved by the bicameral Parliament of Uzbekistan, the public finance management area is strongly regulated through decrees, regulations, ordinances, decisions and other normative documents which are strictly complied with. The regulatory documents are uploaded and publicized on www.regulation.gov.uz.

63. Besides the public administration organisations such as ministries, committees, agencies, there are other budget entities whose operations are to be covered in the State Budget. These are the targeted funds, the extrabudgetary funds and the State-owned Enterprises.

64. The tables below list the budgetary units (central government level), the State Targeted Funds, the extrabudgetary funds and part of the public corporations. The State Targeted Funds are established to perform targeted operations for the government in various areas of economy. These funds have been recently reduced from ten to six. In addition, there are about 30 extrabudgetary funds with functions targeting a wide scope of social and economic topics. The public corporations in Uzbekistan (about 23 in number) are also known as State-owned Enterprises, they dominate the economic sectors recognised by the Government as being of national strategic interest. Some of the large-scale public corporations perform commercial activities and act as government institutions. They are monopolistic by nature and operate in sectors that will remain fully owned by the State and are not included in the list of companies which will be privatised by force of the recently launched Law on Privatisation and Denationalisation.

Table F: Budgetary Units of Uzbekistan

Budgetary Units	
Ministries	Committees and Agencies
1. Ministry of Economy of the Republic of Uzbekistan	• Chamber of Accounts
2. Ministry of Finance of the Republic of Uzbekistan	• National Agency for Project Management
3. Ministry of Employment and Labour Relations of the Republic of Uzbekistan	• State Tax Committee of the Republic of Uzbekistan
4. Ministry of Higher and Secondary Special Education of the Republic of Uzbekistan	• State Customs Committee of the Republic of Uzbekistan
5. Ministry of Public Education of the Republic of Uzbekistan	• State Committee of the Republic of Uzbekistan on Statistics
6. Ministry of Health of the Republic of Uzbekistan	• State investment Committee of the Republic of Uzbekistan
	• State Property Committee of the Republic of Uzbekistan
	• Centre for Public Asset Management

Budgetary Units	
Ministries	Committees and Agencies
7. Ministry of Internal Affairs of the Republic of Uzbekistan	
8. Ministry of Defence of the Republic of Uzbekistan	
9. Ministry of Emergency Situations of the Republic of Uzbekistan	
10. Ministry of Construction of the Republic of Uzbekistan	
11. Ministry of Foreign Affairs of the Republic of Uzbekistan	
12. Ministry of Foreign Trade of the Republic of Uzbekistan	
13. Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan	
14. Ministry of Justice of the Republic of Uzbekistan	
15. Ministry of Culture of the Republic of Uzbekistan	
16. Ministry of Physical Culture and Sports of the Republic of Uzbekistan	
17. Ministry of Housing and Communal Services of the Republic of Uzbekistan	
18. Ministry of Preschool Education of the Republic of Uzbekistan	
19. Ministry of Innovations Development of the Republic Uzbekistan	
20. Ministry of Agriculture Resources of the Republic of Uzbekistan	
21. Ministry of Water Resources of the Republic of Uzbekistan	

Table G: State Target Funds, Extra Budgetary Funds, and Public Corporations of Uzbekistan

Extra Budgetary Funds		Public Corporations*
State Targeted Funds	Other Extra Budgetary Funds*	
1. State Employment Promotion Fund	1. Aral Sea Fund	1. Uzbekneftegaz (oil & gas) State joint-stock corporation
2. Privatization Fund	2. Public Works Fund	2. O`zbekiston havo yo`llari National Air Company
3. Land Reclamation and Irrigation Fund	3. Environment Fund	3. O`zbekiston Temir yo`llari Railway Joint Stock Company
4. Road Fund	4. Clean Drinking Water Fund	4. Joint Stock Company "Uzbekenergo" (energy)
5. Health and Education Infrastructure Fund	5. Book Fund	
6. Pension Fund	6. Development of Physical Culture and Sports Fund	

Extra Budgetary Funds		Public Corporations*
State Targeted Funds	Other Extra Budgetary Funds*	
7. Higher Education Infrastructure Fund	7. Fund for Reconstruction and Development	5. Uzbekinvest National Export-Import Insurance Company
<i>*the list is not exhaustive</i>		

65. The concept of internal control involves all procurement rules and formalised acts that control the various kinds of risks relevant to an organization. The internal control objectives relate to the reliability of financial data and reporting, timely feedback on the achievement of planned operational activities and strategic goals, as well as compliance with laws and regulations at the level of an organisation. The usual internal control procedures in the PFM area in Uzbekistan are related to the Treasury operation and accounting procedures, which are designed to prevent fraud and identify weaknesses and errors. These procedures are formalised in the Budget Code as well as in various internal provisions, manuals and rules and cover:

- (i) segregation of duties - with clear responsibilities, properly segregated and formalised in order to make sure conflicting functions are performed by different officers;
- (ii) access controls – physical and electronic;
- (iii) control and audits – remote (cameral) and on the spot (physical);
- (iv) standardized documentation – budget preparation and execution forms; processes and activities are to be controlled on operational level mainly by the Treasury and through the facilities integrated in GFMS;
- (v) reconciliations – periodic checks of balance of accounts and data with the various budget entities, as well as reconciliation with the central bank system, expenditure and revenue reconciliation is to be performed through the Treasury Single Account;
- (vi) approval authority – four eyes principles of signature and levels of access to system (by password) allowing audit trails, financial data integrity; these are set in the accounting manual defining level of authorization, policies, standards, and accounting procedures and reports.

66. The five elements of internal control as embedded in the system of public finance management of Uzbekistan are outlined as follows:

- **Control Environment:** strong regulatory framework exists in the government stipulated in the following acts: Constitution- 1992; Budget Code - 2013; Tax Code-2007; Customs Code-2016, On Accounting Reporting-2016; Law on Public Procurement-2018. Other documents setting up the control environment are: (i) procedures on defining and registration of expenditure commitments; (ii) procedures for application of internal control for budget entities; (iii) procedures for amendment of expenditure commitments, personnel list, and salary; (iv) procedures on calculation of salary for budget entities. In additions there are various Presidential and Cabinet of Ministers’ decrees and ordinances issued to ensure compliance with the laws. The control environment is mainly realised with the Treasury functions. The working procedures of the central and local treasuries, financing, receipt of the documents, estimate of expenditures, types of reports on central and local budget performance are defined based on instructions approved by the Ministry of Finance. The Budget Code also defines: (i) the roles and duties of the central Treasury office at MoF and its local branches in the regions, (ii) relationships with the banking system, (iii) management of the Treasury Single Account, (iv) responsibility of budget

organization as well as the (v) the accounting and reporting procedures. The budget entities have internal rules as well as other documents formalising the rules and obligations of the officers. Another law “On Administrative Procedures” was passed by the Legislative Chamber of the Parliament in December 2017. The law is aimed at introducing modern organizational and legal forms of activity of executive bodies, strengthening the mechanism of intra-departmental control, excluding formalism, abuses in public administration, and ensuring effective provision of public services, implementation of modern procedures for exercising rights and legitimate interests of individuals and legal entities.

- **Risk Assessment:** risks are covered by preliminary and ex-ante control activities permeating the entire system of public finance. However, it was ascertained if general risk assessment framework exists, apart from the formalised risk assessment mechanism in the area of tax and customs, which are in process of being further upgraded and improved. The internal audit concept has just been drafted and the risk identification and assessment are still not the practice defining the audit plan in the internal audit function deployed in most budget entities. Risk assessment is not performed in relation to: (i) the economic analysis of investment proposals; (ii) proposed capital investment projects are not submitted for economic appraisal before approval; (iii) debt management strategy - debt strategy is yet to be developed with associated risk, exchange rate and interest rate factors.
- **Control Activities:** are well-developed and applied. Use of GFMIS with clear control of payment rules for all operations for budget execution enhances transparency and accountability. The recently established internal audit units are yet to be developed in line with the international practice in order to audit these PFM functions, which may open gaps in the internal control system. According to the Budget Code, Ministry of Finance and its regional Treasury offices implement control over revenues, expenditures and State budget performance. Local Treasury branches directly report to the central Treasury at MoF. In addition, the Control Revision Unit performed the function of control over the implementation of the internal rules.
- **Information and Communication:** there is a management information system known as UzASBO deployed within the budget entities, it is designed to automatically connect all authorised users covering comprehensively the entire budget process related procedures and systems including the operations on budget execution and reporting. The software system allows data entry, filling-in and submission of various budget preparation and execution forms, personnel and salary forms in electronic format with electronic signature. This system is to be used for all inter-communication among budget entities. Budget preparation and execution is to be communicated to the Parliament. Citizen Budget is to be presented to the public with focus on changes every year.
- **Monitoring:** the internal control system is subject to review and regular control by the Control Revision Unit and the newly established Internal Audit function in several budget entities. The internal audit function is newly set up only in six budget units and the annual external audit is carried out by the Chamber of Accounts. The audit reports are submitted to both chambers of the Parliament for discussion and approval. There is, however, not obvious public participation at hearings.

2.4. Institutional Arrangements for PFM

67. **The Legislative Chamber of the Oliy Majlis (Parliament) of the Republic of Uzbekistan:** The Chamber has 120 deputies who form the Legislative Chamber (lower house) of Oliy Majlis. They are elected in their territorial constituencies on a multi-party basis for the term of five years.

68. **The Senate of the Oliy Majlis of the Republic of Uzbekistan (the upper chamber):** The Senate is made up of 100 members (Senators) out of which 16⁴ are directly nominated by the President while the others are elected. The Oliy Majlis enacts legislation, which may be initiated by the President, Cabinet of Ministers, within the Parliament, by the high courts, by the General Prosecutor (highest law enforcement official in the country), or by the government of the Autonomous Republic of Karakalpakstan. Both the Legislative Chamber and the Senate have a Committee on Budget and Economic Reforms that scrutinizes the budget and audit reports.

69. **President:** The presidency in Uzbekistan was adopted in 1990. The President is directly elected to a five-year term that can be renewed once; is the head of State and is granted supreme executive power by the constitution. The President signs the laws passed by the Oliy Majlis and is also the commander in chief of the armed forces. The President is empowered to nominate a candidate of the prime minister for consideration by the chambers of the Oliy Majlis and appoint full cabinet of ministers (following recommendations from the Prime Minister) and the judges of the three national courts, subject to the approval of the *Oliy Majlis*, and to appoint all members of lower courts. The President also has the power to dissolve the parliament.

70. **Cabinet of Ministers and the Prime Minister:** The Prime Minister (PM) of the Republic of Uzbekistan organizes and directs the activities of the Cabinet of Ministers and is personally responsible for its performance. The PM presides at meetings of the Cabinet of Ministers, sign its decisions, the intergovernmental treaties and agreements, in consultation with the President of the Republic of Uzbekistan. Cabinet of Ministers is the executive power body ensuring guidance over effective functioning of the economy, social and cultural development, execution of the laws, and other decisions of Oliy Majlis, as well as decrees and resolutions issued by the President of the Republic of Uzbekistan.

71. The key public financial management institutions that report to the Cabinet of Ministers include the Ministry of Finance that is responsible for tax policy, budget preparation and execution in coordination with line ministries and all government institutions; Ministry of Economy that is responsible for macroeconomic and fiscal forecasting, fiscal strategy and fiscal oversight of State-Owned Enterprises; National Agency for Project Management that regulates public procurement; and State Tax Committee and State Customs Committee, which are both responsible for tax and customs administration.

72. **Local State Bodies:** These include districts, towns and regions. They are governed by Khokims who are appointed by the President and confirmed by an elected provincial council of people's deputies. The main responsibility of Khokims is to ensure law abiding behaviour of citizens in their areas and execution of laws, regulations and decrees issued by legislative bodies. The Khokims also oversee government development programs in their jurisdictions.

⁴ The 16 are appointed by the President from amongst citizens with extensive practical experience and special merits in the sphere of science, art, literature, manufacturing and other spheres of state and public activity.

73. **Judiciary:** The national judiciary includes the Constitutional Court, the Supreme Court, and the High Economic Court. Lower court systems exist at the regional, district, and town levels. Judges at all levels are appointed by the President and approved by the *Oliy Majlis*.

74. **Office of Public Prosecutor:** The office was created in 1992 and is headed by the Prosecutor General. The Prosecutor General and his regional and local equivalents (in towns and districts) are the State's chief prosecuting officials. All the prosecutors hold their positions for five years.

75. **Central Bank:** The central bank has the mandate to regulate the banking sector and oversee the monetary policy of the Republic of Uzbekistan.

76. **Chamber of Accounts:** This is the Supreme Audit Institution (SAI) that was established by decree in 2002. Its mandatory activities as per decree include the external audit of the annual budget execution report; and the review and report on the draft budget.

77. The right to initiate legislation in the Oliy Majlis of the Republic of Uzbekistan is vested in the President of the Republic of Uzbekistan, the Republic of Karakalpakstan through the highest body of State authority, the deputies of the Oliy Majlis of the Republic of Uzbekistan, the Cabinet of Ministers of the Republic of Uzbekistan, the Constitutional Court, the Supreme Court, the Higher Economic Court and the Procuracy (Attorney) General of the Republic of Uzbekistan.

78. The highest representative body of the State is the Oliy Majlis, the Supreme Assembly of the Republic of Uzbekistan. This body exercises legislative powers.

79. In accordance with the results of the Referendum of January 27th, 2002 the structure of the Oliy Majlis was changed. The Oliy Majlis of the Republic of Uzbekistan was enacted on June 1, 2004 as a bicameral parliament and consists of a Legislative Chamber and a Senate. (This amendment to the Constitution of the Republic of Uzbekistan was officially published on May 22, 2003)

80. The Legislative (lower) chamber of the Republic of Uzbekistan is composed of 120 deputies, elected by territorial constituencies on a multi-Party basis for a term of five years.

81. The Senate (upper chamber) of the Republic of Uzbekistan consists of territorial representatives (senators) from the Republic of Karakalpakstan, each region of Uzbekistan (now there are 12) and Tashkent city (chosen by the Legislature thereof). The President of the Republic of Uzbekistan also appoints 16 members of Senate from most authoritative citizens. All senators are elected for a term of five years.

82. The Senate and the Legislative Chamber of Oliy Majlis adopt and amend the Constitution and laws of Republic of Uzbekistan, legislatively regulate customs, currency and credit systems, regulate problems of the administrative - territorial structure and alteration of frontiers of the Republic of Uzbekistan, and approve the State's budget.

83. On August 1, 2016 the Treasury assumed responsibility for management of: (i) revenues of the State Budget of the Republic of Uzbekistan, (ii) the cost of budget organizations (excluding the defence industry and law enforcement agencies, as well as the individual funds), including extrabudgetary funds of budgetary organizations as well as the cost of budgetary funds, (iii) revenues and expenditures of extrabudgetary funds of

ministries and departments, (iv) income and expenses Government Trust Funds, as well as income and expenses of other non-budgetary funds. This means the Ministry of Finance processes transactions of most of the central government institutions.

84. The tables below show the structure of government based on number of entities.

Table H: Structure of the Public Sector (number of entities and financial turnover)

	Public Sector Year - 2018				
	Government Sub-sector		Extra Budgetary Funds ⁵	Public Corporation Sub-sector	
	Budgetary Units ⁶	Extra Budgetary Units ⁷		Nonfinancial Public Corporations ⁸	Financial Public Corporations
Central	63		8	87	10
1 st Tier Subnational	14				
Lower Tier(s) of	160				
TOTAL¹⁰					2,809

85. Article 34 of the Budget Code ‘Structure of the State Budget’ stipulates that the State budget consists of (i) the Republican budget of the Republic of Uzbekistan, (ii) the budget of the Republic of Karakalpakstan, and (iii) local budgets of regions and the city of Tashkent. The budget documentation and budget execution reports, therefore, provide a consolidated picture of the revenues and expenditures of the Republican budget *and* the subnational budgets.

Table I: State Budget by Republican Budget and Budgets of Subnational Government (UZS million)

Item	Republican Budget	Subnational Government Budget	State Budget
Revised Budgeted revenues	30,900,367.6	17,575,632.4	48,476,000.00
Actual revenues	31,144,713.9	18,536,313.4	49,681,027.30
Original Budgeted expenditure	25,560,318.5	21 382 802.5	46,943,121.00

⁵ State Targeted Funds and Fund for Reconstruction and Development.

⁶ Source <https://www.gov.uz/>. There are 21 ministries, 11 State committees, 11 State inspections, 9 agencies, 3 committees, 6 centers, and 2 scientific establishments.

⁷ For so far none identified.

⁸ Data for 87 national corporations with government ownership managed by Center for State Asset Management under the State Committee for Competition (of which 35 with majority government-ownership), plus 10 commercial banks with majority government-ownership managed by the Ministry of Finance.

⁹ Twelve provinces (viloyatlar, singular - viloyat), 1 autonomous republic (avtonom respublikasi), and 1 city (shahar). The regions and the republic are further divided into 160 districts and cities of regional (republican) subordination. Tashkent city is divided into arrondissements.

¹⁰ Extracted from <http://csam.uz>. Fully or partially government-owned Corporations in Uzbekistan at national, subnational and district level: 1,955 Unitary enterprises (100% government-ownership); 502 Joint-stock companies; 352 Limited liability enterprises; in total 2,809 corporations with (full or partial) government ownership.

Item	Republican Budget	Subnational Government Budget	State Budget
Revised Budgeted expenditure	26,370,531.8	22,719,468.2	49,090,000.00
Actual expenditure	26,254,575.1	23,089,108.9	49,343,684.00

Source: Audited budget execution report for 2017

86. Uzbekistan is a presidential constitutional republic in which the President is both head of State and head of government. The country is highly centralized. In Uzbekistan's system of strong central government, subnational governments have little independence. This characteristic is also reflected in the budget process, whereby line ministries and other central budget institutions prepare their budget requests after the issuance of the budget circular and at the same time the subnational governments prepare their budget requests.

87. Major tax revenue collection is centralized and the distribution of revenues among the Republican budget and subnational budgets happens through a complex system of revenue sharing arrangements. The intergovernmental transfer system is basically a *horizontal* mechanism to ensure equalization across subnational governments.

88. Besides the State budget, the budget documentation and the budget execution report comprise the budgets of the seven State targeted funds. The revenues and expenditures of the Fund for Reconstruction and Development are not included in the budget documentation and fiscal reports.

89. The tables below show the financial structure of government based on planned and actual expenditure for the fiscal year 2017.

Table J: Financial Structure of Central Government —Budget Estimates (UZS billion)

Year - 2017	Central Government				
	Budgetary Unit – State Budget	Extra Budgetary Units	State Targeted Funds	FRD	Total Aggregated
Revenue	44,469.6		25,701.1	2,755.9	72,926.6
Expenditure	46,943.1		25,701.1	2,309.1	74,953.3
Transfers to (-) and from (+) other units of general government (subvention)	1,397.1				
Liabilities	NA	NA	NA	NA	NA
Financial Assets	NA	NA	NA	NA	NA
Non-Financial Assets	NA	NA	NA	NA	NA

Source: Audited budget execution report for 2017. See <https://nsdp.stat.uz/> for data on FRD

Table K: Financial Structure of Central Government – Actual Expenditures (UZS billion)

Year - 2017	Central Government				
	Budgetary Unit – State Budget	Extra Budgetary Units	State Targeted Funds	FRD	Total Aggregated
Revenue	49,681.0		26,841.3	3,886.0	80,408.3
Expenditure	49,343.7		21,679.6	11,954.0	82,977.3

Year - 2017	Central Government				
	Budgetary Unit – State Budget	Extra Budgetary Units	State Targeted Funds	FRD	Total Aggregated
Transfers to (-) and from (+) other units of general government (subvention)	1,345.3				
Liabilities	NA	NA	NA	NA	NA
Financial Assets	NA	NA	NA	NA	NA
Non-Financial Assets	NA	NA	NA	NA	NA

Source: Audited budget execution report for 2017, IMF Country Report 2018 Article IV Consultation for data on FRD

2.5. Other Key Features of PFM and Its Operating Environment

90. The Parliament approved the Budget Code at the end of 2013, providing the legal basis for the procedures in fiscal and economic terms. It covers all aspects of the budget system, setting out the process of preparation and reporting of annual budgets, the consolidated State Budget with its revenue and expenditure, the Treasury operation and other.

3. Assessment of PFM Performance



PILLAR ONE: Budget Reliability

PI-1. Aggregate Expenditure Outturn

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-1 Aggregate Expenditure Outturn	A	
1.1 Aggregate Expenditure Outturn	A	Aggregate expenditure outturn was between 95% and 105% of the approved aggregate expenditure in at least two of the last three years (95.8% in 2015, 95.8% in 2016, and 105.1% in 2017).

91. According to the Budget Code (Article 37), the State Budget consists of the budgets of the central government, the Republic of Karakalpakstan, and the local budgets of provinces and Tashkent city. The data covers the internationally recognized definitions of central and local government. Institutional coverage of the State budget includes all units of the central and local government. Central government operations cover the State Budget, budgetary accounts of other institutional units within the central government, and budgets of special-purpose State funds. The special purpose funds comprise the State Targeted Funds, which are on budget and in the budget execution report but reported separately. Funds for Reconstruction and Development is one-line item in the budget, but it is also reported separately.

92. The State Budget does not include eight extrabudgetary funds (EBFs) and Pension Funds. The consolidation of the State budget, together with EBFs generates the general government budget.

93. General government operations are compiled on a cash basis, i.e., payments are recorded at the time checks are issued and receipts are recorded at the time checks and currency are received.

94. Table L presents the total budget and actual expenditure of the central government. Actual outturn was 95.8% in 2015, 95.8% in 2016, and 105.1% in 2017. The calculations of the variance and outturn figures presented here are available in Annex 5.

Table L: Total Budget and Actual Expenditure (UZS billion)

Year	Budget	Actual	% Outturn
2015	37,858	36,257	95.8%
2016	42,721	40,911	95.8%
2017	46,943	49,344	105.1%

Source: MoF

95. In summary, aggregate expenditure outturn was between 95% and 105% of the approved aggregate expenditure in two of the last three years, resulting in a score of A.

Dimension rating = A

96. *Ongoing Reforms:*

- The Ministry of Finance plans to ensure the general budgetary coverage in 2019.

PI-2. Expenditure Composition Outturn

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-2 Expenditure composition outturn	B+	Scoring Method M1
2.1 Aggregate composition outturn by function	B	Variance in expenditure composition by functional classification was less than 10% in all the three years.
2.2 Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 10% in all the three years.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average 0.4%, which is less than 3% of the original budget.

2.1. Expenditure Composition Outturn by Function

97. Expenditure composition outturn by function is reported in Annex 5. Aggregate compositional variation by function of the State budget was less than 10% in the last three years. The table in Annex 5 details the expenditure composition variance based on the Uzbekistan State Budget functional classification according to the PEFA methodology. It shows that the variation was 4.9% in 2015, 5.0% in 2016, and 6.8 % in 2017.

Table M: Budget and Actual Expenditure Allocations by Functional Classification (UZS billion)

Functional Head	2015			2016			2017		
	Budget	Actual	% Var.	Budget	Actual	% Var.	Budget	Actual	% Var.
General Public Services	3,251	2,514	-22.7%	3,969	2,958	-25.5%	4,571	4,818	5.4%
Defence	74	91	22.5%	53	220	312.6%	64	234	263.6%
Public Order and Safety	475	508	6.9%	454	552	21.7%	539	1,069	98.1%
Economic Affairs	5,123	4,631	-9.6%	5,347	5,077	-5.0%	5,573	6,155	10.4%
Environmental Protection	22	27	23.8%	24	29	22.4%	26	103	290.7%
Housing and Community Amenities	623	669	7.4%	682	718	5.3%	808	895	10.7%
Health	4,933	4,787	-3.0%	5,498	5,305	-3.5%	6,216	6,302	1.4%
Recreation, Culture, and Religion	462	514	11.4%	579	604	4.4%	683	1,045	52.9%
Education	12,758	12,249	-4.0%	14,524	13,935	-4.1%	16,240	15,971	-1.7%
Social Protection	3,509	3,352	-4.5%	4,050	3,745	-7.5%	3,290	3,132	-4.8%
Other Expenditure	6,518	6,813	4.5%	7,421	7,666	3.3%	8,610	9,308	8.1%
Allocated Expenditure	37,748	36,155	-4.2%	42,601	40,809	-4.2%	46,620	49,032	5.2%
Contingency	110	102	-7.3%	120	102	-15%	323	312	-3.4%
Total Expenditure	37,858	36,257	-4.2%	42,721	40,911	-4.2%	46,943	49,344	5.1%

Source: MoF

98. The figures in Table M show that although there were no major overall variances outside the range of 4.2 to 5.1%, there were some high variations over the three years, for example, defence (312.6 % of initial budget in 2016 and 263.6% in 2017) and environmental protection (290.7% in 2017).

Dimension Rating = B

2.2. Expenditure Composition Outturn by Economic Type

99. The budget proposal presents the budget (expenditure side) only on functional classification, which is appropriated by Parliament. According to Article 144 of the Budget Code No. 360 (2013), the budget can be changed by not more than 10% with the approval of the MoF, based on the functional classification of the budget. Below that threshold, decision for reallocation is under the authority of the Cabinet of Minister (see PI-18.4). Hence, budget deviation according to economic classification may be expected to be more important than according to functional classification.

100. Annex 5 shows the variance in expenditure composition by economic classification as 6.9% in 2015, 6.8% in 2016, and 4.9% in 2017. The variance by economic classification was less than 10% in all the three years.

Table N: Estimates and Actual Budgetary Allocations by Economic Classification (UZS billion)

Economic Head	2015			2016			2017		
	Budget	Actual	% Dev.	Budget	Actual	% Dev.	Budget	Actual	% Dev.
Compensation of Employees	19,622	19,589	-0.2%	21,727	21,852	0.6%	24,474	24,710	1.0%
Use of Goods and Services	3,608	3,668	1.7%	4,092	4,128	0.9%	4,873	5,564	14.2%
Consumption of Fixed Capital	1,800	1,839	2.1%	2,100	2,089	-0.5%	2,450	3,234	32.0%
Interest	129	46	-64.2%	94	59	-37.0%	94	134	42.2%
Subsidies	258	291	12.9%	281	312	11.1%	303	330	8.8%
Grants	41	43	4.1%	41	48	17.1%	59	125	110.9%
Social Benefits	243	234	-3.7%	254	216	-14.9%	246	239	-2.7%
Other Expenses	12,157	10,547	-13.0%	14,132	12,207	-13.6%	14,444	15,008	3.9%
Total Expenditure	37,858	36,257	-4.2%	42,721	40,911	-4.2%	46,943	49,344	5.1%

Source: MoF

101. As seen in Table N, the main economic classifications, that is, “Compensation of Employees and Uses of Goods and Services” show little deviation from the original budget, while “Consumption of Fixed Capital” presents substantial deviation only for the last year at 32.0%. “Interest” and “Grants” show significant deviation from the original budget, but their overall values are small compared to the total expenditure. Overall the deviations of total expenditure arising from economic classification (4.2% in 2015 and 2016 and 5.1% in 2017) are low because of the strong control systems of the Ministry of Finance over budget execution.

Dimension Rating = B

2.3. Expenditure from Contingency Reserves

102. The Ministry of Finance controls the contingency reserves and uses them on the basis of demands from budget users during the budget implementation process. Spending from the contingency reserves as a share of approved budget has been very minimal with the average less than 3% of the original budget. Actual expenditure charged to the contingency vote over the three fiscal years was on average 0.4% of the original budget (0.3% in 2015, 0.3% in 2016, and 0.7% in 2017).

Dimension Rating = A

PI-3. Revenue Outturn

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-3 Revenue outturn	B+	Scoring Method M2
3.1 Aggregate revenue outturn	A	Actual Revenue was between 97% and 106% in two of the last three years (101% in 2015; 101% in 2016; and 112% in 2017).

Indicator/Dimension	Score	Brief Justification for Score
3.2 Revenue composition outturn	B	Variance in revenue composition was less than 10% in two of the last three years (7.0% in 2015, 10.7% in 2016, and 7.5% in 2017).

3.1. Aggregate Revenue Outturn

103. The revenue forecast in Uzbekistan is undertaken by the Ministry of Finance based on the macro projections provided by the Central Bank, Ministry of Economy and Ministry of Foreign Economic Relations, Investment and Trade.

104. Budget revenues are determined on the basis of a pessimistic scenario (see PI-14). Therefore, revenue collection most of the time exceeds the budget forecasts. A comparison of actual receipts against the original budgeted figures indicates that, on aggregate, revenue collection has exceeded budgeted figures in all three years (101% in 2015; 101% in 2016 and 112% in 2017). However, according to a presidential decree, windfall revenues due to higher growth or higher international commodity price cannot be converted into spending and should be transferred to the Fund for Reconstruction and Development (see PI-6). As a result, generated budget was in surplus in all three years.

105. In summary, the deviation remained within the threshold range of 97% and 106% in 2015 and 2016 and went up to 112% in 2017. The calculations come from the figures in Table O below with details under Annex 5.

Table O: Comparison of Budgeted & Actual Revenue (UZS billion)

Economic Head	2 015			2 016			2 017		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Direct taxes	8,555	8,798	103%	9,339	9,852	105%	10,674	11,539	108%
Indirect taxes	19,117	19,194	100%	22,298	21,131	95%	24,285	26,133	108%
Resource payments and tax on property	5,743	4,816	84%	5,807	5,307	91%	6,050	6,868	114%
Tax on profit	548	653	119%	390	1,402	359%	723	1,415	196%
Other income	2,222	3,032	136%	2,672	3,351	125%	2,738	3,726	136%
Total revenue	36,185	36,493	101%	40,506	41,043	101%	44,470	49,681	112%

Source: MoF

Table O overall shows small deviations of 101% in 2015 and 2016 and a larger deviation in 2017 of 112% mainly due to an increase in collection of all tax categories. Deviations of the large sources of revenue related to direct taxes and indirect taxes were not more than 10% of the original budget over the three years. The deviation of resource payments and tax on properties, ranged between 9% and 16% over the three years. However, there were significant deviations in the smaller revenue categories related to tax on profit and other income. For example, the deviation on tax on profit in 2016 was 359% and 196% in 2017.

Dimension Rating = A

3.2. Revenue Composition Outturn

106. The main sources of domestic revenue collected include income tax under direct taxes and indirect taxes such as value added tax, excise tax, customs duty, tax on consumption of fuel products, and import duty. Tax on subsoil use is also a major revenue source under resource payments as is property tax.

107. The variance in revenue composition was less than 10% in two of the last three years. Details as seen under Annex 5 show the variances as 7% in 2015, 10.7% in 2016, and 7.5% in 2017.

Dimension Rating = B



PILLAR TWO: Transparency of Public Finances

PI-4. Budget Classification

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-4 Budget Classification	B	
4.1 Budget classification	B	The budget formulation and execution are based on administrative, economic and functional classification, using GFS/COFOG standards.

4.1. Budget Classification

108. Uzbekistan adopted a new budget classification system in 2010 complying with the Government Financial Statistics (GFS) 2001 Manual international standards. The authorities started reporting GFSM2001-compliant fiscal data in 2013 and publishing fiscal data in the GFS Yearbook in 2014. The budget classification is based on: i) sources of funds and budget levels (1-6 digit), ii) functional (7-13), iii) organizational (14-16), iv) economic (17-23), and v) territorial (24-26) breakdowns. State Budget preparation, discussion, approval, implementation, reporting, auditing and control follows the budget classification approved by the MoF order #65 of August 20, 2010. The budget classification is developed and approved by the Ministry of Finance in accordance with the procedures established by the legislation. Therefore, from 2011, central and local administrations budgets and expenditures are available either in an economic, functional, or administrative breakdown.

109. According to Chapter 3 of the Budget Code of the Republic of Uzbekistan on budget system, the budget classification means grouping of budget revenues and expenditures within the State budget and sources for financing the deficit.

The budget classification comprises:

- Classification of the State budget revenues;
- Functional, organizational and economic classification of the State budget expenditures;
- Classification of sources to finance the State budget deficit;
- Classification of the State budget revenues shall be the grouping thereof by types and sources in accordance with the legislation;

- Functional classification of the State budget expenditures shall be the grouping thereof by the functions of the State administrative bodies, local governance authorities as well as other budget organizations (spending agencies). The breakdown of the functional classification in Uzbekistan has been presented in PI-2;
- Organizational classification of the State budget expenditures means the grouping thereof by types of economic agents and activities that reflect the allocation of budget funds among their direct beneficiaries;
- Economic classification of the State budget expenditures means grouping of the State budget expenditures by economic purposes and types of payments; and
- Classification of the sources for financing the State budget deficit shall be the grouping thereof by internal and external sources.

110. For budget elaboration, data are organized according to functional, economic and administrative classifications. In quarterly reports, economic classification is presented only at an aggregate level, but annual budget execution reports provide information at a more detailed level, which is compliant with GFS 2-digits. State budget and funds are presented in separate budget execution reports. Economic classification used in summarised quarterly reports provided to the Parliament is compliant with GFS economic classification only at the 3 digits level, but it is compliant in annual budget execution reports with GFS at the 4 digits level.

111. However, IMF comments that the economic classification presented in the financial assets transactions reports is not fully compliant with international standards, because new lending is classified as expenditure in the budget and repayments of principle are classified as revenue. This fact is most significant for reporting of the Uzbekistan's FRD, but also affects the State Budget revenue and expenditure.

112. In summary, budget classification is consistent with the international standard GFSM 2001 - with some exceptions in reporting - and linked with the Chart of Accounts (COA). It also complies with the OECD Classification of the Functions of Government (COFOG).

Dimension Rating = B

113. *On-Going Reforms:*

- *In 2018, the MoF has developed new formats for the budget elaboration, providing the grouping of revenue and expenditure of GFSM 2001. This new format will be implemented from January 2019 onwards. Adoption of the budget formats will also be prepared to provide an assessment of the effectiveness of fiscal policy.*
- *In 2023, the implementation of measures for the implementation of the SBS program budgeting and program classification will be developed. The format of program classification will be based on the objectives of fiscal policy and budget programs. Program classification will complement the existing administrative, economic and functional classifications.*
- *In order to build the necessary capacity at the Training Centre of the Ministry of Finance, the Ministry will organize training of specialists of its branch offices, Treasury, as well as employees of the financial and economic services of budget organizations on the use of program classification.*
- *The introduction of program classification is expected to be done in 2024-2025 as a first step towards program budgeting. MoF will seek assistance of international experts to ensure this is effectively done.*

PI-5. Budget Documentation

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-5 Budget documentation	B	
5.1 Budget documentation	B	The budget documentation fulfils 7 of 12 elements including every basic element (1-4).

5.1. Budget Documentation

114. The consolidated budget of the Republic of Uzbekistan comprises the State budget, State targeted / trust funds and FRD. It does not include off-budget funds of budget organizations (see PI-6). Article 96 of the Budget Code stipulates the requirements for the budget proposal (*Бюджетное послание*).

Box 2: Budget Code Requirements for the Budget Proposal

- *Main results of the socio-economic development of the country over the past year and the projected assessment of the results of the socio-economic development of the country of the current year;*
- *Forecast of the main macroeconomic indicators used in the development of the draft State budget and the budgets of State trust funds;*
- *Assessment of the implementation of the State budget and budgets of State trust funds for the current year;*
- *Draft guidelines for tax and budget policy;*
- *Draft State Budget and State Trust Funds;*
- *Information about the State of public debt; and*
- *An explanatory note to the main directions of the tax and budget policy, the draft State Budget and the budgets of State trust funds.*

115. The official annual budget documentation is prepared by the MoF and presented by the Government to Parliament. The most recent executive budget proposal for 2018 (*“Бюджетное послание на 2018 год”*) consists of five sections:¹¹

- Main results of social-economic development of the country for 2016 and estimate and forecast for 2018;
- Analysis of execution of the State budget and extrabudgetary funds (State trust funds) for 2017;
- Main directions of tax policy for 2018 and projected indicators of State budget revenues;

¹¹ Note that the published version on MoF website contains only the last three sections and does not include the annexes (see https://www.mf.uz/media/file/state-budget/pub/byudjetnoe_poslanie.pdf).

- Main directions of budget policy for 2018 and projected parameters of State budget; expenditures;
- Revenues and expenditures of extrabudgetary funds (State trust funds) for 2018.

116. The budget proposal for 2018 contains additional annexes providing additional explanation and justification of the revenue and expenditure policies, as well as overview tables on the State budget and extrabudgetary funds (estimate for 2017, forecast for 2018), main macroeconomic indicators, and debt servicing (estimate for 2017, forecast for 2018).

117. The table below shows the comprehensiveness of the information in the 2018 budget documentation against the four basic and eight additional elements required.

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
Basic Elements			
1	Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	Documented under Budget proposal - Annex <i>Draft State Budget and Budgets of State Targeted Funds for 2017-2018</i> .
2	Previous year's budget outturn presented in the same format as the budget proposal.	Yes	Chapter 2 of the Budget proposal contains a section on analysis of execution of the State budget and extrabudgetary funds (State trust funds) for 2017 as basis for the budget for 2018. The parliament receives an annual budget execution report in May already containing the previous year's budget outturn, presented in the same format as the budget proposal.
3	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	Documented under Budget proposal last table at the end of the main document (<i>Annex Draft State Budget and Budget of State Targeted Funds for 2017-2018</i>) containing the estimated outturn for 2017 and budgeted for 2018. ¹²
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 year with a detailed breakdown of revenue and expenditure estimates.	Yes	Documented under Budget proposal last table at the end of the main document (<i>Annex Draft State Budget and Budgets of State Targeted Funds for 2017-2018</i>). As mentioned, the parliament receives an annual budget execution report in May already containing the previous year's budget outturn, presented in the same main headings of the classifications as the budget proposal.
Additional Elements			
5	Deficit financing, describing its anticipated composition.	Yes	The budget proposal foresaw a budget surplus (estimated for 2017, planned for 2018). Therefore, this element is not relevant for FY 2018. For the sake of scoring, a yes is indicated as in principle deficit financing would be included if a deficit would be forecasted as it is

¹² The table in the published version of MoF website contained only the figures for 2018.

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
			compulsory to indicate the sources to cover a planned deficit.
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	Yes ¹³	Documented under first annex to the Budget proposal - <i>Table Main Macroeconomic Indicators</i> . Macroeconomic assumptions, except interest rates, are presented in the main results of social-economic development of the country for 2016 and estimate and forecast for 2018 and in an overview table in the annex. Note that the Government has not yet issue government bonds.
7	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	No	The budget proposal did not include such information. It included information on debt servicing and the maximum amount (40% of GDP). Foreign debt service would amount to UZS 952.8 billion or 0.3% of GDP.
8	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	No	The budget proposal did not include such information.
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	No	The budget proposal did not include such information.
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 programs.	Yes	Documented under Chapters 2 and 3 of the Budget proposals: <i>Main directions of tax policy for 2018 and projected indicators of State budget revenues; and Main directions of budget policy for 2018 and projected parameters of State budget expenditures</i> . The annexes to the Budget proposal contained tables presenting each revenue and expenditure measure, the description and justification and the fiscal impact assessment.
11	Documentation on the medium-term fiscal forecasts.	No	The budget proposal presented only estimates for one year. The budget proposal for 2019 will contain estimates for three years.

¹³ Most of the criteria is met except for interest not being included as one of the macroeconomic assumptions.

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
12	Quantification of tax expenditures.	No	The budget proposal did not include such information.

118. In summary, the budget documentation fulfils 7 elements, including all 4 basic elements and 3 additional elements. The elements that are not provided are: details of debt stock, financial assets, fiscal risks, medium-term fiscal forecasts and quantification of tax expenditures. Macroeconomic assumptions are presented except the interest rate. It is noted that to date, the government is yet to issue government bonds.

Dimension Rating = B

119. *Ongoing Reforms:*

- *The budget proposal of 2019 will contain medium-term fiscal forecasts for three years as part of the introduction of a medium-term perspective to budgeting. The 2019 budget will also report on the estimated fiscal revenue losses from tax and customs expenditures.*

PI-6. Central Government Operations Outside Financial Reports

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-6 Central government operations outside financial reports	C	Scoring Method (M2)
6.1 Expenditure outside financial reports	D	Expenditure outside government financial reports is more than 10% of total BCG expenditure (including net lending), primarily due to FRD expenditure (including net lending) which is reported outside government financial reports.
6.2 Revenue outside financial reports	B	Revenue outside government financial reports is slightly less than 5% of total BCG revenue, primarily due to FRD revenue which is reported outside government financial reports.
6.3 Financial reports of extra budgetary units	C	Detailed financial reports of less than 75% of extrabudgetary units are submitted to government annually within nine months of the end of the fiscal year. This is caused by FRD, reporting separately to the President, whose report was not disclosed.

6.1. Expenditure Outside Financial Reports

120. The Budget Code mentions all State targeted funds (Chapter 6 of the Budget Code). Seven (7) State targeted funds are mentioned. Besides these State targeted funds, seven other extrabudgetary funds exist. The table below provides an overview of all these funds.

Table P: Overview of State Targeted Funds and Other Extra Budgetary Funds in 2017

State Targeted Funds Mentioned in Budget Code	Other Extrabudgetary Funds Identified
<i>Pension Fund</i>	<i>Aral Sea Fund</i>
<i>Road Fund</i>	<i>Public Works Fund</i>
<i>State Employment Promotion Fund</i>	<i>Environment Fund</i>
<i>Privatization Fund</i>	<i>Book Fund</i>
<i>Health and Education Infrastructure Fund</i>	<i>Fund for Reconstruction and Development</i>
<i>Land Reclamation and Irrigation Fund</i>	
<i>Higher Education Infrastructure Fund</i>	

121. Reporting on the implementation of the State budget and of the targeted funds are regulated through the Budget Code and related regulations. The reporting of the State targeted funds is, for instance, further regulated in an Order of the Minister of Finance of the Republic of Uzbekistan (10.16.2014, No. 67). These funds contribute to the preparation of the annual budget and preparation of in-year and end-year budget execution reports.

122. The Fund for Reconstruction and Development (FRD) is mentioned separately in the Budget Code. The FRD is basically a financial institution under the Cabinet of Ministers. FRD accumulates funds to finance priority investment projects and projects for modernization and technical re-equipment of main sectors of the economy. Basic provisions on the FRD are included in chapter 8 of the Budget Code. Further regulation is provided by Presidential Decree of 16.05.2006 No. PP-350 on Statute on the Fund for Reconstruction and Development of the Republic of Uzbekistan, principles of formation and use of the Fund.

123. In addition, budget organisations have off-budgetary funds (Article 44 of Budget Code) which comprise:

- Development Funds of budget organizations;
- Funds of material incentives and development of medical organizations;
- Extrabudgetary funds of ministries, State committees and departments; and
- Extrabudgetary funds of budgetary organizations, formed at the expense of charged fees.

124. Budget organisations are required to submit information on their off-budgetary funds to the Ministry of Finance as part of the procedure of accounting and reporting of budgetary organisations (Instruction on accounting in budget organizations of 17.12.2010 no. 105).

125. It is important to distinguish whether an extrabudgetary fund is (i) included in the consolidated budget; (ii) uses the Single Treasury Account (STA); and (iii) is included in the consolidated report on the implementation of the budget.

126. As mentioned, the consolidated budget contains the State budget, the State targeted funds and the UFRD. The revenues and expenditures of the State budget and the State targeted funds are channelled through the STA. In 2017, the fiscal reporting was done separately. The report on budget implementation for 2017 contained information on both State budget, the State targeted funds, and the other funds indicated in the table above. The Ministry of Finance claims that as of now all expenditure and revenue of BCG are channelled through the TSA and are reported on.

127. The expenditure outturn of the State targeted funds in 2017 amounted to UZS 22,133.5 billion.

128. While the off-budgetary funds of budget organisations are not included in the consolidated budget, all revenue and expenditure are channelled through the TSA and are reported on.

129. Budget organisations are required to submit information on their off-budgetary expenditure to the Ministry of Finance as part of the procedure of accounting and reporting of budgetary organisations. The information is included for each ministry and other budget organisation in the annual report. The balance sheet comprises both budget funds and the off-budget funds. For each ministry, annexes 4 (*Development Fund*), 5 (*Fund of material incentives and the development of medical organizations*) and 7 (*other off-budget funds*), contain information about these off-budget funds.

130. Expenditures of the Development Fund of the budget organization and the Fund of material incentives and the development of medical organizations include:

- payment of benefits for temporary disability and repayment of existing payables;
- measures to strengthen the material and technical base of the budget organization;
- arrangements for material incentives for budgetary organization employees;
- expenditures of the off-budgetary funds of ministries, State committees and departments comprise;
- measures to strengthen the material and technical base;
- arrangements for material incentives for employees; and
- other expenses.

131. Budget institutions have foreign currency accounts in commercial banks which are outside the STA. The amount is not large. The amount of these foreign currency accounts at 1 July 2018 amounted to UZS 257,564,140.

132. The aggregate revenue and expenditure of the FRD are included in the consolidated budget, but account for their own revenue and expenditure, i.e. are outside the STA. The FRD uses the National Bank for Foreign Economic Activity. The FRD produces separate monthly reports and an annual report which are submitted to the Cabinet of Ministers but are not disclosed. In 2017 FRD expanded lending operations to State enterprises, which contributed to the rise of the fiscal deficit to 3.25 percent of GDP.

133. Secondary information from the IMF demonstrates that the estimated expenditure of FRD in 2017 amounted to about 15.93% of State Budget and Funds as seen under Table Q.

Table Q: Expenditures of the Fund for Reconstruction and Development (UZS billion)

Expenditure	2017 Budgeted	2017 Estimated Outturn
State Budget and Funds		
Total Expenditures and Net Lending	69,342	75,037
Fund for Reconstruction and Development		
Expenditures and Net Lending	2,309	11,954
FRD as % of State Budget and Funds	3.33%	15.93%

Source: IMF Country Report 2018 Article IV Consultation. The Ministry of Finance presented a second – updated – set of data on FRD expenditure. FRD as % of State Budget and Funds was then 13.32%.

134. In summary, expenditure outside government financial reports is more than 10% of total BCG expenditure (including net lending), primarily due to FRD expenditure (including net lending) which is reported outside government financial reports.

Dimension rating = D

6.2. Revenue Outside Financial Reports

135. As mentioned, reporting on the implementation of the State budget and State targeted funds were done separately. The estimated revenue outturn of the State targeted funds in 2017 amounted to UZS 26,841.3 billion.

136. Off-budget revenues of the Development Fund of the budgetary organization include: (i) savings on the estimated costs at the end of the last working day of the reporting quarter, with the exception of funds provided for the financing of capital investments; (ii) income from the sale of goods (works, services); (iii) part of the funds received from the lease of property on the balance sheet of the budget organization; (iv) funds left in the prescribed manner at the disposal of budgetary organizations; and (v) funds received from charity.

137. Off-budget revenues of the fund of material incentives and development of medical organizations include: (i) budget allocations of up to 5 percent of the total amount allocated to a medical organization; (ii) income from the sale of goods (works, services); (iii) savings on the estimated costs at the end of the last working day of the reporting quarter, with the exception of funds provided for the financing of capital investments; (iv) part of the funds received from the lease of property on the balance sheet of the medical organization; (v) funds left in the prescribed manner at the disposal of budgetary organizations; and (vi) funds received from charity.

138. Revenues of off-budgetary funds of ministries, State committees and departments include deductions from State duties, fees and non-tax payments, administrative fines and financial sanctions.

139. Budgetary organizations form off-budgetary funds at the expense of fees charged: (a) for the maintenance of students and pupils in public pre-school educational institutions, after-school groups in secondary schools, boarding schools, specialized boarding schools of the Olympic reserve and other educational institutions; (b) for teaching students in children's music and art schools and out-of-school education institutions; (c) for training in higher and secondary special, professional educational institutions; (d) for food for the contingent undergoing treatment in inpatient medical institutions; and (e) other types of boards in accordance with the law. The size, the procedure for collecting and using the fees charged, as well as the benefits for the fees charged, are established by law.

140. Budget organisations are required to submit information on their off-budgetary expenditure to the Ministry of Finance as part of the procedure of accounting and reporting of budgetary organisations. As mentioned above (PI 6.1), for 2017 information is included for each ministry and other budget organisation in the annual report. The balance sheet comprises both budget funds and the off-budget funds. For each ministry

annexes 4 (Development Fund), 5 (fund of material incentives and the development of medical organizations), and 7 (other off-budget funds) contain information about these off-budget funds.

141. Secondary information from the latest IMF Article IV Consultation report demonstrates that the estimated revenue of FRD in 2017 amounted to about 5.19% of consolidated revenue of the State budget and funds.

Table R: Revenues of the Fund for Reconstruction and Development (UZS billion)

Types of Revenues	2017 Budgeted	2017 Estimated Outturn
State Budget and Funds		
Budget revenues and grants	68,774	74,865
- Tax revenues	43,649	46,736
- Other budget revenue (tax and nontax)	2,953	4,963
- Funds (social contributions Pension & Employment Fund, Road Fund, Education, other Development Fund)	22,172	23,167
Fund for Reconstruction and Development		
Revenues	2,756	3,886
FRD as % of State Budget and Funds	4.01%	5.19%

Source: IMF Country Report 2018 Article IV Consultation. The Ministry of Finance presented a second – updated – set of data on FRD revenue. FRD as % of State Budget and Funds was then 4.29%.

142. In summary, revenue outside government financial reports is slightly less than 5% of total BCG revenue, primarily due to FRD revenue which is reported outside government financial reports.

Dimension rating = B

6.3. Financial Reports of Extrabudgetary Units

143. State targeted funds and other extrabudgetary funds prepared annual reports for 2017. The revenues and expenditures of these funds were included in the audited annual report on budget implementation for 2017. The amount of FRD revenues and expenditures is disclosed in the annual report for 2017 but the report is not available to verify the size of revenues, expenditures, assets and liabilities.

Table S: State Targeted Funds (UZS million)

Targeted Funds	Actual Revenues	Actual Expenditure
Pension Fund	20,018.20	16,622.10
Road Fund	3,821.30	3,097.20
Health and Education Infrastructure Fund	2,249.80	1,750.10
Higher Education Infrastructure Fund	-	-
Land Reclamation and Irrigation Fund	453.80	453.80
State Employment Promotion Fund	59.40	53.80
Privatization Fund	238.80	156.50

Targeted Funds	Actual Revenues	Actual Expenditure
Total State Targeted Funds	26,841.30	22,133.50
Fund for Reconstruction and Development (IMF data)	3,886.00	11,954.00
Fund for Reconstruction and Development (MoF data)	3,077.00	9,296.00
Grand total (IMF data)	30,727.30	34,087.50
Grand total (MoF data)	29,918.30	31,429.50
FRD as % of Grand Total (IMF data)	12.65%	35.07%
FRD as % of Grand Total (MoF data)	10.28%	29.58%

Source: Audited budget execution report for 2017, IMF Country Report 2018 Article IV Consultation, and Ministry of Finance updated data on FRD

144. In summary, detailed financial reports of less than 75% of extrabudgetary units are submitted to government annually within nine months of the end of the fiscal year. This is caused mainly by FRD, reporting separately to the President. The report had not been disclosed.

Dimension Rating = C

145. *Ongoing Reforms:*

- *Uzbekistan intends to liquidate the majority of extrabudgetary funds in the near future. It is proposed to close the Land Reclamation and Irrigation Fund, the Road Fund, the Health and Education Infrastructure Fund, the Clean Drinking Water Foundation, as well as other funds. Moreover, next year all transactions in hard currency will be included in the STA. A draft proposal has been submitted to the Cabinet of Ministers to disclose the FRD reports.*

PI-7. Transfers to Subnational Governments

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-7 Transfers to Subnational Governments	D	Scoring Method (M2)
7.1 System for allocating transfers	D	The horizontal allocation of the only transfer to (donor) subnational governments from central government (i.e. the subvention) is not fully determined by a transparent and rule-based system. The main issue is inadequate transparency and rules, and variability from one year to another.
7.2 Timeliness of information on transfers	D	Regions do not receive budget allocation information in order to develop their budget before the Presidential Decree on the approved budget informs them of the amounts of transfers.

7.1. System for Allocating Transfers

146. Uzbekistan is a secular, unitary constitutional republic, comprising 12 provinces, one autonomous republic, and a capital city. Article 34 of the Budget Code ‘Structure of the State Budget’ stipulates that the State budget consists of: (i) the republican budget of the Republic of Uzbekistan; and (ii) the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent. Article 35 provided further provisions on the structure of the budget of the Republic of Karakalpakstan, the local budgets of regions and the city of Tashkent. Chapter 20 of the Budget Code provides provisions of the intergovernmental fiscal relations in Uzbekistan. In 2017 only one intergovernmental transfer existed, i.e., the subvention.

147. The amount of subventions was based on a *general* formula that was used during the budget preparation process. Basically, the subvention was calculated as the residual of estimated expenditures of the subnational government concerned and the own source revenues plus revenue sharing of main central government taxes. In the budget preparation process, the subnational governments prepared their draft budgets. Expenditure estimates were based on strictly established expenditure norms (e.g. for health, education). Revenue estimates comprised: (i) estimates of own subnational revenue sources; and (ii) estimates of revenue from ‘shared’ central government taxes. General principles of the intergovernmental relations have been embedded in Chapter of the Budget Code. Further operational details were determined by the Ministry of Finance using the formula in an ‘optimization process’. The formula was communicated to the subnational governments. The key criterion in determining the main elements in this formula (tax share percentages and size of subvention) had been the balanced budget rule: in accordance with the Budget Code subnational governments have to balance their budgets.

148. Based on the draft budgets of the subnational governments, the Ministry of Finance established the *pre-transfer balance* of each subnational government. Tax sharing percentages were determined, and subventions were then calculated in an ‘optimization process’ so as to balance each sub-national government budget. The aggregate amount of subventions was equal to the total vertical imbalance in the system. The subvention represented basically a general-purpose transfer. The optimization process accomplished also the function of horizontal redistribution of resources across sub-national governments (e.g. lower than 100% share for key taxes for ‘rich’ subnational governments, and subventions for ‘donor’ regions). Ultimately, only four (4) subnational governments received subventions in 2017.

149. The system in 2017 included features of *general* rules as well as *flexible* elements. The budget preparation process included a negotiated procedure where subnational governments could argue for high tax sharing rates (relatively richer regions), while others wanted to try to achieve higher subventions (donor regions). Moreover, subnational governments had incentives to underestimate their revenues. The Ministry of Finance reviewed both the revenue estimates of the subnational governments and the revenue estimates of the Tax Committee to challenge underestimation in the revenue figures.

150. The conclusion is that the horizontal allocation of the only transfer to (donor) subnational governments from central government is not fully determined by transparent, rule-based systems. The main issue is inadequate transparency and variability from one year to another.

Dimension Rating = D

7.2. Timeliness of Information on Transfers

151. Regions do not receive budget allocation information in order to develop their budget before the Presidential Decree on the Forecasts of Main Macroeconomic Indicators and Parameters of the State Budget of the Republic of Uzbekistan, informs them on the amounts of transfers, which was confirmed for FY 2017. The Presidential Decree was issued on 27th December 2016.

Dimension Rating = D

152. *Ongoing Reforms:*

- *The current system of intergovernmental relations provides a high level of fiscal equalization. However, the existing mechanisms of inter-budgetary relations have a number of shortcomings in respect of: the use of establishing norms of deductions from the tax (duties, fees) annually, and the calculation of the size of intergovernmental transfers. For the 2018 budget, the transfer was retitled as social transfer and another formula was used to calculate the transfer to each region. Further reforms are foreseen including a clearer revenue-sharing mechanism and a per-capita formula-based transfer system.*

PI-8. Performance information for service delivery

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-8 Performance information service delivery	D+	Scoring method (M2)
8.1 Performance plans for service delivery	D	Performance plans are not prepared government-wide.
8.2 Performance achieved for service delivery	D	No reporting on performance on realized outputs or outcomes takes place.
8.3 Resources received by service delivery units	A	Tracking of information on all types of resources received in cash and in kind is done through UzASBO. Each service delivery unit provided information to the parent ministry which consolidated the information on an annual basis.
8.4 Resources evaluation for services delivery	D	No efficiency or effectiveness studies have been conducted.

8.1. Performance plans for service delivery

153. Uzbekistan has not yet engaged in program or performance budgeting. The Budget Code does not stipulate special provisions on performance information. Article 88 indicates provisions for the elaboration of “development programs” to be prepared by the budget funds manager for a period of at least three years. These development programs are considered a very early stage in the transition to a more program-based budgeting approach. The development programs should include:

- the main directions of development, goals and objectives for the entire field of activity of the budget funds manager;
- a complex set of interrelated legal, economic, social, organizational and technical measures aimed at achieving the goals and objectives; and

- indicators of expected results, ensuring the achievement of goals and objectives.

154. These “development programs” are to be included in the overall budget request of the budget organisation and submitted to the Ministry of Finance. The concept of “development programs” is not well-developed. Most performance information submitted as part of the budget requests have the nature of input or activity information or the number of users, like the number of pupils, students, patients, and hardly the characteristics of outputs (with a few exceptions) or outcomes. Nonetheless, budget institutions are required to report on the realisation of the stated indicators.

155. Moreover, the budget proposal for 2018 and the Presidential Decree on macroeconomic developments and budget parameters for the budget for 2018 do not contain planned performance information. In summary, performance plans are not prepared government-wide.

156. In the education sector an Education Sector Strategy was developed under the auspices of UNICEF. The plan contains for the planning period performance measures and targets. A new strategy is being developed, taking into account the new Government strategy and the recent government restructuring. The monitoring of the implementation of the Education Sector Strategy is done by separate units in the different line ministries. Ministry of Education interviewees state that it is not linked to the budget process.

157. In summary, performance plans are not prepared. The Ministry of Finance has prioritized completion of the integrated financial information system and the TSA above modern budgeting approaches.

Dimension Rating = D

8.2. Performance achieved for service delivery

158. As mentioned, budget institutions are required to report on the realisation of the stated indicators in the development programs. The annex to the annual report for 2017 (green document) contains an annex for every budget institution including the planned and the realised values of their indicators. The indicators are listed by budget institution and are not related to a specific activity or development program of the budget institution. As mentioned under 8.1, the listed indicators have not been related to any government activity or development program and most do not have an output or outcome.

Dimension Rating = D

8.3. Resources received by service delivery units

159. The PFM system effectively supports front-line service delivery units. This includes services such as primary schools, primary health care and other facilities that are providing services at the community level. Tracking of information on all types of resources received in cash and in kind is done through UzASBO. As mentioned under PI-6.1, each budget institution produces financial reports on revenue and expenditure of both budget funds to cover costs of free of charge services and off-budget funds (for paid services). The parent ministry prepares a consolidated report on an annual basis covering all their subordinate budget institutions. The Ministry of Health (MoH) confirmed that it had the information in UzASBO and that the ministry provided a consolidated report to MoH management. The Ministry of Finance provided sample reports for the Ministry of Health and the Ministry of Education. Therefore, information on resources received by frontline service

delivery units is collected and recorded for all ministries and budget institutions, disaggregated by source of funds. Each ministry produces a consolidated report that is sent to the Ministry of Finance.

160. In summary, tracking of information on all types of resources received in cash and in kind is done through UzASBO. Each service delivery unit provided information to the parent ministry which consolidated the information on an annual basis.

Dimension Rating = A

8.4. Performance evaluation for service delivery

161. At present there is no legislation or regulation stipulating the conduct of efficiency or effectiveness studies. Internal and external audits do not focus on efficiency and effectiveness of government spending.

162. No efficiency or effectiveness studies have been conducted yet.

Dimension Rating = D

163. *Ongoing Reforms*

- *The stipulation of “development programs” in the Budget Code was seen as a very early step towards a more result-oriented approach to budgeting. The Ministry of Finance is preparing a pilot project of the budget based on the program classification (with partial coverage of the ministries and departments). In 2025, the Ministry of Finance intends to prepare a draft budget based on the program classification. Beforehand it will work on the development of program classification and methodology for preparation of the budget on the basis of program budgeting principles.*

PI-9. Public access to fiscal information

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-9 Public access to fiscal information	C	
9.1 Public access to fiscal information	C	Four basic elements and one additional element are made available to the public within the specified timeframe.

9.1. Public access to fiscal information

164. Article 17 of the Budget Code stipulates the principle of openness:

- openness to the public and the media for reviewing and adopting the State budget and the budgets of State trust funds;
- publication of information about the approved State budget and budgets of State trust funds in the media and on the official website of the Ministry of Finance of the Republic of Uzbekistan;

- publication in the media, as well as posting and updating on the official website of the Ministry of Finance information on the implementation of the State budget and budgets of State trust funds.

165. The Budget Code also stipulates that information on the implementation of the State budget and the budgets of State trust funds for the reporting year, after approval by the Legislative Chamber of the Oliy Majlis is posted on the website of the Ministry of Finance.

166. The government uses various communication tools in disseminating the information. These include websites that provide regular and specific fiscal information accessible to the public: the MoF's website (<https://www.mf.uz>) and websites as <https://Lex.uz> and <https://nrm.uz> containing legal and regulatory information, including Presidential Decrees.

167. The table below shows the information for the completed fiscal year 2017 against the five basic and four additional elements required.

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
Basic Elements			
1	Annual Executive Budget Proposal Documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	N	
2	Enacted Budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Y	The budget for the FY 2017 was approved by the legislature on 10 November 2016. The Presidential Decree on macroeconomic developments and budget parameters for the budget for 2017 has been made available through MoF website and on www.lex.uz / www.nrm.uz on 27 December 2016.
3	In-Year Budget Execution Reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	Y	In-year budget execution reports for 2017 are made available on MoF's website. They are: (i) Report for the 1st quarter of 2017: April 12, 2017; (ii) Report for the 1st half of 2017: July 11, 2017; and (iii) Report for the 9 months of 2017: October 16, 2017.
4	Annual Budget Execution Report. The report is made available to the public within six months of the fiscal year's end.	Y	The annual budget execution report for the year 2017 was made available to the public on MoF's website: June 5, 2018.
5	Audited Annual Financial Report, Incorporating or Accompanied by the External Auditor's Report. The reports are made available to the public within twelve months of the fiscal year's end.	Y	The audited annual budget execution report for the year 2017 with comments and conclusions of the Supreme Audit Institution was made available on MoF's website.
Additional Elements			

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
6	Pre-budget Statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	N	The government does not prepare a pre-budget statement.
7	Other External Audit Reports. All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	N	No other external audit reports are made public.
8	Summary of the Budget Proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the nonbudget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	Y	The first citizens budget (Бюджет Для Граждан) was prepared for the budget for 2018. For 2017 the MoF made available on their website a summary of the budget ("2017 йилги Ўзбекистон Республикаси Бюджетномаси") in the form of a PowerPoint presentation (containing graphs, tables and pictures on 24 slides).
9	Macroeconomic Forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	N	Macroeconomic forecasts are not made available to the public. They are made public when submitting the budget proposal to the Parliament.

168. In summary, fiscal information provided timely to the public comprises four basic elements and one additional element.

Dimension Rating = C

169. *Ongoing Reforms*

- *The budget proposal for 2018 has been made available to the public on MoF's website. On 13th July 2018 the Ministry of Finance presented the first published Citizen's Budget, "Citizen's Budget 2018". For FY 2019, the draft Citizens Budget was made publicly available on 6th December 2018.*
- *The government has created an Open Budget portal (<https://data.gov.uz>) available in Uzbek and Russian. The portal was instituted in the framework of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 232 dated August 7, 2015 "On measures for further improvement of the Governmental portal of the Republic of Uzbekistan on the Internet, taking into account the provision of open data".*
- *The Decree of the President of the Republic of Uzbekistan of September 12, 2017, R-5054 "On measures to ensure accessibility and openness of economic and financial data for the Republic of Uzbekistan" provides for accession from January 1, 2018 of the Republic of Uzbekistan to the expanded General Data Dissemination System of the International Monetary Fund. Since the beginning of October 2018,*

public finance and public debt data are published on the national government website: <https://nsdp.stat.uz/>. These data correspond to data described in the International Monetary Fund’s Dissemination Standards Bulletin Board (DSBB).

- Presidential Resolution of 22 August 2018, no. 3917 “On measures to ensure the openness of budget data and the active participation of citizens in the budget process” introduces, among others a new procedure for the formation and execution of the State budget, and further emphasizes the launch and operation of the Open Budget Information Portal.
- In the area of procurement, announcements on the implementation of public procurement at least 10 days before their implementation, as well as their results, should be posted on a special information portal (special website of the Uzbek Republican Commodity Exchange) – see PI-24.



PILLAR THREE: Management of Assets and Liabilities

PI-10. Fiscal Risk Reporting

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-10 Fiscal Risk Reporting	B	Scoring Method (M2)
10.1 Monitoring of public corporations	B	Except for one commercial bank, all joint stock public corporations published their audited financial statement within six months of the end of the fiscal year. Unitary enterprises which are not JSC or LLC report to their founder/parent ministry. If budget funds are involved, these are reflected in the financial reports. While analysis is being conducted on the economic and financial situation of public corporations through the use of Key Performance Indicators (KPIs), a specific consolidated report on the financial performance of the public corporation sector is not prepared.
10.2 Monitoring of subnational governments	A	Annual regional government financial reporting is part of the consolidated budget execution report that is audited by the Supreme Audit Institution within the same timeframe. The report on the financial position of all subnational governments is consolidated with the report on the financial position of the State budget and State targeted funds.
10.3 Contingent liabilities and other fiscal risks	D	Central government entities and agencies do not quantify significant contingent liabilities in their financial reports.

10.1. Monitoring of Public Corporations

170. Requirements for preparing, submitting and publishing annual financial reports for corporations are regulated by the Law of the Republic of Uzbekistan of July 22, 2008, no. ZRU-163 "On the Securities Market", of which the latest version was approved by the Law of the Republic of Uzbekistan of 03.06.2015, no. ZRU-387. The law includes provisions on the contents of the annual financial reports.

171. Oversight of AGAs/PEs is highly detailed and exercised by at least three entities: The State Committee for Competitiveness, the National Agency for Project Management and the MoF. A website is available where SOEs publish their annual financial statements within 6 months after the end of the month: www.openinfo.uz. SOEs publish also the reports on their own websites.

172. The Centre for Management of State-owned Assets (Центр по управлению государственными активами при Госкомконкуренции Республики Узбекистан) under the State Committee of Uzbekistan for Privatization, De-monopolization and Development of Competition (<http://gkk.uz/en>) is responsible for management of major State owned enterprises. The Centre maintains and manages the website <http://csam.uz> that contains a database comprising unitary enterprises, joint-stock companies (JSC), and limited liability enterprises (LLC) whose (partial) ownership is held by either central government, subnational governments or districts.

Table T: Corporations in Uzbekistan, Fully or Partially Government-Owned at National, Subnational and District Level

Type of Corporations	No. of Corporations
Unitary Enterprises (100% government-ownership)	1,955
Joint-Stock Companies	502
Limited Liability Enterprises	352

Source: Extracted from <http://csam.uz/>

173. The Centre manages the government shareholding of about ninety (90) joint-stock companies; and 122 limited liability enterprises. The table below present the public corporations with a government ownership of 50 percent or more. The table includes large public corporations with *full* (100%) government ownership which are in fact unitary State enterprises but incorporated as a joint stock company.

Table U: Financial Reports of Public Corporations

Name of Public Corporations	% Ownership Government	Date of Submission for FY2017 Audited Financial Statements	Total Expenditure**
"Uzavtosanoat" Joint-Stock Company	100.00	3/24/2018	56,795,873
"Uzdonmahsulot" Joint-Stock Company	100.00	4/18/2018	10,411,982
"Uzmahsusmontajkurilish" (Special Construction and Installation Works) Joint-Stock Company	100.00	4/25/2018	1,148,987

Name of Public Corporations	% Ownership Government	Date of Submission for FY2017 Audited Financial Statements	Total Expenditure**
"Uzkurilishmaterial" (Uzstroyaterialy) Joint Stock Company	100.00	4/30/2018	14,487,951
"Uzeltehsanoat" Joint Stock Company	100.00	6/28/2018	5,503,549
"Uzpakhtayog" Joint Stock Company	100.00	3/15/2018	8,285,481
"Uzpakhtasanoat" Joint Stock Company	100.00	3/29/2018	13,414,764
"Uzagrotexasanoat Holding" Joint Stock Company	100.00	4/11/2018	5,853,554
"Uzbekgidroenergo" Joint Stock Company	100.00	4/30/2018	-
"Uzbekiston Temir Yollari" (Uzbekistan Railways) Joint Stock Company	100.00	4/30/2018	752,744,444
"Uzbekenergo" Joint Stock Company	100.00	4/30/2018	248,587,481
"Uzbekozikovkat" Holding Company" Joint Stock Company	100.00	4/30/2018	10,771,150
"Uzsharobsanoat" Joint Stock Company	100.00	4/17/2018	16,372,412
"Uzbekneftegaz" Joint Stock Company	100.00		43,732,597
"Uzkimyosanoat" Joint Stock Company	99.76	4/18/2018	11,532,339
Almalyk Mining and Metallurgy Combine (AMMC) Joint Stock Company	97.78	4/30/2018	1,425,210,942
"Sharq Publishing and Printing Stock Company" Joint Stock Company	94.49	4/30/2018	10,408,209
"UzAgroExport" Joint Stock Company	81.37	4/30/2018	9,267,349
Uzbek Metallurgical Combine Joint Stock Company	74.59	5/31/2018	331,202,160
"Dori-Darmon" Joint Stock Company	71.00	2/16/2018	38,365,842
Kokand Superphosphate Plant Joint Stock Company	70.54	4/6/2018	4,593,292
"Khorezmsuvkurilish" Joint Stock Company	70.02	3/5/2018	1,378,456
"Uzagroservis" Joint Stock Company	69.33	4/18/2018	1,655,015
"Quartz" Joint Stock Company	68.18	4/30/2018	50,661,903
"Jizzah Plastmassa" Joint Stock Company	61.04	2/23/2018	5,600,706
"Samarkand Chemical" Joint Stock Company	60.35	4/19/2018	13,139,484
"Qashqadaryoneftgazishchita'minot" Joint Stock Company	59.97	3/30/2018	4,051,607.00
"Elsis-Savdo" Joint Stock Company	58.21	4/30/2018	120,452.80
"Uzneftgazkazybchikarish" (Uzneftgazdobycha" Joint Stock Company	58.19	4/30/2018	31,507,415
"Uzagrokimyohimoya" (Uzbek Agriculture Chemical Protection) Joint Stock Company	53.82	4/30/2018	10,648,669
"Oziq-Ovqat Mollari" Wholesale Trade Base Open Joint Stock Company	53.14	in liquidation	
Processing of scrap and waste non-ferrous metals, in Uzbekistan, with the participation of foreign investments	50.50	4/27/2018	15,441,063
Tashkent Republican Stock Exchange	50.00	2/22/2018	1,543,115
"Yoshlar" (Youth) TV and Radio Company	50.00	4/20/2018	1,774,936
OJSC "Moscow-Uzbek Hotel and Commercial Center" ***	50.00		673,000
Total of this list			3,156,886,181
Total of all corporations for which data was provided*			7,588,282,901

Source: Information received via Template from State Competitiveness Committee, own calculations, Expenditures are in thousands of UZS. The list comprises companies providing market-oriented goods or services.

* Total expenditure of the corporations in this list as % of total expenditure of all corporations for which data was provided amounts to 42 percent.

** Expenditure amounts are based on expenses of the period, line 040 of the Financial Statements, which include the costs of implementation, administrative expenses, other operating expenses and expenses of the reporting period that are excluded from the taxable base in the future.

*** This company is located in Moscow.

174. Joint-stock public corporations are audited by an external auditor validated by the government. The government maintains a list of approved auditors authorized for conducting audits of public corporations with a government ownership of more than 50 percent.

175. All public corporations submitted the audited financial statement for 2017 within six months of the end of the fiscal year.

176. Public corporations are being monitoring and controlled by different government bodies; but each body monitors different issues, for instance:

- General reporting to State Competitiveness Committee;
- Reporting to the MoF to use cost information for pricing policies;
- Reporting to Ministry of Economy for analysing the sector developments.

177. The Centre analyses the financial and economic activities of these companies on the basis of annual reports and other information. The Centre's tasks include conducting an analysis of the financial and economic activities of economically insolvent, low-profit and unprofitable enterprises. Although analysis is being conducted on the economic and financial situation of (1,001) public corporations through the use of KPIs¹⁴, a specific consolidated report on the *financial* performance of the public corporation sector is not prepared.

178. Unitary enterprises which are not a JSC or LLC report to their founder/parent ministry. If budget funds are involved, these are reflected in the financial reporting of the founder/parent ministry.

179. The Ministry of Finance manages the government ownership in commercial banks.

Table V: Financial Reports of Public Financial Corporations (UZS billions)

Name of Bank	Statutory Capital 01.01.2018	% Ownership Government 01.01.2018	Date of Submission for FY2017 Audited Financial Statements	Total Expenditure 2017	As % of Total Expenditure
National Bank of Uzbekistan	4,321.0	100.00%	25.04.2018	1,914.9	20.75%

¹⁴ Based on a Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, July 28, 2015, No. 207 "On the implementation of criteria for evaluating the performance of joint stock companies and other economic entities with a State share" and accompanying Regulation on criteria for evaluating the effectiveness of joint stock companies and other business entities with a State share. For summary table of the KPIs for 1,001 corporations see <http://csam.uz/download/docs/si.pdf>

Name of Bank	Statutory Capital 01.01.2018	% Ownership Government 01.01.2018	Date of Submission for FY2017 Audited Financial Statements	Total Expenditure 2017	As % of Total Expenditure
JSCB "Agrobank"	2,162.9	94.20%	04.05.2018	1,203.8	13.04%
JSCB "Microcreditbank"	694.2	94.20%	01.06.2018	475.3	5.15%
JSCB "Kishlok Kurilish Bank"	1,074.7	96.24%	17.04.2018	493.9	5.35%
JSCB "Turonbank"	765.4	97.59%	14.05.2018	152.7	1.65%
JSCB "Uzpromstroybank"	1,451.8	82.18%	25.05.2018	1,303.9	14.13%
JSCB "Asakabank"	2,098.9	90.88%	27.04.2018	1,522.0	16.49%
JSCB "Ipoteka-Bank"	957.7	76.01%	15.05.2018	1013.3	10.98%
JSCB "Xalq Bank" (Narodnyi)	1,540.3	100.00%	08.08.2018	888.1	9.62%
JSCB "Aloqabank"	884.0	85.0%	26.03.2018	262.1	2.84%
Total	15,950.8			9,230.0	

Source: MoF

180. The banks are required to report quarterly to the Ministry of Finance. The Ministry of Finance uses an excel-based system to monitor the performance of the commercial banks. Except for one commercial bank, these commercial banks submitted the annual audited financial statement for 2017 within six months of the end of the fiscal year. JSCB "Xalq Bank" submitted the audited financial statement a month later (beginning of August 2018).

181. Some other SOEs that provide less market-oriented services, such as Gos Telekom and the Post Office, are managed by the Ministry of Communication.

182. In summary, except for one commercial bank, joint stock public corporations published their audited financial statement within six months of the end of the fiscal year. Unitary enterprises which, are not a JSC or LLC report to their founder/parent ministry. If budget funds are involved, these are reflected in the financial reports. While analysis is being conducted on the economic and financial situation of (1,001) public corporations through the use of KPIs¹⁵, a specific consolidated report on the *financial* performance of the public corporation sector is not prepared. Therefore, there is no consolidated picture of the financial position of sector as a whole to sufficiently assess fiscal risks related to all SOEs.

Dimension Rating = B

¹⁵ Based on a Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, July 28, 2015, No. 207 "On the implementation of criteria for evaluating the performance of joint stock companies and other economic entities with a State share" and accompanying Regulation on criteria for evaluating the effectiveness of joint stock companies and other business entities with a State share. For summary table of the main KPI for 1,001 corporations see <http://csam.uz/download/docs/si.pdf>. KPIs include, among others, Cost-Income Ratio, Return of Equity, Return on Capital Employed, etc.

10.2. Monitoring of Subnational Governments

183. By law, subnational governments cannot create fiscal liabilities as they should have balanced budgets. The intergovernmental fiscal relations foresee in a mechanism to balance the fiscal position of sub-national governments so as not to create a fiscal deficit. Appendix 13 of the Order of the Minister of Finance of 02.12.2013, No. 157.

184. The reporting of subnational government budget execution reports and financial statements to the central government is supported by the financial management information system.

185. Territorial financial bodies submit monthly reports (10 days after the end of the reporting period), quarterly reports (25 days after the end of the reporting period), and annual report (February 15, following the reporting year) to the Ministry of Finance.

186. Regional reporting is part of the consolidated budget execution report that is audited by the Chamber of Accounts. The annual report for 2017 was submitted to the Chamber of Accounts on May 18, 2018 Internally, the Ministry of Finance produces a highly detailed financial report for each sub-national government, but the information is not further disseminated and published.¹⁶

187. In summary, annual regional government financial reporting is part of the consolidated budget execution report that is audited by the Chamber of Accounts within the established timeframe. The report on the financial position of all subnational governments is consolidated with the report on the financial position of the state budget and state targeted funds.

Dimension Rating = A

10.3. Contingent Liabilities and Other Fiscal Risks

188. The Budget Code does not contain requirements concerning monitoring and reporting of contingent liabilities and other fiscal risks.

189. Contingent liabilities and other fiscal risks are not consolidated into a report.

190. In summary, central government entities and agencies do not quantify significant contingent liabilities in their financial reports. Performance for this dimension is less than required for a C score.

Dimension Rating = D

191. Ongoing Reforms

- *The Ministry of Finance has established a special unit to make an inventory of all fiscal risks related to state-owned enterprises and other contingent liabilities and fiscal risks. A comprehensive assessment of fiscal risks is being prepared with the support of the IMF.*

¹⁶ Received Electronic copy of Report for the City of Tashkent as example evidence.

PI-11. Public Investment Management

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-11 Public Investment Management	C	Scoring method (M2)
11.1 Economic analysis of investment projects	C	Although economic analyses were conducted, as established in national guidelines, to assess most major investment projects, and the analyses were reviewed by an entity other than the sponsoring entity, the results were not published. Some economic analyses were conducted superficially.
11.2 Investment project selection	C	Although all major investment projects are prioritized by central entities on the basis of published standard criteria for project selection, political considerations and ultimately the available funding influenced the selection process of some projects.
11.3 Investment project costing	C	Projections of the total capital cost of major investment projects, together with only the capital costs for the forthcoming budget year, 2017, are included in the official documents.
11.4 Investment project monitoring	C	Although the total cost and physical progress of major investment projects were monitored by the implementing government unit as well as the Ministry of Economy, and quarterly reports were provided to the Cabinet of Ministers, but these were not published.

11.1. Economic Analysis of Investment Projects

192. Basic principles and procedures for development of state investment programs were stipulated in Annex No. 1 to the Resolution of the Cabinet of Ministers, May 15, 1998 No. 215, Standing order on the procedures of formation of the Investment Program of the Republic of Uzbekistan. These were revised by Resolution of the Cabinet of Ministers, 274 and again in 2009 by Resolution of the Cabinet of Ministers, No. 395.

193. Public Investment planning in 2017 resulted in the “Investment Program 2017” formalized in the Resolution of the President of the Republic of Uzbekistan of 12/23/2016, no. PP-2697. Projects were funded via multiple funding sources, including the State budget.

Table W: Funding Sources - Investment Program for 2017 (UZS million)

	Funding Sources	Amount	% of Total
	Centralized Investments:	15,706,620	100%
1	State budget	2,450,000	16%
2	State Trust Funds	3,479,164	23%
3	Fund for Reconstruction and Development	2,812,743	18%
4	Foreign investments and loans guaranteed by the Government	6,591,528	42%

	Funding Sources	Amount	% of Total
	Decentralized investments:	45,696,782	
5	Funds of enterprises, including taxes, left at their disposal	16,981,877	
6	Loans from commercial banks and other borrowed funds	7,487,400	
7	Foreign direct investment and loans	9,424,355	
8	Funds of the population	11,803,150	
	Total investments	61,403,402	
	Centralized investments as % of total investment program		25.6%

Source: Investment program 2017, Annex 1

194. Funding of expenditure for financing *centralized* investments from the *State Budget* for 2017 amounted to UZS 2,450.0 billion, only 16% of total centralized investments. Together with State Trust Funds, it amounted almost 40%; and 58% with the FRD. The State budget amount was increased to UZS 3,119.84 billion in the revised budget. Actual State Budget spending on centralized investments amounted to UZS 3,234.72 billion. Annex 4 to the presidential resolution included ceilings by sector and within each sector limits for the investment projects as part of centralized investment for 2017 funded through the State budget.¹⁷

195. The Investment Program 2017 covered strategically important projects related to introduction of modern high-tech industries, modernization and technological renewal of enterprises of leading industries, integrated development of engineering and communications facilities, road transport as well as social infrastructure.

196. Largest investments were in transport, capital construction, construction industry, agriculture and water management, processing of agricultural products and consumer goods – see table below.

Table X: Investment Projects by Sectors

	Amount	% of Total	% of CG
National Level	1,641,667.80	67.0%	
Complex on education and science, youth policy, culture, information systems and telecommunications.	4,000.00	0.2%	0.2%
Complex on issues of integrated development of territories and municipal sphere, transport, capital construction, construction industry.	496,320.90	20.3%	30.2%
Complex on issues of macroeconomic development, structural changes and attracting foreign investment.	172,000.00	7.0%	10.5%
Complex for agriculture and water management, processing of agricultural products and consumer goods.	457,273.90	18.7%	27.9%

¹⁷ Such ceilings were also set for projects funded through the different State Trust Funds

	Amount	% of Total	% of CG
Complex on the development of export potential and engineering, automotive and electrical industry, product standardization.	3,662.00	0.1%	0.2%
Complex on health, ecology, environmental protection, physical culture and sports.	5,011.00	0.2%	0.3%
Other ministries and departments.	60,000.00	2.4%	3.7%
Closed part - Construction and reconstruction of objects.	400,000.00	16.3%	24.4%
Provision for the construction of the necessary infrastructure in order to attract foreign investment and construction.	43,400.00	1.8%	2.6%
Subnational Level and Reserve	808,332.20	33.0%	
Council of Ministers of the Republic of Karakalpakstan, khokimiyats of regions and the city of Tashkent, total - Social facilities and infrastructure.	801,586.70	32.7%	
Reserve for programs under development.	6,745.50	0.3%	
Total	2,450,000.00	100.0%	

Source: Investment program 2017, Annex 1, own calculations

197. Technical guidelines and procedures for public investment management were the responsibility of the Ministry of Economy¹⁸ and were included in a Resolution of Cabinet of Ministers. The document comprised procedures for the development of pre-project and project documentation, the conduct of pre-feasibility studies and feasibility studies, as well as the compulsory templates.

198. The document also contains processes, procedures and methods for project appraisals (pre and final) which covered economic, financial, technical, social and environmental assessments.¹⁹ Moreover, the appraisal included indicative schedules of project implementation, based on technical and financial capacities of the project initiator, availability and cost of resources (including in hard currency) necessary for project implementation.

199. The table below present the formal processes for development of the annual Investment Program.

¹⁸ In conjunction with the State Architecture and Construction Department, the Ministry of Finance, the Ministry of Foreign Economic Relations, Investments and Trade, and the Fund for Reconstruction and Development

¹⁹ Resolution of Cabinet of Ministers of the Republic of Uzbekistan, On the approval of the standing order on the rules of development, examination and approval of documentation of investment projects (Постановление Кабинета Министров Республики Узбекистан “Об Утверждении Положения О Порядке Разработки, Проведения Экспертизы И Утверждения Документации Нвестиционных Проектов”), June 7, 2007, No. 110. This resolution became invalid in 2018 in accordance with Resolution of the President of the Republic of Uzbekistan dated February 20, 2018 No. PP-3550 “On Measures to Improve the Procedure for Examining Pre-Project, Project, Tender Documentation and Contracts”

Table Y: Development of the Investment Program of the Republic of Uzbekistan

Phase	Activity	Deadline	Responsibility
1	Ministry of Economy provides to ministries and other budget institutions and subnational governments <i>methodological guidance</i> for preparation of proposals for inclusion in the Investment Program of the Republic of Uzbekistan.	April	Ministry of Economy
2	Project initiators prepare first information on projects (incl. feasibility analysis), make a selection over 3-year implementation period and submit proposals to the Ministry of Economy.	May-June	Project Initiator
3	Ministry of Economy reviews the proposals and ranks the projects in accordance with development priorities in key sectors over the medium term.	June-July	Sector Division of Ministry of Economy
4	Ministry of Economy, Ministry of Finance, Agency for external economic relations, Gosarchitechstroi, respective banks make a selection of projects, to be included in the Investment Program.	August-September	Ministry of Economy, Ministry of Finance, Agency for External Economic Relations, Gosarchitechstroi, Respective Financing Banks
5	Draft Investment Program is reviewed by a joint Collegium under Ministry of Economy (including foreign investment projects from Department for external economic relations and send for further elaboration and agreement to Head of the Complex of the Cabinet of Ministers of the Republic of Uzbekistan	September	Joint Collegium under Ministry of Economy, Head of the Complex of the Cabinet of Ministers of the Republic of Uzbekistan
6	Draft Investment Program is revised taking into account proposals from the <i>kompleksami</i> Cabinet of Ministers.	September-October	Ministry of Economy
7	Draft Investment Program is presented for decision-making and approval to the Cabinet of Ministers, including selection criteria and a mechanism for forming a final list of projects included in the program.	October	Department for External Economic Relations and 'II', Cabinet of Ministers
8	Conduct of competitive tenders for objects included in the first year of the Investment Program.	October-November	Gosarchitechstroi, Project Initiators

Source: Document received from the Ministry of Finance, Investment Department; Included in: Annex to the Regulation on the Formation of the Investment Program of the Republic of Uzbekistan, which is Annex 4 to Resolution of Cabinet of Ministers of the Republic of Uzbekistan "On Measures to Improve the Mechanism of Economic Relations in Capital Construction", No. 395

200. Line ministries had separate departments responsible of conducting economic analysis of investment projects. Specialised design institutes and engineering companies were also engaged in conducting pre- and final feasibility studies. The Ministry of Economy was responsible for reviewing the quality of the project appraisals taking into account the opinions of other actors like the State Architecture and Construction Committee (*Gosarchitechstroi*). In practice, the technical quality review was done by the Agency for Expertise of Projects (*Агентство по экспертизе проектов*) under the Cabinet of Ministers, which would issue a resolution on approval of pre- and / or final appraisals for every investment project.

201. Staff of the Ministry of Economy, the Department of Investment the Ministry of Finance, and the newly established State Investment Committee confirm that investment projects would be only included in the “Investment Program 2017” when each project proposal was accompanied with the complete set of mandatory documentation, including the approved project appraisal in accordance with the formal requirements. This was not always the case as since 2018 the documentation requirement was reinforced – projects were only prioritized when complete documentation would be ready. Moreover, a number of economic analyses were conducted superficially.

202. In summary, although economic analyses were conducted, as established in national guidelines, to assess major investment projects, and the analyses were reviewed by an entity other than the sponsoring entity, the results were not published. Some economic analyses were conducted superficially.

Dimension Rating = C

11.2. Investment Project Selection

203. Project selection is essentially based on general standard criteria for prioritization and selection.

204. The main point of reference for investment project selection was the Ministry of Economy in conjunction with the State Architecture and Construction Department, the Ministry of Finance, the Ministry of Foreign Economic Relations, Investments and Trade, and the Fund for Reconstruction and Development.

205. Project initiators prepared project proposals and submitted them to the Ministry of Economy.

206. The Ministry of Economy, the Ministry of Finance and the Ministry of Foreign and Economic Relations and Trade (for foreign-funded projects) would review the project proposals. Key selection criteria included: (i) whether the proposals were in line with the national priorities²⁰; (ii) whether the sources of finance were defined; (iii) whether project documentation (including approved feasibility study see PI-10.1) was complete; as well as (iv) separate decisions of the Government of Uzbekistan.

207. If projects would be funded with State Budget resources only, the Ministry of Finance would have a strong say in the prioritization process. Funding availability was a major criterion. If not, enough funding would be available for a certain investment project, the Ministry of Finance would request the project initiator to delay the project to next year or phase the execution of the project over a longer period. Priority was also given to *ongoing* investment projects. Basically, the Ministry of Economy would review the project proposals when sources of funding were already secured. Interviewees considered that during the selection process the

²⁰ The Standing Order indicate as general selection criteria: for production facilities: expanding the scale of deep processing of local raw materials and mineral resources, bringing them to the degree of competitive finished products; creation of profitable high-tech and resource-saving industries, focused on the development of export potential; development of modern communication systems, irrigation, production infrastructure; saturation of the consumer market with essential goods and services ; for non-production objects: meeting the priority needs of the population in social infrastructure services; improving the quality and increasing the coverage of non-productive infrastructure services. In this case, the right of priority for inclusion in the Program are projects implemented with the participation of foreign investments and loans; located in rural and labor-surplus regions; on export-oriented industries.

governing laws and regulations were strictly followed. Nonetheless, the final selection criteria were general and broad in scope.

208. At the political level, a special Interdepartmental Council under the Cabinet of Ministers²¹ decided ultimately on the selection and implementation of large and strategically important investment projects.

209. If all actors reviewed the investment project positively, the selected projects would enter into the Investment Program for 2017. Ultimately, the Investment Program was approved by a resolution of the Cabinet of Ministers.

210. Despite this distribution of roles and responsibilities and the consultation process involved, the selection of public investment projects did not apply open, fully objective, transparent and unambiguous criteria. Due to the complexity of the screening of many project proposals, and the need to distribute investments across the sectors, the final selection was also driven by political considerations and the available funding.

211. In summary, although all major investment projects are prioritized by central entities on the basis of published standard criteria for project selection, political considerations and ultimately the available funding influenced the selection process of some projects.

Dimension Rating = C

11.3. Investment Project Costing

212. There exist no national guidelines for project costing and identification of recurrent costs. The Ministry of Finance examined the whole project costing – statement of expenditure – any cost related to the project until it was completed. The projects in the Investment program for 2017 contained estimates of total amount of capital investment and the funding allocation for 2017.

213. In summary, projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, 2017, are included in the official documents.

Dimension Rating = C

11.4. Investment Project Monitoring

214. Monitoring of cost and physical progress of major investment projects was decentralized to the project initiator. It is difficult to assess the quality and capacity of this monitoring as it varied across project initiators. Moreover, the progress or achievements of the implementation of the investment projects are not published in the budget or other relevant documentation.

215. The Ministry of Economy, together with the Ministry of Finance, the Ministry of Foreign Economic Relations, Investments and Trade, the (*then*) State Architecture and Construction Committee were responsible for overall monitoring of the implementation of projects included in the Investment Program. The reports

21 Interdepartmental Council on cooperation with international financial institutions, organizations and donor countries, the implementation of large and strategically important investment projects under the Cabinet of Ministers of the Republic of Uzbekistan.

included physical and financial progress in implementation of the investment projects as well as information indicating problems and suggestions for solving them. Quarterly monitoring reports were submitted to the Cabinet of Ministers.

216. A database was in place at the Ministry of Economy.²² The Ministry of Finance role was monitoring the budget execution rates of centralized investments funded through the State budget.

217. In summary, although the total cost and physical progress of major investment projects were monitored by the implementing government unit as well as the Ministry of Economy, and quarterly reports were provided to the Cabinet of Ministers, but these were not published.

Dimension Rating = C

218. *Ongoing Reforms*

- *At the end of 2017 and in 2018 a complete overhaul of public investment management in Uzbekistan took place. The State Investment Committee was created to become the focal point for investments in the country: public investments, foreign direct investments, capital projects (co-)funded by IFIs and other development partners, Public Private Partnerships, etc.*
- *Moreover, the National Agency for Project Management (NAPM) was assigned an important role in reviewing economic analyses, and project selection. New methodological guidance (sbornik) has been developed. Review of pre-project and project documentation of investment and infrastructure projects (including feasibility studies) would be done by Centre for Complex Expert Examination of Projects and Import Contracts of the National Project Management Agency under the President of the Republic of Uzbekistan.²³ The Centre would review large and strategic investment and infrastructural projects with a total value exceeding UZS 10 billion as well as projects of more than USD 5 million and which are implemented by governmental authorities, business entities with State ownership in authorized capital of 50 percent or more and business entities in which 50 percent of authorized capital or more is owned by a legal entity with 50 percent or more State ownership.*
- *The process of public investment management in 2018 changed through the introduction of State development programs consisting of projects whose implementation would be aimed at achieving the strategic goals of the country's socio-economic development.²⁴*

²² The whereabouts of this database is unknown. NAPM is developing a new system.

²³ Center for project and bidding documents expertise under NAPM

²⁴ See for most recent changes:

Annex No.1 to the presidential decision of 18 December 2017 #Pp-3437, Regulation on the Order of Drafting of State Development Programs of the Republic of Uzbekistan

Law of the Republic of Uzbekistan dated July, 27, 2018 No 3PY-488 "On Introduction of Changes and Amendments to the Certain Legislative Acts of the Republic of Uzbekistan in Connection with Adoption of Additional Measures on Providing of Intensive Development of the Economy"; and Resolution of the President of the Republic of Uzbekistan, 07.19.2018, no. PP-3874 "About additional measures on accelerating the realization of investment and infrastructure projects in 2018-2019.

Resolution PP-3874 abolishes the requirement for mandatory development and examination of pre-feasibility study/pre-technical and economic calculation. They do not need to be approved anymore and becomes discretionary. Excluded from requirements in the new resolution were, among others, projects with participation of the international financial institutions and foreign governmental financial institutions, and projects implemented through separate decisions of the President, which provide for special procedures of development, examination and approval.

- *The procedures of development, approval, implementation and monitoring these programs of Development have become the competence of the President of Uzbekistan. Formerly (incl. 2017) these procedures were the competence of the Cabinet of Ministers. More changes are foreseen in 2019.*
- *Public investment planning would also change from the annual cycle used till FY2019 towards a more contemporary medium- and long-term approach. Selection of prospective investment projects would undergo three phases: (i) concept phase with initial project proposals; (ii) pre-screening phase leading to creation of a project portfolio of projects over a 5-year period; and then resulting in (iii) selection of projects out of the pipelines for a 3-year public investment program.*
- *Public investment management in Uzbekistan is in a transition process, and there are institutional memory challenges. In 2019 the situation may become clearer.*
- *NAPM is preparing new methodological guidance for project selection.*
- *The National Project Management Agency together with the State Investment Committee become responsible for analysis and monitoring of the implementation of projects and would be required to submit quarterly reports to the Office of the President.*

PI-12. Public Asset Management

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-12 Public asset management	C	Scoring method (M2)
12.1 Financial asset monitoring	C	While the government maintains a record of its holdings in major categories of financial assets, which are recognized at their book or market (stock exchange) value and includes the total value of financial assets in its balance sheet, a specific consolidated report on the financial performance is not prepared or published.
12.2 Nonfinancial asset monitoring	C	The government maintains a register of its holdings of different types of nonfinancial assets, with varying details about information on value, usage of the assets. Most information is not published, or only partial information is provided.
12.3 Transparency of asset disposal	C	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.

12.1. Financial Asset Monitoring

219. The main financial asset of the Government concerns government shareholding in the many unitary enterprises, joint stock companies and limited liability companies. Legal requirements on monitoring and reporting of government ownership has been discussed under PI-10.1 concerning publication of annual financial reports for corporations with (full or partial) government-ownership. Furthermore, the Government

also has loans from its on-lending operations to public corporations. The Government maintains a record of its holdings in major categories of financial assets on the balance sheet that is included in the annual report. Moreover, the assets of the FRD are quite significant.

220. The Ministry of Finance is responsible for maintaining records of short-term financial assets, such as cash and bank deposits.

221. PI-10.1 concluded that management of government shareholding is dispersed over various entities, e.g. the Ministry of Finance, the State Committee for Competition, the Ministry for Communication etc.

222. In summary, while the government maintains a record of its holdings in major categories of financial assets, which are recognized at their book or market (stock exchange) value, a specific consolidated report on the financial performance is not prepared or published.

Dimension Rating = C

12.2. Nonfinancial Asset Monitoring

223. The Budget Code does not contain special provisions concerning the management and recording of State assets.²⁵ Special regulations exist for different types of assets. The accounting principle concerning actual valuation of assets and liabilities stipulates that the basis of the valuation of assets for a budget organization is the cost of an asset.

224. Special regulations exist on the procedures for maintaining the State balance of mineral reserves of the Republic of Uzbekistan. The State Committee on geology and mineral resources is responsible for the accounting of mineral reserves and the compilation of such balance sheets. The balance sheet contains information about the quantity, quality, degree of exploration and development of mineral deposits, the volume of annual production of minerals during the exploitation of deposits, and the volume of mineral reserves, changed as a result of geological study, revaluation and write-off of mineral reserves for various reasons. The State balance is compiled annually (as of January 1 of each year) by types of minerals.

225. The Law on State Land Cadastre provides for the maintenance of a land cadastre. This cadastre is managed by the State committee on land resources, geodesy, cartography and State cadastre. The database contains, among others, information about each landowner, land user, tenant and land valuation. *Note that private ownership of land (both agricultural and non-agricultural) is still restricted: people can hold land either by way of land use right or lease from the State. Article 11 of the law requires the compilation of a National Report on the State of Land Resources, prepared annually.*

226. *Procedures:*

- Budget organisations and targeted State funds maintain records of fixed assets and inventories. For determination of the value of these nonfinancial assets the cost of acquisition is mainly used, except in cases revaluations took place by recognized valuation organizations.

²⁵ The draft Strategy of PFM Reform for 2018-2025 does also not contain reforms in the area of asset and liabilities management.

- Non-produced assets are recorded in different registers– for recording, storage and maintenance purposes. These registers include movable and fixed assets such as land, minerals, energy resources, cultural heritage assets (works of art, monuments, etc.), infrastructural assets (bridges, roads, etc.). Most of these assets are either not valued or specific norms exist to value these assets (it is difficult to assess their market, or fair value).

227. The table below shows the different categories of nonfinancial assets and the recording.

Table Z: Categories of Nonfinancial Assets

Categories	Subcategories	Where captured	Comments
Fixed Assets	Buildings and structures	Balance sheet of Budget organisations and targeted State funds	To find regulation or any other document on how the balance sheet is compiled.
	Machinery and equipment	Balance sheet of Budget organisations and targeted State funds	
	Other fixed assets	Balance sheet of Budget organisations and targeted State funds	
Inventories	—	Balance sheet of Budget organisations and targeted State funds	
Valuables	—	Balance sheet of Budget organisations and targeted State funds	
Non-Produced Assets	Land	The State Committee of the Republic of Uzbekistan on Land Resources, Geodesy, Cartography and State Cadastre	The State Committee maintains an electronic database of land cadastral information about each landowner, land user, tenant and land valuation. The World Bank supports the Government through the Modernization of Real Property Registration and Cadastre project.
	Mineral and energy resources	The State Committee of the Republic of Uzbekistan on Geology and Mineral Resources	The State Committee prepares annually an overview of the balance of mineral reserves* of the Republic of Uzbekistan. The overview tables and graphs are published on their website and provide information for each mineral reserve the number of mineral deposits.**

Categories	Subcategories	Where captured	Comments
	Other naturally occurring assets, e.g. forestry	The State Committee of the Republic of Uzbekistan on Forestry	Forests are managed by the State Committee of the Republic of Uzbekistan on forestry.
	Intangible non-produced assets		

* The balance of mineral reserves covers precious metal, radioactive metals, nonferrous and rare metals, ferrous metals, coal & oil shale, non-metal raw material, chemical raw material, ornamental stone material, construction materials, underground water, and hydrocarbons.

** see <http://www.uzgeolcom.uz/ru/about/state-balance/>

228. In summary, the government maintains a register of its holdings of different types of nonfinancial assets, with varying details about information on value, usage of the assets. Most information is not published, or only partial information is provided.

Dimension Rating = C

12.3. Transparency of Asset Disposal

229. The disposal of nonfinancial State assets is regulated by Appendix no. 1 to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of December 31, 2009, no. 343. This regulation establishes the procedure for the sale of fixed assets and non-completed facilities of budget organizations and State unitary enterprises, as well as the distribution of funds from their sale.

230. The disposal or transfer of buildings and structures (including those not completed) of budgetary organizations are implemented by the State Committee on Competition. Fixed assets can only be eliminated from the balance sheet on the basis of a contract for the sale of fixed assets concluded between the State Committee on Competition and the buyer with the participation of the balance holder of fixed assets and a document confirming the disposal of fixed assets.

231. The disposal of remaining fixed assets of budgetary organizations are arranged by budget organizations in coordination with the parent organization, in the absence of a parent organization - independently in accordance with the law. For motor vehicles, as well as other fixed assets, which residual value is more than 100 times the minimum wage, the sale will be organised through public tenders after valuation of fixed assets by valuation organizations. For assets which residual value is lower than 100 times the minimum wage, direct contracts can be concluded.

232. The regulation contains detailed provisions concerning the use of the funds from the disposal of fixed assets.

233. Budget organizations prepare a report on the transfers and disposal of nonfinancial assets and inventories. The Ministry of Finance prepares a consolidated report (Form 433). The report contains information on the type of nonfinancial asset and the aggregate values at the beginning and the end of the fiscal year. For each main category (fixed assets, nonmaterial assets, inventories) the increase or decrease of the total value is specified by underlying factor (e.g. purchase, sale, revaluation, end-of-duration). The report

on nonfinancial assets is not published. The budget documentation contains no information on nonfinancial assets (as the case for financial assets – see PI-6).

234. In summary, procedures and rules for the transfer and disposal of nonfinancial assets are established but partial information on transfers and disposals is included in other reports.

Dimension Rating = C

235. *Ongoing Reforms*

- *In a recent Order of the President of the Republic of Uzbekistan of 23rd July 2018. No. P-5343, “On organization of a critical study of the management of State assets in the Republic of Uzbekistan”, a top-level working group has been tasked to conduct a critical study of public assets management. The government intends to privatize a number of public corporations and reduce the government share in companies.*
- *Initiatives are underway to develop corporate governance. Uzbekistan has recently adopted the OECD Corporate Governance Code.*

PI-13. Debt Management

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-13 Debt management	B	Scoring method (M2)
13.1 Recording and reporting of debt and guarantees	A	The recording and reporting of (external) debt and government guarantees are complete, updated and reconciled on a monthly basis. For internal purposes comprehensive reports covering debt stock, debt servicing and debt-related operations are produced on a quarterly basis.
13.2 Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity, i.e. the Ministry of Finance. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by the Ministry of Finance. Annual borrowing is approved by the legislature when discussing the government budget proposal.
13.3 Debt management strategy	D	The MoF does not have yet a Medium-Term Debt Strategy (MTDS) in place but plans to develop one in the near future.

13.1. Recording and Reporting of Debt and Guarantees

236. Chapter 22 of the Budget Code contain provisions on government borrowing. Articles 152 and 153 regulate State borrowing and the types of government borrowing. Article 154 contains provisions on credits (loans) attracted by the Republic of Uzbekistan. Article 155 regulates government guarantees. Foreign

borrowing is further regulated through the Law of the Republic of Uzbekistan of August 29, 1996, no 263-I "On External Borrowing". According to this law the responsibilities of the Ministry of Finance include:

- negotiating with international financial organizations on foreign borrowing issues;
- evaluation of projects for government external borrowing;
- registration of foreign debt contracts and government guaranteed borrowing;
- accounting and monitoring of public external debt;
- maintenance of public external debt, the execution of government guarantees; and
- exercise of other powers in accordance with the law.

237. Additional provisions concerning government guarantees are included in the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of 28.11.2003, no. 534 "On the procedure for granting guarantees of the Republic of Uzbekistan on foreign loans".

238. At the moment the Government of Uzbekistan has only public external debt and no domestic debt. In 2016, the Uzbekistan government paid off all domestic currency denominated public debt. Public external debt comprises of government debt and government guaranteed debt (i.e. multilateral, bilateral and commercial banks).

239. Recently by Resolution of the President of the Republic of Uzbekistan of 21.07.2018, no PP-3877 "On additional measures to diversify sources of external financing" (article 5), debt management has become the responsibility of the newly created Office of Sovereign and Corporate Debt (in short: Debt Management Office). The Office has sixteen staff positions of which twelve have been filled already. Beforehand, it was done by the Public External Debt Division of the MoF's Main Department of Foreign Assets and Liabilities.

240. The Ministry of Finance uses DMFAS 6 for recording and reporting on public domestic and external debt (short-, medium- or long-term). The installation of the new debt management system in 2016 was the result of a joint UNCTAD and Asian Development project for the implementation of DMFAS 6 at the Ministry of Finance. Beforehand, debt recording, and registration was done with locally-developed software called "Debt Manager". Seven (7) specialists of the responsible department of MoF for debt management received DMFAS training. DMFAS 6 is currently used for the purposes of recording, monitoring and analysing external debt information, including publicly guaranteed debt. Debt records are updated on a monthly basis. Records are updated: (i) when MoF receives invoice of creditors – updated during the following day; (ii) proceeds from loans – updated on a quarterly basis; and (iii) when receiving billing statements from creditors. Monthly reports include information of the outstanding debt and debt servicing by type of debt agreement. Debt service is approved on a monthly basis by the Minister of Finance. Quarterly reports are produced on public external debt and submitted to the Ministry of Economy and the Central Bank. Ad-hoc reports are produced at request of the and the Council of Ministers and the Office of the President (e.g. for the purposes of annual speech by the President on Results of the Year and Priorities of the Next Year – in February).

241. The World Bank confirmed that responsible MoF staff have acquired already full grasp on using the system. The debt data is considered to be highly reliable. While it would be technically possible to use debt data as it is available, it is not used yet by the Ministry of Finance for preparing a Medium-Term Debt Strategy (MTDS) or to conduct a debt sustainability analysis.

242. Until recently the remaining challenge concerned open publication of debt data by the Ministry of Finance itself. MoF allows the publication of debt data by the World Bank and IMF. However, MoF is fully cooperative and provides full data from their debt system. As mentioned under PI-9, since the beginning of October 2018, public finance and public debt data are published on the national government website: <https://nsdp.stat.uz>. These data correspond to data described in the International Monetary Fund's Dissemination Standards Bulletin Board (DSBB).

243. In summary, the recording and reporting of (external) debt and government guarantees are complete, updated and reconciled on a monthly basis. For internal purposes comprehensive reports covering debt stock, debt servicing and debt-related operations are produced on a quarterly basis.

Dimension Rating = A

13.2. Approval of Debt and Guarantees

244. The maximum amount of public debt is annually determined by the Oliy Majlis of the Republic of Uzbekistan when adopting the State budget and budgets of State trust funds for the next year. Government guarantees for debt of the Republic of Uzbekistan are granted by decision of the President of the Republic of Uzbekistan or the Cabinet of Ministers. The Ministry of Finance is the authorized body for domestic and external borrowing as well as for issuing and registering State guarantees.

245. Proposals for the provision of guarantees of the Republic of Uzbekistan on foreign loans and borrowings are made to the Cabinet of Ministers only by the Ministry of Finance of the Republic of Uzbekistan. Guarantees are provided solely on the basis of resolutions of the Cabinet of Ministers. Guarantees are provided within the limits of the size of the public external debt, approved annually by the Oliy Majlis of the Republic of Uzbekistan.

246. For the last completed fiscal year 2017, the parliament decided on the ceiling for government borrowing on annual basis when discussing the government budget proposal. The decisions do not relate to individual loan agreements but at an aggregate level. In the budget proposal for 2018 the limit to government borrowing (including government guarantees) was set at the high level of 40% of GDP. Public debt in 2017 amounted to merely 24.5 percent of GDP (estimate).

247. In summary, primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity, i.e., the Ministry of Finance. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by the Ministry of Finance. Annual borrowing is approved by the legislature when discussing the government budget proposal.

Dimension Rating = A

13.3. Debt Management Strategy

248. The MoF does not have yet a Medium-Term Debt Strategy (MTDS) in place but plans to develop one in the near future. At present, MoF prepares only a breakdown of external debt by sources and monitors currency/interest risks for internal purposes. As part of the recent IMF Article IV Consultation of May 2018, a debt sustainability analysis was conducted, providing evidence of Uzbekistan's low risk of debt distress.

249. In summary, performance in this dimension is less than required for a C score as the country has not yet developed a MTDS.

Dimension Rating = D

250. *Ongoing Reforms*

- *MoF is currently working on developing a MTDS, also since the country plans to issue Eurobonds next year. Staff of the Debt Management Office followed training in Switzerland. DMO intends to visit DMOs of more mature emerging market economies.*



PILLAR FOUR: Policy Based Fiscal Strategy and Budgeting

PI-14. Macroeconomic and Fiscal Forecasting

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-14 Macroeconomic and fiscal forecasting	C	Scoring method (M2)
14.1 Macroeconomic forecasts	C	The government prepares forecasts of key macroeconomic indicators for the budget year and the two following fiscal years, but only a forecast of year Y+1 is included in budget documentation submitted to the legislature.
14.2 Fiscal forecasts	C	The government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years, but only a forecast of year Y+1 is included in budget documentation submitted to the legislature.
14.3 Macrofiscal sensitivity analysis	C	The macrofiscal forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions but the budget documents include discussion of forecast sensitivities.

14.1. Macroeconomic Forecasts

251. The legislation about forecast of main macroeconomic indicators and parameters of the State Budget has been updated by the Resolution of the President of the Republic of Uzbekistan of December 29, 2017 No. PP-3454.

252. The MoF makes proposals on the forecast of macroeconomic indicators of country's development, developed by the Ministry of Economy (MoE), Ministry of Finance (MoF) and the Central Bank of the Republic of Uzbekistan. The MoE prepares forecasts of key macroeconomic indicators based on an Excel demand model. The MoF provides different scenarios for the growth and international commodity price forecasts. Both growth and commodity price are calculated based on the pessimistic scenario. This provides a conservative revenue projection for the State budget.

253. Initial forecasts are established in April and they are updated quarterly, analysed by the economic forecasting institution and are also presented to the IMF and the World Bank in the framework of their collaboration performed until the budget proposal is finalized. Since 2017, the MoF presents the economic forecasting every 6 months. Macroeconomic forecasts are updated until October when the drafts of main financial-economic documents of the country for the coming year, main macroeconomic indicators forecast, concept of fiscal policy, State budget and Job creation and employment program are presented and discussed during a session of the Cabinet of Ministers, chaired by the President of the Republic of Uzbekistan, just before sending the budget to the Parliament. The heads of ministries, departments and territories are involved in the discussion.

254. The discussion at the meeting of the Government ends with an approval of the forecast of key macroeconomic indicators, the concept of tax and budget policy, the draft State budget of the Republic of Uzbekistan and the program on job creation and employment. The budget is then submitted for consideration to the Chamber of Oliy Majlis of Uzbekistan. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the Parliament, but only for the following year (forecasts for the 2018 elaborated in 2017 covered only the budget year).

255. In summary, the government prepares forecasts of key macroeconomic indicators for the budget year and the two following fiscal years, but only a forecast of year Y+1 is included in budget documentation submitted to the legislature.

Dimension Rating = C

14.2. Fiscal Forecast

256. The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance for 3 years, but only the budget year is included into the budget documentation. Three years of projections are made officially since 2018 and the forecasting process begins in April. There is also a new Institute of Fiscal Research under the Ministry of Finance that was formed in 2018 that provides inputs to macroeconomic and fiscal forecasts.

257. Revenue forecasting is formalized, integrated in the budget process, and sufficiently top down to influence the allocation of expenditure across government priorities. The MoF evaluates government foreign loans, oversees drafting of State budget plans and taxation and is responsible for revenue forecasting, with input from the State custom committee (which actually collects revenue). The MoF formulates and monitors Uzbekistan's economic policies and produces macroeconomic forecasts on growth that inform economic policy, the fiscal framework, tax forecasts and debt management strategy (in close relation with IMF economic surveillance under Article IV consultations). The MoF makes projections to support a macroeconomic framework consistent with the national development strategy 2017-2011. Revenue forecasts are comprehensive as they include all revenue sources including domestic revenue (tax and non-tax revenue).

258. The authorities occasionally provide fiscal tables that include net lending, foreign-financed investment, and details on the financing of the deficit. A persisting statistical discrepancy between the financing of the budget based on the above-the-line and below-the-line data points to coverage and classification issues. The authorities do not reconcile the monetary and fiscal financing data on a regular basis.

259. In summary, the government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance for 3 years, but only a forecast for year Y+1 is included in budget documentation.

Dimension Rating = C

14.3. Macro-fiscal Sensitivity Analysis

260. The Ministry of Finance uses projections incorporating government policies as well as projections provided by the Central Bank (which produces inflation estimates, and forecasts of loan disbursements, repayments and other financing items), Ministry of Economy and Ministry of Foreign Economic Relations, Investment and Trade. The Framework uses the latest information available and developments in Government policies that may have significant impact on revenues and expenditures, as well as macroeconomic data such as GDP, inflation and exchange rates. Previous trends are observed and forecasting techniques are used to derive projections of different scenarios, although these are not shared with Parliament or published, nor are they reviewed by another (independent) entity. Both growth and commodity price are calculated based on the pessimistic scenario, which is the 'chosen' scenario to be included in the Budget Framework Paper. These assumptions are included in the budget documentation (see PI-5) and provide a conservative revenue projection for the State budget.

261. In summary, the Ministry of Economy performs scenarios for the following year that are provided to the MoF during the budget elaboration process, but the budget documents do not discuss these scenarios.

Dimension Rating = C

262. On-going Reforms

- *The Treasury is gradually implementing forecasts of fiscal aggregates prepared for 3 years on a rolling basis. Treasury authorities are committed to undertake the necessary institutional and process changes required to implement the MTBF and program budgeting, but the timeline was extended because of the global financial and economic crisis. The Treasury has done the initial work on the MTBF and program budgeting, but the decision to adopt is still pending.*

PI-15. Fiscal Strategy

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-15 Fiscal Strategy	C	Scoring Method (M2)
15.1 Fiscal impact of policy proposals	C	Since 2017, the Ministry of Finance prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and includes them into the budget documentation, but only for the next fiscal year.
15.2 Fiscal strategy adoption	C	The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or

Indicator/Dimension	Score	Brief Justification for Score
		qualitative fiscal objectives for at least the budget year, but not the following two fiscal years.
15.3 Reporting on fiscal outcomes	C	The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for the last completed fiscal year.

15.1. Fiscal Impact of Policy Proposals

263. Since 2017, the Ministry of Finance prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and includes them into the budget documentation. As noted in PI-5, the budget documentation presented to Parliament includes the impact of proposed policy changes.

264. The Ministry of Economy also does the analysis of the tax reforms. On the revenue side, the MoE advises the MoF on possible tax changes that will meet economic policy objectives and highlights the impact on both taxpayers and the economy. The MoE also identifies new areas for widening the tax base to raise domestic revenues to finance the budget. The MoE also analyses the implications of all expenditure proposals as they affect both supply and demand in order to provide MoF with an appropriate public spending.

265. In summary, the Ministry of Finance prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and includes them into the budget documentation, but only for the next fiscal year.

Dimension Rating = C

15.2. Fiscal Strategy Adoption

266. The government has a fiscal strategy which is to have a budget with low or no deficit. In addition, a fiscal policy assesses the short and medium-term sustainability of fiscal policy (considering monetary and exchange rate policy and the sustainability of the public debt) and its impact on growth within the National Development Strategy for 2017–21²⁶. This strategy, to be implemented over five years, is guided by an annual State program.

267. Within this National Development Strategy, specific performance indicators related to fiscal policy are closely followed by the MoF such as: Interest Rate; Government Debt to GDP; Government Budget deficit; Government Spending; Fiscal Expenditure; Government Budget Value; Government Revenues; etc. These indicators are included into the documentation submitted to the legislature. Fiscal objectives are presented only for the budget year.

²⁶ The national development strategy 2017-2021 aims to transform the country by liberalizing the economy, reshaping the role of the State in the economy, modernizing the agriculture sector, strengthening governance, creating markets, including in financial services, enabling private sector growth, investing in human capital, and improving social protection and service delivery for all citizens.

268. In 2017, the government established a prudent fiscal policy for 2018 notwithstanding pressures to expand public spending. The general government deficit in 2018 was projected to amount to 1.5 percent of GDP, close to the deficit projected during the Article IV consultation discussions with the IMF in March 2017.

269. In addition, the MoF prepares a series of standard assumptions together with the stock of debt and has contributed to the development of a Debt Sustainability Analysis (DSA) in collaboration with the IMF (see PI-13.3).

270. In summary, the government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for only the budget year, but not the following two fiscal years.

Dimension Rating = C

15.3. Reporting on Fiscal Outcomes

271. The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for the last completed fiscal year. The report is not published but reporting on fiscal outcome is included in periodic IMF Staff Country Reports of the Republic of Uzbekistan on Article IV Consultation²⁷. Last IMF mission was during 17-26 July 2018. The discussions focused on the economic outlook, tax reform, State owned enterprise (SOE) restructuring, and the fiscal strategy for 2019-21. There was agreement that the transparency of fiscal policy during the coming years should be enhanced by several measures.

272. The main results on budget execution are also reported in quarterly reports (see PI-28) and analysed in the press. The State budget for 2015 was approved with a deficit of 1% of the projected GDP while the budget was executed with 0.1% surplus of GDP. The State budget for 2016 was approved with a deficit of 1% of GDP, while the budget surplus accounted for 0.05 percent of GDP in 2016. The State budget for 2017 was approved with the deficit of 1% of the forecasted GDP volume, while it was executed with a surplus at 0.1% to GDP.

273. In summary, the government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for the last completed fiscal year.

Dimension Rating = C

274. On-going Reforms

- *Uzbekistan has implemented the recommendations of the Enhanced General Data Dissemination System (e-GDDS) by publishing critical macroeconomic and financial data through the National Summary Data Page (NSDP). The NSDP is posted on the State Statistics Committee's website, utilizing the Statistical Data and Metadata Exchange (SDMX), and is accessible on the IMF's Dissemination Standards Bulletin Board, at <http://dsbb.imf.org>. The NSDP page contains links to statistics published by official data producers, namely the State Statistics Committee, the Central Bank of the Republic of Uzbekistan, and the Ministry of Finance. The page aims to serve as a one-stop publication vehicle for essential macroeconomic data—in both human and machine-readable formats.*

27 The last Article IV Consultation is May 2018 and published on the web site of the IMF at <https://www.imf.org>

- *The concept and methodology of formation of strategy of fiscal policy over the medium term (3 years) is under development.*
- *The strategy of fiscal policy (including debt) and an assessment of fiscal risks is under preparation.*
- *The government aims to include all activities of government institutional units in the general government accounts, including off-budget accounts of budgetary organizations. The presentation of expenditures in economic classification will be integrated into quarterly reports.*

PI-16. Medium-Term Perspective in Expenditure Budgeting

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-16 Medium-term perspective in expenditure budgeting	C	Scoring Method (M2)
16.1 Medium-term expenditure estimates	A	For the 2019 budget, the annual budget presents expenditure estimates for the budget year and the two following fiscal years allocated by administrative, economic, and program (or functional) classification.
16.2 Medium-term expenditure ceilings	D	No aggregate expenditure ceilings are approved by the government after the first budget circular.
16.3 Alignment of strategic plans and medium-term budgets	D	Medium-term strategic plans are prepared for some ministries (5). Some expenditure policy proposals in the annual budget estimates align with the strategic plans. However, those sector strategies that exist have no comprehensive costings. Links between investments and future recurrent costs are not made.
16.4 Consistency of budgets with previous year's estimates	N/A	The budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level because it is not possible yet.

16.1. Medium-Term Expenditure Estimates

275. Efforts have been made to link the budget with sector priorities, institutional plans and national priorities reflected in the national development strategy. The exercise was led and coordinated by MoF. The result is the production of estimates covering three financial years using administrative, economic and functional classifications for the 2019 budget that was presented to the Parliament in October 2018.

276. In summary, the 2019 annual budget submitted to the Parliament presented estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and functional classification.

Dimension Rating = A

16.2. Medium-Term Expenditure Ceilings

277. The budget calendar sets out the various steps in the process. However, the budget circular does contain ceilings, even for the budget year.

278. In summary, no aggregate expenditure ceilings are approved by the government after the first budget circular.

Dimension Rating = D

16.3. Alignment of Strategic Plans and Medium-Term Budgets

279. The capacity of the MoF and the line ministries in strategy formulation and budget preparation is yet to be developed. The country's national investment program is set out in the national development strategy, which covers the period 2017-2021. However, this national development strategy does not combine individual strategy documents prepared by sectors (or sub-sectors) that cover government expenditure.

280. Medium-term strategic plans are prepared for five ministries, but they are not yet explicitly included in the national development strategy. It can only be stated that forward estimates included in the budget documents are considering individual strategies, which identify financial requirements against potential budget allocations although not all distinguish capital (investment) from recurrent expenditures. The investment budget remains separate from the recurrent budget.

281. In summary, only five ministries are elaborating strategic plans. Expenditure policy proposals in the annual budget estimates are not explicitly aligned with these strategic plans.

Dimension Rating = D

16.4. Consistency of Budgets with Previous Year's Estimates

282. The budget proposal for 2019 sets a medium-term resource envelope, but the budgets for 2018 and 2017 produced estimates only for the budget year. Consequently, the budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level as it is not possible yet.

Dimension Rating = N/A

283. On-going Reforms

- *MTEF will be implemented with the budget elaboration process starting in 2019.*
- *Budget Programming is under development.*
- *The Government of Uzbekistan has carried out the preliminary steps for the implementation of the budget planning for the medium term (3 years). The Government developed new forms of budget request for 3 years, prepared a medium-term outlook for the economy and prognostic indicators of budget revenues and expenditures. The strategy envisages that the SBS will extend the process in the course of preparation of the budget for 2008 and will be brought to the level of a full-fledged pilot project in 2011. Line ministries will be included based on a "bottom up" approach, starting with pilot projects in selected ministries. As part of the promotion SBS was suspended.*

- Since 2018, work will begin on the preparation of SBS in order to introduce in 2020 a pilot project of the budget for the triennium (2021-2023gg) to the Cabinet of Ministers and the Oliy Majlis. The pilot project of the budget will be used as a guide in the preparation and discussion of the annual budget. In 2023 it assumed the full implementation of the medium-term budget planning for 2024-2026 years. The report on fiscal risks will be prepared on an annual basis.
- The current strategy transformation processes (introduction ISUGF (GFMIS), SBS and program budgeting) have been difficult to implement in parallel and in such a short time. The reforms are likely to be extended beyond 2018 through 2023. Program budgeting will be implemented after the transition to SBS 2025.

PI-17. Budget Preparation Process

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-17 Budget preparation process	B	Scoring Method (M2)
17.1 Budget calendar	A	A fixed budget calendar exists by law and his adhered to.
17.2 Guidance on budget preparation	D	There is no formal political involvement in the setting of ceilings as they do not exist.
17.3 Budget submission to the legislature	A	The legislature has received the budget at least two months before the end of the year for the last 3 years.

17.1. Budget Calendar

284. The Budget Code outlines the legal and regulatory framework for annual national budget preparation and approval with particular reference to the issuance of budget call circulars, which should be in accordance with the budget calendar accompanying the budget instructions.

285. According to Article 92 of the Uzbekistan Budget Code, *timing for submission of budget requests*, applications for budget appropriation for the ensuing fiscal year shall be submitted: (1) by the recipients of budget financed from the budget of the Republic of Karakalpakstan and local budgets to the respective financial bodies not later than June 1 of the current year; and (2) by the recipients of the republic’s budget prepared by the Ministry of Finance of the Republic of Uzbekistan, not later than July 1 of the current year. According to Article 96 of the Budget Code, *the Budget Proposal*, the Ministry of Finance of the Republic of Uzbekistan shall prepare the draft State budget for the ensuing fiscal year and shall submit it to the Cabinet of Ministers of Uzbekistan before September 15 of the current year.

286. According to Article 96 of the Uzbekistan Budget Code, *Budget Message*, the Ministry of Finance of the Republic of Uzbekistan together with the authorized industries, State committees &-agencies and relevant organizations shall prepare and present a draft budget message to the Cabinet of Ministers before September 15 that comprises the following: (1) Main results for social and economic development for the previous year

and forecasts on budget implementation for the current year; (2) State budget implementation report for the previous year and the draft State budget for the next year; (3) Draft of main guidelines for budget and tax policies for the ensuing year; (4) Comments to the guidelines for the budget and tax policies for the ensuing year; (5) Information on the internal and external public debt situation and respective expenditures; and (6) Draft State budget for the ensuing fiscal year. In accordance with these regulations, a clear budget calendar is provided as part of the budget communications sent by MoF to all budget entities on the 1st of May each year. Budget entities are expected to respond with budget requests by July 1st each year. This is always adhered to. The circular 2018 was sent on April 15th and budget users had to send their estimates on 1st of July.

287. In summary, the MoF uses a clear budget calendar with the issuance of budget circular for the budget preparation incorporating budget requests. For the 2019 budget presented to the Parliament, budget users had more than 2 months to prepare their estimates.

Dimension Rating = A

17.2. Guidance on Budget Preparation

288. As mentioned in PI-17.1, the MoF issues a budget circular for budget preparation according to comprehensive program budgeting. However, the budget circular does not mention ceilings and there is no formal political involvement in the setting of ceilings as they do not exist.

289. In summary, a budget circular is issued to budgetary units, but it does not include ceilings for functional classifications. The budget estimates are reviewed and approved by Cabinet after they have been completed in every detail by budgetary units.

Dimension Rating = D

17.3. Budget Submission to the Legislature

290. The drafts of main financial-economic documents of the country for the coming year main macroeconomic indicators forecast, concept of fiscal policy, State budget of the Republic of Uzbekistan and job creation and employment program are firstly discussed during a session of the Cabinet of Ministers, chaired by the President of the Republic of Uzbekistan. After approval the budget proposal is sent to the Parliament within two or three days.

291. For all the three years under consideration as well as the current fiscal year 2018, national budget submissions have been presented to the Oliy Majlis of the Republic of Uzbekistan before October 15.

- The budget proposal for FY 2015 was sent to the Oliy Majlis on October 10, 2014.
- The budget proposal for FY 2016 was sent to the Oliy Majlis on October 13, 2015.
- The budget proposal for FY 2017 was sent to the Oliy Majlis on October 13, 2016.

292. In summary, the legislature has received the budget at least two months before the end of the year for the last 3 years.

Dimension Rating = A.

PI-18. Legislative Scrutiny of Budgets

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-18 Legislative scrutiny of budgets	B+	Scoring Method (M1)
18.1 Scope of budget scrutiny	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue; however, budget does not provide for a medium-term fiscal framework.
18.2 Legislative procedures for budget scrutiny	B	The legislature's procedures for budget review are established and respected. They include internal organizational arrangements, such as specialised review committees and negotiation procedures.
18.3 Timing of budget approval	A	Budget approval by the legislature was made always timely for the last 3 FY.
18.4 Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget amendments by the executive, but extensive administrative reallocations may be permitted.

18.1. Scope of Budget Scrutiny

293. The Oliy Majlis (Parliament) of the Republic of Uzbekistan is the highest State representative body with a legislative power. It consists of two chambers - the Legislative Chamber (Lower House) and the Senate (Upper House). The term of both chambers is five years. The Legislative Chamber consists of 120 deputies, elected from various electoral districts based on multiparty system. The Senate is a territorial representative chamber, which consists of 100 Senators. The Oliy Majlis, lower house of the Parliament, holds discussions of the State budget before approval at the second level of functional classifications both for the central and local government. It approves consolidated State budget revenues, expenditures, and overall deficit/surplus numbers.

294. In particular, 32 proposals have been made to improve the draft State budget and budgets of the State trusts funds for 2018, as well as the main directions of tax and budget policy. The projects of the forecast of incomes of the national budget was revised on the basis of 10 proposals of the Account Chamber, itself accountable to the chambers of the Oliy Majlis.

295. In summary, the legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of estimates and revenue. However, budget 2018 did not provide for a medium-term fiscal framework.

Dimension Rating = B.

18.2. Legislative Procedures for Budget Scrutiny

296. The Legislature's procedures for budget review are prescribed in Article 29. *Approval of State Budget*. The Legislative chamber chooses its Speaker and other officers and may determine its proceedings. The Senate of

Oliy Majlis elects its Chairmen and other officers and may determine its proceedings. Different committees, consisting of a chairman, vice-chair and members, are formed from among the deputies of the Legislative Chamber with the purpose of drafting legislation, discussing/debating issues brought in to the Chamber, controlling execution of laws of Uzbekistan and passing resolutions of the Chamber. Along with factions of political parties and Deputy blocks, there were 13 Committees working within Oliy Majlis of the second convention, which are:

- Committee on budget, banking and finance;
- Committee on reformation of economy and entrepreneurship;
- Committee on science, education, culture and sports;
- Committee on industries, construction, transportation and telecommunications;
- Committee on environment and nature protection;
- Committee on press and information;
- Committee on social issues and employment;
- Committee on legislation and judicial - legal issues;
- Committee on democratic institutions, NGOs and civil self-government institutes;
- Committee on the issues of agriculture, water industry and food;
- Committee on foreign affairs and inter-parliamentary relations;
- Committee on youth affairs; and
- Committee on the issues of security and defence.

297. Lower house of the Parliament (the Legislative chamber) holds discussions of the State budget before approval at the second level of functional classifications both for the central and local government. The Upper house (the Senate) invites the public before submitting the budget to the President.

298. Upon approval, the annual publication of budget summary is published on the MoF website. However, detailed appropriation of the budget proposal by Parliament as recommended by international guidelines is not yet in place. Although Parliament is not allowed to increase the final budget estimates presented by the Minister of Finance, the Special Budget Committee can nevertheless recommend or negotiate an upward adjustment of the budget estimates of constitutional bodies where necessary. It was stated, during meetings at the Senate that the public was invited to join the hearings when the budget was discussed at the regional level, but the procedures foreseeing arrangements for public consultations were not provided.

299. In summary, the Legislature's procedures for budget review are established and respected. They include internal organizational arrangements, such as specialised review committees and negotiation procedures.

Dimension Rating = B

18.3. Timing of Budget Approval

300. The Budget Code ensures that the Parliament has sufficient time to consider the budget. As the Lower Chamber receives the budget before October 15, and the law requires that the budget should be approved before December 31, the two Chambers of the Parliament have a time provision of two and half months to review the budget proposal.

301. The years under review have adhered to this deadline. For FY 2015, the budget was approved by the Legislative Chamber of Uzbekistan's Oliy Majlis (Parliament) on 13 November 2014. The budget for FY 2016 was approved on 12 November 2015 and the budget for the FY 2017 was approved on 10 November 2016. After having been approved by the Legislative Chamber, the budget was passed to the Senate. The Senate of the Oliy Majlis of Uzbekistan approved the State budget of the country for 2016 on 3 December 2015, the State budget of the country for 2017 on 13 December 2016, and the State budget of the country for 2018 on 20 December 2017.

302. In summary, budget approval by the legislature always occurred before the beginning of the fiscal year for the last 3 FYs.

Dimension Rating = A

18.4. Rules for Budget Adjustments by the Executive

303. The budget is submitted to the Oliy Majlis at the second level of the functional classification, but the Parliament discusses and approves the consolidated State budget as a whole. However, the resolution states only the budget balance as a percent of GDP. For instance, the State budget of Uzbekistan for 2017 was approved with a deficit of 1 percent of GDP or UZS 2.4 trillion. The budget users are allowed to change their budget 4 times in a year within the amount of their appropriation.

304. Any significant adjustment to expenditure is requested through a supplementary budget, which follows the same process as the initial budget proposal, and this is subject to clear Parliamentary rules.

305. Calculation made on deviation between the revised budget and the executed budget showed the composition variance of 1.1% in 2015, 1.0% in 2016 and 1.8% in 2017.

306. In summary, clear rules exist for in-year budget amendments by the executive, and rules are adhered to in all instances. However, they do not set strict limits on extent and nature of amendments. Extensive administrative reallocations may be permitted.

Dimension Rating = B

307. Ongoing Reforms

- *Bringing the Budget Code of the Republic of Uzbekistan in accordance with the Law of the Republic of Uzbekistan "On parliamentary control" in terms of the adoption of the State Budget of the Oliy Majlis in three readings.*
- *Discussion and adoption of the budget will be open to the public and the media in 2020.*
- *Discussion and adoption of the budget will be improved with the introduction of Parliamentary control, medium-term budget planning, and program budgeting.*
- *Oliy Majlis of the Republic of Uzbekistan will move to a discussion of the draft State Budget of the Republic of Uzbekistan, in close conjunction with the applicable national target programs and in 2019 on a regular basis will hold a hearing of heads of ministries and departments on budget execution.*
- *Potential deputies of Oliy Majlis of Uzbekistan will be promoted through the organization of training in the part of the consideration and adoption of the budget in the GFSM 2001 and the medium-term budget (for 3 years).*

- *Since 2020 discussion and adoption of the budget by the Oliy Majlis of the Republic of Uzbekistan will be carried out on the GFSM 2001. Discussion and adoption of the budget will be open to the public and the media, and the report will be published on the website of the Oliy Majlis of Uzbekistan.*
- *When implementing the activities referred to in Radel 4.1., In 2020-2021 gg. The Oliy Majlis will discuss the draft of the State Budget of the Republic of Uzbekistan based on the draft medium-term budget, drawn up on an experimental basis.*
- *Since 2023 the Oliy Majlis of Uzbekistan will start to discuss and adopt the budget in the medium term (3 years).*
- *Parliamentary hearings on the draft budget will be held open to the media and citizens*
- *The Minister of Finance is expected to issue guidelines on modalities of budget reallocation to give effect to conditions and limits with which the budget is managed at the entity level.*



PILLAR FIVE: Predictability and Control in Budget Execution

PI-19. Revenue Administration

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-19 Revenue administration	B	Scoring method (M2)
19.1 Rights and obligations for revenue measures	A	Both entities collecting most revenues use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation. A redress mechanism with clear procedures is in place for both entities.
19.2 Revenue risk management	C	Both entities collecting most of revenue use structured and systematic approach for assessing and prioritizing compliance risk. Development of comprehensive compliance risk management is in progress.
19.3 Revenue audit and investigation	C	State Tax Committee (84% share of all collected revenue) performed revenue audits and inspection for 56% of all legal entities in FY 2017 applying risk-based approach. State Customs Committee (8% share) monitors compliance but was not able to report on the percentage of mitigation activities performed over the last completed year.
19.4 Revenue arrears monitoring	A	The total amount of revenue arrears as well as the arrears older than 12 months is insignificant as it represents less than 1% of revenues for FY 2017. The rate of arrears has been consistently below 1% during the three years of assessment.

19.1. Rights and Obligations for Revenue Measures

308. The Tax Code approved in 2007 by Parliament and consolidating numerous previous legislative acts is still applicable. The overall reforms in the economy of the country will cover also the current tax practices with changes now underway. The changes intend further simplification of the tax system and more transparency on

the rights and obligations of the taxpayer. The latest Customs Code № ZRU-400 of the Republic of Uzbekistan was enacted in April 2016 but the customs practices were considered cumbersome to the public and the customs legal framework is also currently undergoing transformation.

309. In compliance with a Presidential Decree dated 18 July 2017 No-5116, a customs appeal mechanism was established. Further, in line with the Ordinance of the President of Uzbekistan No. 5214 dated 13 Feb 2018 commission and working groups are set up to further develop the tax budget policy and improve the tax legislation in view of drafting new Tax Code.

310. The State Tax Committee (STC) and the State Customs Committees (SCC) are the key central government entities administering revenue. At the time of the assessment (August 2018), the revenue generated was UZS 85,408 billion out of which 84% was by STC and 9% by SCC. The total revenue collected by both entities is 93% of the targeted revenue. Both use various channel to reach to the taxpayer with information on rights and obligations, rates and benefits. Both revenue collecting committees are implementing agencies of the Ministry of Finance.

311. The web portal of the Tax Committee was updated in the period 2016-2017 with the key objectives to make the tax electronic services more accessible to both business and citizens, to reduce the administrative burden and to improve the quality of public service. The web-based information system monitors the number of users being composed of 70 information subsystems. Taxpayers in real time can have access to their tax obligations and to make payment.

312. Once the annual tax rates are approved workshops and public awareness campaigns are conducted within two months to notify the taxpayers of their tax obligations. The workshops are conducted on national scale for different groups of taxpayers (individuals and companies). Apart from the website of the State Tax Committee, which provides detailed information on rights and obligations, there is a hotline with online information. Brochures and leaflets are also distributed in the tax offices in the county and in the regions.

313. The SCC collects duties, VAT and excise tax on imported goods. There are no duties on exports of raw materials. Legal provisions are made for exemptions on duties and VAT under a multitude of circumstances including humanitarian assistance; grant goods, and processing equipment. Individuals importing by air are allowed to import without duty goods worth up to \$1000.

314. The deadlines for the payment of the major tax by individual, such as property tax (by May 1st), income tax (by October 1st), tax declaration submission (by April 1st) are communicated to the public in advance by mass media with national coverage. The website calculator enables the taxpayer to calculate the due obligations and check their individual status. There is a help desk, which is a new service providing consultation to the tax payer. The redress procedure in place allows the public to apply for a tax refund; there are more than 50 tax exemptions. The tax complaint mechanism allows appeals to be submitted to: (i) the State Tax Committee; (ii) the Persecutor; and (iii) the Civil Court. There is a special web portal functioning like a virtual office where anyone may file complaints and proposals in writing. The resolution for all cases is made with a signed formal report.

315. The information about the customs rights and obligations are provided through briefings, TV, internet, website, and in the media through educational clips. Generally, there are two types of goods imported: (i) personal items at airports; and (ii) cargo. The new practice at customs, part of the ongoing reform, is that any importer can file a declaration online. Importers can calculate their duties in advance in the website of the

Customs Committee. There is 20% VAT and excise duty on luxury goods and tobacco as well as import tax on national equivalent goods. For raw materials the duty is zero.

316. Public consultations are held with people discussing the increase of tax rates. There is also a plan to establish front office for custom services to be rendered free of charge. Calculator is provided in website where the duty can be calculated against product code. Also, the new software (currently in process of testing) integrates the customs tariffs allowing for calculation of duty due and allowing the upload of necessary documents, such as, for example, certificate of origin. The process of customs control, currently being tested, is risk-oriented.

317. Before amendments are applied information is distributed to all ministries, then a round table is organised with discussion of the feedback received also via the website. The State Customs Committee can only submit proposals on tariffs but MoF or the Ministry of Foreign Trade and the Ministry of Economy are empowered to make the decision.

318. In summary, tax legislation and practice does the following: (i) provides many channels for information on the obligations of the taxpayer; (ii) facilitates the access to information in various ways; and (iii) provides for public consultations on introduction of tax rate changes. All domestic taxes, including VAT, excise, property, land, water use, and business taxes are collected by the State Tax Committee. All in all, taxes under the STC are clear and comprehensive. Customs legal framework consolidates the previous complicated set of regulations and decrees, which rendered obligations unclear in many cases, to the extent that most traders used agents to negotiate the obligations under customs. The new 2016 Customs Code simplifies the rules and makes it clear to the public how to apply online for customs clearance without the need of intermediary customs agent. The websites of both agencies publicise information on key obligations and rights. Both revenue-collecting administrations have a redress system allowing complaints to be filed and resolved.

Dimension Rating = A

19.2. Revenue Risk Management

319. Both revenue administering entities have established risk monitoring and management functions in accordance with their internal procedures.

320. The risk analysis function at the STC is undertaken by the Risk Analysis and Control Department established in April 2018, which registers and monitors the usual risks in the area of tax registration, declaration and payment. The risk assessment is focused on identifying payers with the largest risk of noncompliance. The system is clear and comprehensive and in process of upgrade and still does not cover all tax payers. The Department keeps a record of companies of high risk, monitoring the types of risks and the types of payers. The main risk in the area of tax are the wholesale operators evading tax payment. Once large turnover is registered, requests for supporting documentation is sought, which are to be provided within three days. Information is simultaneously exchanged with 53 other budget users.

321. There is a Risk Assessment and Monitoring Department at the State Customs Committee using risk management software integrating more than 30 different software applications used in-house. The usual type of risk which is highly monitored is the intentional or unintentional application of the relevant codes of imported

goods. The system allows checks to be made and information to be confirmed and reconciled with other government institutions, such as STC in verifying tax declared and paid.

322. In summary, both entities possess documented risk management approach as of the time of assessment to assess and prioritize compliance risks. Tax authorities are in the process of establishing electronic (automated) risk management approaches covering all tax sources, however currently only the big tax payers are covered. Paper based selection of risks is still applied along with the new electronic approach. A Compliance Improvement Plan is in process of being established. Clear risk assessment is in the process of being put in place with the SCC.

Dimension Rating = C

19.3. Revenue Audit and Investigation

323. The legal framework covering revenue and audit investigation is defined in the provisions of the following acts: (i) Presidential Decree 3802, dated 26 June 2018 specifying that from Jan 2019 new inspection function is to be established to further monitor large tax payers, the majority of them being State owned companies; (ii) Articles 85 through 105 of the Tax Code, 2007 stipulates the provisions related to tax inspection (audit); (iii) the regulation of State Tax Committee No. 1 of 2017, defines the STC as the only State control body in the area of tax legislation and protection of the State property rights and interests; (iv) Presidential Decree dated 5 October 2016 with No. UP-4848 on further measures for entrepreneurship and improved environment for business and private sector activity, as well as improve legal background for small business is meant to reduce the administrative burden and meliorate environment for investment. This decree abolished all unscheduled, physical (field) inspection for small and medium business entities; and (v) Presidential resolution 5308 dated 22 January 2017 announced in a message of the President to the Parliament on suspension of physical inspection of small and medium-sized business.

324. Inspection has been the usual mechanism of control at the STC. The business taxpayers were subject to field, physical audits of which nearly 30% were subject of cameral (desktop) audits including 100% of companies with a State share. Based on risk analysis, the STC performed various types of audits in FY 2017, which constituted implementation of 56% in FY 2017, of which 49% are desktop (cameral) audits. By the above-mentioned Presidential Decree, the field (physical) audits were suspended by verbal order of the President in a message to the Parliament (as well as in a formalised resolution No.5308 dated 22 January 2017) in order to allow small-and medium-sized private businesses to set up. Therefore, field audit of business companies is currently being suspended with the exception of regular desktop (remote) control of documents, fraud and criminal cases when desk audit is performed based on support documentation provided by companies. In case of no response, the case is forwarded to the Department for Fraud Investigation at the Prosecution Office. Regular control covering desktop (in-house or remote also referred to as 'cameral) audit continues to be regularly performed.

325. The internal audit function of the SCC is within the Innovation Department established only in May 2018 by Presidential Decree 3665 dated 13 April 2018 and also by Presidential Resolution 5414, dated 12 April 2018 focused on internal audit and risk management functions. It consists of nine persons and they are currently elaborating a system of risk assessment and management. Another act in relating to the audit function is the Presidential Resolution 5582 dated 24 November 2018 on additional measures for development of customs administration and improvement of system and organisation, optimisation (inefficient services to be removed)

of customs procedures and systematic problems. Until that time, a monitoring group established at the SCC was in charge of control. It has been reported that an equivalent document of compliance improvement plan with planned mitigation measures exists, however, it has not been provided due to its confidentiality. Therefore, it cannot be ascertained for the last completed fiscal year what were the mitigation measures actually implemented versus planned at SCC. There is no information on execution of the planned audits and investigations in FY 2017.

326. In summary, the execution of the planned audits at STC are 56% in FY 2017 applying risk-based approach. It cannot be ascertained for the last completed fiscal year what were the mitigation measures actually implemented versus the planned.

Dimension Rating = C

19.4. Revenue Arrears Monitoring

327. The Tax Code stipulates in Article 48 the obligations of tax payment. The legislation recognises the tax arrears as an amount due which is not paid within the deadline. It is also referred to as the so called 'hopeless' arrears – that is to say, an overdue amount which cannot be paid due to bankruptcy, liquidation acknowledged by court, death or over due payment claim. Non payment of tax due leads to financial sanctions being imposed on the tax payer.

328. There is a special department at the STC responsible to claim arrears on tax. First, request for payment is with deadline of ten days. If it is not paid, a claim is filed in the court, and a request is sent to the bank to pay the area. There is surcharge for each overdue day, after the 10th day. When the claim is filed in the court, a decision is made by the prosecutor for enforcement. When the indebted companies are unable to pay, they are pronounced as bankrupt. The law stipulates that the so called 'hopeless' arrears (in case of death, for example) are written off after three years. There are ceilings on the volume of the arrears, if they are 20 times below the minimum salary, payment claim cannot be filed with the court.

329. The stock of revenue arrears at the end of the last completed fiscal year (FY 2017) is UZS 11,009 billion. The total revenue collection for the same year is UZS 49,090 trillion, and the revenue arrears older than 12 months for the same period is UZS 460 million. Therefore, the percentage of revenue arrears is 0.22% or less than 1% and the rate of arrears older than 12 months is 0.0009%. The stock of arrears is rather stable compared to the previous two years, when it was even lower, while the rate of aged arrears shows identical level.

330. In summary, the stock of revenue arrears is less than 1% in FY 2017 (in the three FYs of assessment) and the revenue arrears older than 12 months are less than 1%. Debt owed to the government are managed actively and appropriate processes are adopted for payment of collectable debt.

Dimension Rating = A

331. On-Going Reforms

- *New tax and customs legislation are currently being developed and are expected to be approved in the beginning of 2019. The Chamber of Commerce is closely monitoring the changes being undertaken in the reforms in the tax and customs areas. They are generally well accepted and supported.*

- *As far as the customs is concerned, a draft regulation with risk management approach is now being drawn up, the Customs Code is also in process of revision introducing a system of four corridors (yellow-certification compliance, blue, green – electronic declarations to be assessed in the context of risk, nothing to declare and red-to declare). The related risk assessment system prepared by September 2018 covered the launch of red and green corridors, only. The Customs Code Bill is now being coordinated among ministries, once submitted for consideration to the Cabinet of Ministers by November 2018, it is expected to be approved at the Parliament and enacted in early 2019. The new Code will provide for opening of yellow and green corridors, random sample inspection, modelling of risk, implementation of paperless trade and other improvement of the customs practices based on international experience. The introduction of a risk management system at SCC is in progress.*
- *A separate audit and fraud investigations function at the SCC is envisaged to be established with the new modification of the Customs Code.*
- *The new risk management system is in process of being established at the SCC, it is expected to modify the approach in selection of audit topic and subject, as well as the performance of routine inspection on compliance.*
- *The revision of tax administration mechanisms, takes into account the introduction of widely used forms and methods of tax control, including the involvement of international experts and consultants.*
- *The transformation of international legal norms in the tax field in national legislation, taking into account national strategic interests and the present stage of socio-economic reforms in the country, as well as the effective implementation of State tax policy.*
- *An inventory of regulatory legal acts regulating the issues of taxation and tax administration, on the subject of rules exceptions, enabling them to double interpretation.*
- *The simplification of the tax system, improving tax administration and to ensure consistent protection of the rights of taxpayers.*
- *The simplification of the mechanism for calculating the tax on personal income on the basis of a critical study of the existing system of taxation based on best practices of foreign countries.*

PI-20. Accounting for Revenue

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-20 Accounting for Revenue	A	Scoring Method (M1)
20.1 Information on revenue collections	A	The Treasury at MoF collected revenue data from STC and SCC in real time on a daily basis and presented this information by revenue source in its monthly reports.
20.2 Transfer of revenue collections	A	Transfers of revenue are made daily.
20.3 Revenue accounts reconciliation	A	Reconciliation is made monthly within 10 days of month end by both tax and customs. Overdue reconciliation is done quarterly.

20.1. Information on Revenue Collections

332. The Treasury Department at the MoF obtains revenue data from the STC and SCC into the Treasury Single Account through the GFMIS system integrating all central government budget entities. The system allows real time accounting of collected revenue by source and type. The Treasury has presented complete data of what is obtained daily. It covers both revenue collecting entities and it presents the data broken down by revenue type as presented in the table below. The table below contains the amount of tax collected by five different groups covering the nine months of 2018, i.e., the data is relevant as of the time of the assessment period.

Table AA: Tax Collection by Type for the 3rd Quarter of 2018 (UZS million)

Group	Description	Amount
1. Direct Tax	Individuals and legal entities tax	11,137,092
2. Indirect Tax	VAT, excise, customs, fuel consumption tax	28,571,120
3. Natural Resources and Property Tax	Land, property, subsoil, water resources	8,972,720
4. Tax on Excess Profit		1,134,976
5. Other		4,316,524
TOTAL for 3rd quarter of 2018		54,132,432

Source: MoF, Treasury

333. The data is complete with source and period of collection. The collected revenue data are consolidated into a monthly report. The evidence provided is a report generated from the GFMIS database for the last eight completed months of 2018 showing the consolidated revenue collections as received through Treasury. This information is identifiable by source and revenue type.

Dimension Rating = A

20.2. Transfer of Revenue Collections

334. The STC and the SCC collecting most government revenue transfer 100% the collections directly into TSA controlled by the Treasury within one working day. The tax and duties are paid either directly to a Treasury controlled account or to a Central Bank account, which is reconciled on daily basis. The situation is the same as it was in the previous PEFA assessment in 2012.

335. In summary, revenue collection enters into the TSA daily.

Dimension Rating = A

20.3. Revenue Accounts Reconciliation

336. Both budget entities collecting most government revenue, the State Tax and Customs Committee, undertake complete reconciliation of revenue accounts assessment and collections are transferred daily to the Treasury. Overdue payables or incurred arrears are reported on quarterly basis.

337. This reporting is done daily on revenue tax collection, monthly on arrears and transfers. Currently an update on the design of software is being worked on in order to allow for forecasting the tax of companies and to record and monitor the tax profile of business. Both entities report monthly to the Treasury usually within 10 days of the end of the month. Reports include assessments, collections, arrears and transfers, allowing for complete reconciliation of all items.

338. In summary, the frequency of complete accounts reconciliation between revenue assessments, collections, arrears and receipts by the Treasury is performed monthly within 10 days of the end of the month.

Dimension Rating = A

On-Going Reforms:

- *No foreseen reforms.*

PI-21. Predictability of in-Year Resource Allocation

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-21 Predictability of In-Year Resource Allocation	A	Scoring Method (M2)
21.1 Consolidation of cash balances	A	The Treasury consolidates all cash balances on daily basis except for the volume of bank accounts in foreign currency in commercial banks, with volume of 2% in 2017 and 1% in the 3 rd quarter in 2018, thus it represents less than 10%.
21.2 Cash forecasting and monitoring	A	Cash flow forecasts are prepared for the fiscal year and are updated monthly on the basis of cash inflows and outflows but they are approved only quarterly by the MoF.
21.3 Information on commitment ceilings	A	Budgetary organisations are able to plan and commit expenditure for at least six months in advance with the budgeted appropriations. They can even spend all the appropriation at the beginning of the year if justified.
21.4 Significance of in-year budget adjustments	A	Significant in year adjustments to budget allocations take place infrequently and are done in a transparent and predictable way. In-year budget adjustment was below 10% for 2017.

21.1. Consolidation of Cash Balances

339. With the establishment of 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. From 2019 TSA will cover also foreign currency accounts that currently are kept in commercial banks. These accounts are used for foreign currency conversion and the volume of cash provided as evidence is at the time of assessment (three quarters of 2018) amounting to UZS 147.7 billion and for FY 2017 amounting to UZS 205.9 billion. In both

cases the cash outside the TSA is less than 10%. The consolidation of cash balances in local currency is conducted on a daily basis and the cash in commercial banks on monthly basis.

Table BB: Volume of Cash in Commercial Banks in Foreign Currency Outside TSA (UZS billion)

	2017	3 rd Quarter in 2018
Total cash balance in TSA	9,891.20	12,042.30
Cash in foreign currency in commercial banks	205.9	147.7
Share of foreign currency cash not in TSA	2.08%	1.23%

Source: Treasury

340. In summary, the cash in foreign currency is less than 10%, therefore the Treasury consolidates all cash balances on daily basis.

Dimension Rating = A

21.2. Cash Forecasting and Monitoring

341. Cash flow reports are prepared based on government regulation No. 39 (2010) on cash flow planning and management of the State Budget. It describes the content of budgeting cash flows and reporting of cash receipts and expenditures. It has been recently supplemented by a new instruction, No. 3009 (May 2018) on forms and procedures for cash forecasting and management of the State Budget covering funds in foreign currency.

342. The Treasury introduced the TSA in 2012 and regularly prepares the cash flow forecast (using a module of the Treasury software) based on revenue and expenditure forecasts provided by the tax and customs administration and budgetary forecasts prepared by the Treasury. These are then consolidated in the MoF and updated on monthly basis based on actual cash inflows and outflows. Reports are prepared on a daily and monthly basis for internal use of the MoF. Quarterly reports are distributed to the CoM and the Parliament. Evidence on cash flow forecast (broken down to months) for 2017 has been provided by the Treasury.

343. In summary, cash flow forecasts are prepared for the fiscal year, and are updated monthly on the basis of cash inflows and outflows, but they are approved only quarterly by the MoF.

Dimension Rating = A

21.3. Information on Commitment Ceilings

344. Commitment ceilings, also known as permission for expenditure payments (known in the Russian language as ‘разрешение на оплату расходов’), and also referred to as budget allocation certificates (known in Russian language as ‘сертификат назначения’) is also governed by Regulation No. 39 (2010) on cash flow planning and management of the State Budget. This is a document issued by the Treasury to the budget entities, which indicates the amount of budget allocation setting the limit of legal commitments the respective budget entity may undertake. The amounts fixed in the commitment ceilings cannot change in the course of the financial year.

345. The Treasury applies commitment and payment controls to commitments and payments made by the budgetary entities.

346. 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 mechanisms effectively manage the cash expenditure in a reliable and predictable manner. 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. MoF issues the so-called allowance on expenditure payment (known in Russian language as 'разрешение на оплату разходу') or commitment ceilings, which are initially planned for one year. The GFMS system allows the commitment ceilings to be broken down by month and spent at any time of the year.

347. The procedure effectively limits and controls the approved availability of funds necessary for budget units to plan activities and procurement commitments, and to implement them without disruption.

348. In summary, the budget entities are able to plan and commit expenditures for at least six months in advance with the budgeted appropriations. They can spend all the appropriation at the beginning of the year if this is justified.

Dimension Rating = A

21.4. Significance of In-Year Budget Adjustments

349. The legal framework governing the changes to the approved budget during the year are defined in Article 144 of the Budget Code No. 360 (2013). The budget can be changed not more than four times during the year of budget execution for not more than 10% with the approval of the Cabinet of Ministers following submission by MoF. If the adjustment exceeds 10%, it is to be discussed, voted and approved in the Parliament.

350. The approved expenditure estimates are the basis for in-year control on spending performed by the Treasury. Changes to the approved budget are initiated either by the budget entity or by the MoF.

351. Upon each request for budget adjustment, the Treasury initiates the appropriate amendments to the approved estimates. It was reported that only a few adjustments are made each year; and where these are made, they are transparent and orderly for increase of staff remuneration and inflationary adjustments. This was confirmed by the spending agencies.

352. Evidence on in-year budget adjustments was obtained from the Treasury providing details on reallocation of revenue and expenditure for the last three completed financial years. The data is presented in the following table and shows that the volume of budget adjustment is within 10% in each one of the three years.

Table CC: Revenue and Expenditure for Fiscal Years 2015-2017 (UZS billion)

	Revenue			Expenditure		
	Approved budget	Adjusted budget	%	Approved budget	Adjusted budget	%
FY 2015	36,185	36,185	100	37,968	36,725	97%
FY 2016	40,506	40,810	101%	42,721	41,400	97%
FY 2017	44,470	48,486	109%	46,943	49,090	105%

Source: Treasury

353. In summary, there are no significant in-year adjustments to budget allocations in the last three completed years. In-year budget adjustments can be made four times in a year. A strict procedure is followed that is transparently applied.

Dimension Rating = A

354. *On-Going Reforms*

- *Testing is currently being made for incorporation of the foreign currency bank accounts into the TSA. It is expected that all cash, both in national and foreign currency, will be in the TSA in FY 2019.*
- *Currently, the incorporation of a foreign currency into the TSA is being tested and it is expected that it will be operational in 2019. There is an Ordinance of the CoM No. 620 (2018) amending and supplementing the existing government decision on management of foreign currency.*

PI-22. Expenditure Arrears

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-22 Expenditure arrears	A	Scoring method (M1)
22.1 Stock of expenditure arrears	A	In all three years of assessment the stock of arrears was less than 0.5 percent of the total budget expenditure.
22.2 Expenditure arrears monitoring	A	Data on arrears is monitored on a daily basis according to the local definition of arrears and reported in quarterly reports together with its age within one month after the end of the quarter.

355. The definition of arrears is defined in a Presidential Decree No.1154 (1995) on activities for timely settlement of payment. Payment is considered overdue after 90 days starting to count from the day the goods, services or works were delivered, performed and accepted by protocol.

356. The legal framework governing the concept of arrears is very detailed and clear. Overdue payment is recorded as arrear after 90 days, whereas with regard personnel payment and payroll system, it is the sixth days of the following month (as noted in PI-23 the salaries are paid by the fifth day of the following month). The government budget was in surplus in the three years of assessment and no salary arrears have been incurred

so far. The data provided as evidence on the stock of arrears is presented in the table below and it shows that the arrears incurred in the three financial years were insignificant, averaging below 0.5%. The evidence for the assessment for this dimension is provided in the summary table below showing expenditure arrears monitoring data.

Table DD: Stock of Arrears and Total Budget Expenditures for Fiscal Years 2015-2017 (UZS million)

	FY 2015	FY 2016	FY 2017
Stock of Arrears	131	2,675	949
Share	0.0004%	0.0065%	0.0019%
Total Budget Expenditures	36,257,000	40,910,000	49,344,000

Source: Treasury

357. In summary, the composition of arrears incurred over the three years of assessment are for services and works related to procurement contract on capital investment. There are no arrears on salaries or pension payments. The stock of arrears is less than 0.5% on average for the three years of assessment. It is monitored and reported monthly while the age profile is reported on a quarterly basis.

358. In summary, the stock of expenditure arrears was less than 0.5% of total budget expenditure in the three fiscal years being assessed.

Dimension Rating = A

22.2. Expenditure Arrears Monitoring

359. The MoF is responsible for monitoring and managing accounts payable, accounts receivables and related arrears. The arrears monitoring is centralised in the GFMS at Treasury where the accounts payable or the overdue invoices are recorded. Being part of the overall budget monitoring system, the data on composition of arrears is updated on daily basis. This enables the Treasury to monitor also the aging profiles. Arrears data is consolidated in a report on monthly basis whereas the age profile is reported on quarterly basis.

360. Arrears data is received by the Treasury from budget entities by 25th of each month. The age of the arrears is provided quarterly by the 25th, i.e., before the end of the quarter. Expenditure arrears are included in a quarterly accounting budget execution report issued by the end of the month following the completed quarter.

361. In summary, expenditure arrears are monitored by the Treasury. The value of arrears is monitored by the four different groups of expenditure. This information is monitored on daily basis but reporting on the stock of arrears by type and value is generated monthly. The age profile is monitored on quarterly basis.

Dimension Rating = A

362. *On-Going Reforms: N.A.*

PI-23. Payroll Controls

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-23 Payroll controls	B+	Scoring method (M1)
23.1 Integration of payroll and personnel records	A	Personnel data and payroll data are now directly linked. Payroll is integrated into UzASBO.
23.2 Management of payroll changes	A	Required changes to personnel records and payroll are updated automatically and retroactive adjustment are less than 3% (0.91%).
23.3 Internal control of payroll	A	Access to payroll and staff records modules in the software system is restricted, authority to make changes results in an audit trail.
23.4 Payroll audit	B	Payroll audit covering all central government entities are conducted by the CRU once every two years as part of their review of the targeted use of budget funds.

23.1. Integration of Payroll and Personnel Records

363. In compliance with the internal rules of the MoF only one person can have access and make changes in the staff list. A different person should enter the changes in the accounting software and the personnel database and the payroll modules should be reconciled on monthly basis while the accounting software currently used allows for daily reconciliation.

364. The head of the respective budget entity approves the staff list of civil service positions. The staff list is prepared manually by the head of the Personnel Management Department (PMD). It is submitted to the accounting department in order that the data be entered into the personnel database. The personnel database is now integrated into a locally developed software system known as UzASBO, which is specialised for accounting and payroll calculation. The system incorporates all positions with the respective level of remuneration calculated based on an approved scale established for each particular position in the Law on Civil Service.

365. The accounting software UzASBO is integrated into the Treasury operated management information system, known as GFMIS. Any modification of personnel database entailing remuneration changes is automatically reflected and such changes are tracked and visible in GFMIS allowing for budget controls to be made at any time. Access to both systems UzASBO and GFMIS is restricted by password. There are different levels of access and administrators' rights. Data changes and entry enable an automatic audit trail.

366. In summary, the personnel database and payroll system are now integrated and directly linked to avoid technical errors and to ensure that changes made in the personnel data are immediately reflected in the payroll software system. Thus, data consistency and monthly reconciliation is ensured.

Dimension Rating = A

23.2. Management of Payroll Changes

367. The salary calculation and payment are formalised in the internal rules of procedures of MoF. Salaries are paid in advance payment of nearly 50% between 15th and 20th each month and the balance are due for payment between 1st and 5th in the following month.

368. The staff list is managed by the head of PMD, which is responsible to provide on monthly a basis the changes so that they are incorporated in the personnel data module of the UzASBO system and are available for the next month payment. Data related to appointment, promotion, salary and retirement are kept by the PMD in electronic format records linked to the accounting software. Data is then available in the system for the accountant for salary calculation and payment. Attendance is monitored and recorded by means of timesheets maintained by specially authorised official. They are approved by the head of the respective budget entity and submitted to the accounting by the end of each month. Data in the integrated software system is updated every month in time for salary payment. Retroactive adjustments have been reported to be a few. Evidence was provided to justify the volume of these corrections. The retroactive changes of payroll as of the time of assessment are 0.91%.

369. In summary, the changes in the personnel data are reflected in the payroll module of the software system UzASBO in time for salary payment, the retroactive adjustments are less than 3%.

Dimension Rating = A

23.3. Internal Control of Payroll

370. As described in the previous dimensions, there are strict controls on access to the personnel and payroll modules in UzASBO. Only the head of personnel management can access by password and change data with regard to staff and only the accounting officer can enter the payroll module for salary calculations. Any other access is restricted to different degrees of viewing data in accordance with the specific functions performed. The system maintains an audit trail on user access and changes made to the data.

371. In summary, restrictive control of access to the payroll system is ensured by separate verification of access and it allows audit trail, history of transactions can be viewed identifying the respective officer authorised to enter the system.

Dimension Rating = A

23.4. Payroll Audit

372. Based on the Presidential Decree No. 3231 (2017) on the development and establishment of internal audit function, the Cabinet of Ministers approved ordinance No. 870 (2017) regulating the function of Control Revision Unit at the MoF. The focus of the activity of CRU is shifted to detection and investigation of irregularities in the budget organisations on national level. Until this change of responsibilities was made in October 2017, CRU was responsible for the payroll audits, which was a mandatory element of the scope of inspection.

373. Payroll audits are conducted every year at all budget organizations. The payroll audit covers review and verification of correct salary calculation, personal income tax charges, social security contributions and actual salary payment. Additionally, the CRU inspectors confirm that personnel salaries are calculated based on a scale established for each position.

374. Information has been received on the overall number of audits performed by CRU for the period 2015-2017. All payroll audits were performed as on the spot inspection of documentation and payment and they covered the following number of budget entities: (i) FY 2015-93%; (ii) 2016 – 93%; and (iii) 2017 – 51%. In year 2017, CRU was restructured with some staff laid off and other moved to the newly established internal audit units. With the introduction of financial control and internal audit concept, the current Control Revision Unit is reported to be furtherly restructured.

375. In summary, payroll audit covering all central government entities has been conducted at least once in the last three years

Dimension Rating = B

376. *Ongoing Reforms: N/A.*

PI-24. Procurement

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-24 Procurement	B	Scoring method (M2)
24.1 Procurement monitoring	A	Records of all procurement are maintained with details on value, duration and who has been awarded the contract. The data is complete and accurate and reconciles to the budget execution data on: (i) services for goods; and (ii) consumption of fixed capital.
24.2 Procurement methods	D	The total value of contracts awarded through competitive methods in the last completed fiscal year was about 42%, the remaining 58% represented the volume of direct contract award method.
24.3 Public access to procurement information	B	Five of the six procurement information elements were made available to the public in FY 2017. This information was published on the e-procurement website.
24.4 Procurement complaints management	A	Complaints on electronic tenders are filed and resolved by an appeal body, the others are directly filed with the court. The composition of the appeal body is decided by the Cabinet of Ministers and consists of seven members from different organisations. This mechanism functioned for all procurement operations in FY 2017. All procurement system criteria are met.

24.1. Procurement Monitoring

377. With the adoption of the new Law on Public Procurement No. 472 (2018), the legal framework has consolidated the previous fragmented stand-alone acts on public procurement that represented a complex series of Cabinet of Ministers resolutions. The new law provides a more satisfactory legal framework following good international practices. However, it is thought by procurement experts of development partners that further improvement is required in the area of tenders' definition and complaint resolution. Nevertheless, the current law is a step ahead and provides adequate regulatory background.

378. There are four organisations with monitoring functions on the public procurement according to the legislation. They are the Chamber of Accounts, the Prosecutor, NAPM, Treasury at MoF (all budget expenditures are in the Treasury Single Account). The National Project Management Agency (the Agency) under the President of the Republic of Uzbekistan is a public institution set up in accordance with the Presidential Decree (PD-3150) "On the Establishment of the National Project Management Agency under the President of the Republic of Uzbekistan", signed 27 July 2017. The Agency, among its various functions on project management and investment programmes, is responsible for the delivery of the integrated information space for public procurement. It handles the following:

- coordinates work on the creation and administers the integrated information portal of public procurement, determines requirements for the implementation of public procurement;
- provides for the combination of the Integrated National Directory of Resources with the integrated information portal of public procurement;
- carries out coordination, oversight, methodological support and evaluation of public procurement processes, conducts analysis to identify the reasons and circumstances that prevent effective organization of public procurement, takes measures to eliminate them;
- prepares proposals to improve the order of public procurement procedures, ensures their implementation; and
- keeps register of unscrupulous suppliers of goods, works and services, limits their access to the integrated information portal of public procurement.

379. Three types of monitoring are carried out: preliminary, current and final control. There is daily information on the turnover of contracts, volume, price per unit, supplier/contractor. The NAPM is a centralised agency without territorial branches. E-procurement involves moderators based at the Commodity Exchange markets and the Treasury. Electronic database exists for all procurement methods and are available and published. The records are kept separate for budget and corporate organisations both of which, are published on <http://dxarid.uzex.uz/>. This database, however, covers the period only from August 2018 when the electronic portal was launched. Before this period, the public procurement records were kept by the Public Procurement Unit in the Treasury, established in 2011 that monitored, kept records and produced reports with comprehensive and reliable data on all different procurement methods. Treasury at the Ministry of Finance, however, kept data only until July 2017 when NAPM was established and it took over the procurement function.

380. Database records on all required procurement information were provided by NAPM with information on what has been procured, the value of procurement, and who was awarded the contracts for FY 2017. This data

was reconciled to the data published in the budget execution report on: (i) services for goods; and (ii) consumption of fixed capital.

381. In summary, procurement data is accurate and complete for all procurement methods for goods, services and works for FY 2017.

Dimension Rating = A

24.2 Procurement Methods

382. Article 23 of the Law on Public Procurement No. 472 (2018) defines five procurement methods, namely: (i) electronic store; (ii) reverse auction; (iii) competitive bidding; (iv) tender; and (v) single supplier public procurement. The first four methods are based on competition whereas the fifth method is applied in case of monopoly supplier for specific goods or services approved by decision of the President. The previous regulation on public procurement applied in FY 2017, provided for the same methods plus the option of direct contract award but it excluded single supplier public procurement.

383. The procurement monitoring function was the responsibility of the Treasury until July 2017. With the establishment of the NAPM under the authority of the President, the Agency has been equipped with more instruments to keep and monitor more data and to improve the efficiency of the public procurement system. It was also reported that the new procurement system achieved more effectiveness in terms of turnover of transactions and public satisfaction. The electronic platform was launched in June 2018.

384. The data on procurement methods has been provided both for FY 2017 and for the time of the operation of the electronic platform, i.e., from July to end September 2018. However, for the assessment of this dimension only the data of FY 2017 has been considered. The more recent data is provided only for information and to indicate the abrupt change in the procurement practice with the adoption of the new legislation in 2018. The evidence of the volume of tenders procured through competitive method for FY 2017 shows that about 42% of the tenders were procured by competitive methods and 58% were procured as direct contract awards. In 2017, direct contracting was usually resorted to in cases of monopoly service provider as single supplier. Upon the adoption of the 2018 procurement legislation, the practice of direct contract award ceased, and more competitive procurement methods were introduced. The recent data covering the period July-September 2018 shows that the competitive method was for 88% of the total value of procured contracts.

Table EE: Method of Procurement in FY 2017 and in 2018 (UZS million)

	Method of Procurement	FY 2017	Share	July-Sept 2018	Share
1	Direct contract award	4,920,589	58%	-	-
2	Electronic store	802,966.50	10%	312,608	2%
3	Reverse auction	59,466	1%	127,727	1%
4	Competitive bidding	1,472,732	17%	3,448,576	22%
5	Tender	1,168,158	14%	10,100,443	64%
6	Single supplier public procurement	-	-	1,867,865	12%
	Competitive procurement methods (2+3+4+5)	3,503,323	42%	13,989,354	88%

	<i>Method of Procurement</i>	<i>FY 2017</i>	<i>Share</i>	<i>July-Sept 2018</i>	<i>Share</i>
	TOTAL	8,423,912		15,857,219	

Source: NAPM

385. The 2017 practice was that if no tender bids were submitted within the deadline, direct contracting was applied as an alternative. Suppliers used this loophole in the law especially when the supplier was unique for the market. With the new law and the upload of all procurement information on e-procurement platform in mid-2018, the risk of corruption is diminishing.

386. In summary, the data provided on procurement method demonstrated that the majority of contracts were procured mainly by direct award in FY 2017. This was acceptable under the legislation in force at the time. Competitive methods were used for only 42% of all procurement.

Dimension Rating = D

24.3. Public Access to Procurement Information

387. All information covered by the assessment requirements for this dimension should be published in the website of the NAPM (www.xarid.uz) in accordance with Article 24 of the Law on Public Procurement that stipulates the procurement information that is to be made publicly available.

388. It has been reported that the procurement plans are uploaded monthly, quarterly and annually. The contract awards are published three days after contract signing. The complaint resolutions are published as well as any decisions on companies included in the black list. The web-based portal for complaints is under the authority of the President. All meetings when complaints are discussed are recorded by video.

389. The public information can be obtained from two sites: the NAPM and the e-procurement portal.

390. Given the fact that the procurement website has been recently launched it contains data only as of June 2018, whereas such is required for the last completed FY 2017. Though it makes more sense to apply as of time assessment timing for this dimension given the recent development in the procurement area, the information elements were assessed strictly in compliance with the PEFA 2016 Methodology. The evidence used and the results of the assessment for the dimension is presented in the summary table below.

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
Legal and regulatory framework for procurement.	Yes	The Public Procurement Law was approved only in April 2018, the previous legal framework consisted of single acts, which were not sufficiently comprehensive, as a minimum they were published in the legal portal www.regulation.gov.uz and www.lex.uz .
Government procurement plans	Yes	Before the launch of the new website of NAPM, the procurement plans were published on www.uzex.uz .

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
		With the launch of the NAPM website they are published as follows: <ul style="list-style-type: none"> for corporate bodies on http://exarid.uzex.uz/ru/plan for budget entities on http://dxarid.uzex.uz/ru/plan
Bidding opportunities	Yes	Published in the website of the Commodity Exchange in 2017 and now on the newly launched website of NAPM.
Contract awards (purpose, contractor and value)	Yes	Published in the website of the Commodity Exchange in 2017 and now on the newly launched website of NAPM.
Data on resolution of procurement complaints	No	Information on resolution of procurement complaints was publicly available only in 2018.
Annual procurement statistics	Yes	Published in the website of the Commodity Exchange in 2017 and now on the newly launched website of NAPM.

391. There is still no internal audit in the NPMA and its operations have not been covered in the external audit reports of the Chamber of Accounts.

392. In summary, the procurement information was made available to the public in FY 2017 through the website of the Commodity Exchange and in 2018 on the website of NAPM. The website appears to be effectively functioning; it provides information for all elements of assessment except complaints resolutions. In addition, with the launch of the NAPM website, all data elements are published, easily accessible and complete as of the time of assessment.

Dimension Rating = B

24.4. Procurement Complaints Management

393. A separate complaint handling mechanism was not available at the time of the previous PEFA assessment in 2012. Complaints were filed and considered in the Higher Economic Court only. The complaints mechanism establishment relevant in FY 2017 was based on a Cabinet of Ministers Decree on additional measures for improvement of the public procurement dated 11 June 2013. By force of this decree, the complaints resolution commission was established with the Commodity Exchange with the objective to review all procurement tenders appeals and to make decision on procurement evaluation outcome. The procurement appeals were regulated by the Civil Procedural Code (No. 381 or No. 387). It could suspend the procurement evaluation for a month and make a decision within ten days. The reviewing body responsible for complaint resolution, operational in 2017, was legally separate from the procurement authority. It was independent from the procurement operations and was not subject to the influence of procurement managers. It consisted of seven members representing different public organisations as follows: four members from the Commodity Exchange, one from the Ministry of Economy, one from the Treasury at Ministry of Finance and one from the State Committee on Competition.

394. The evidence provided to justify for the functioning of the appeal mechanism are the number of appeals filed and resolved. The data provided for FY 2017 shows that only 48 complaints were filed of which all were resolved. However, the data provided covers only complaints related to the electronic tender. Complaints relevant for the other procurement methods were filed in the general court. Relevant data on this point was provided also as of time of assessment. This evidence data shows that 128 complaints were filed out of which, 118 were resolved and 10 complaints were withdrawn.

395. The requirements for the assessment of this dimension with evidence and/or comments (based on FY 2017 facts) are summarised in the table below.

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	The Cabinet of Ministers defines the members of the appeal body and the evidence provided shows that the appeal body consists of seven members from different central level budget organisations. None of them is involved in any capacity in procurement transactions and evaluation.
2. Does not charge fees that prohibit access by concerned parties.	Yes	Fees are not charged for resolution of complaints and the procedures allows tender evaluation to be suspended.
3. Follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Yes	The procedures for submission of resolution of complaints is described in the legal framework by force of which the appeal body is established which is publicly available.
4. Exercises the authority to suspend the procurement process.	Yes	The appeal body has the power to suspend the procurement process in case of ongoing appeal procedure; they can reverse wrong decisions already made.
5. Issues decisions within the timeframe specified in the rules/regulations, and issues decisions that are binding on every party (without precluding subsequent access to an external higher authority).	Yes	The decisions on resolution of complaints are processed in a transparent and timely manner within 10 days when they were made by the appeal body.

396. In summary, the appeal review system offers access to an appeal mechanism as part of the control system, in addition to the general court system. The public procurement complaint mechanism has been in place since 2013. The appeal body consists of representatives from different public organisations who are not involved in procurement transactions. This dimension is based on evidence from the last completed year.

Dimension Rating = A

397. *Ongoing Reforms:*

- *An E-procurement platform was launched in June 2018.*
- *Competitive procurement is the default method in 2018.*
- *All contracts are now electronic.*
- *Various information campaigns and events on the new procurement legislation are currently being organised in the country. Certification programme on public procurement is being prepared and it is expected to be released in March 2019. Training Centre providing seminars on public procurement is now operational as well as World Bank certification programme on train the trainers.*
- *The e-procurement portal will be further improved with more detailed information.*
- *Donors plan to continue capacity building on public procurement with view of further improving the Law on Public Procurement.*
- *With the adoption of the Public Procurement Law No. 472 (2018), Article 73 stipulates the provisions on Public Procurement Grievance Redress Commission. The Cabinet of Ministers in agreement with the NAPM establishes the composition of the Redress Commission. It has been reported that the appeal body was established by Provision No. 3013, dated 26 May 2018. It elaborates on the order appealing and the function of the Commission, which is to be established by decision of the Cabinet of Ministers. The current Committee, operational in 2018, succeeded the previous mechanism, the composition of the members of the appeal body was modified in order to include NAPM and to achieve more balanced representation of the different public organisations. The current body covers the following: two members from NAPM; one member from the Ministry of Information and Communication; one member from the State Committee on Competition; one member from the Chamber of Commerce; and two members from the Commodity Exchange. With the new Law on Public Procurement, the appeal procedure has been made more favourable to the claimant, shortening the suspension time to one week only. The law permits to refer the resolution of the complaints to an external higher authority for appeal, which is the Higher Court.*
- *The procurement resolutions are now available in the public domain.*
- *In 2019, together with the Treasury and Goskomkonkurentsiey UZEX begin development of an automated system for e-procurement on the basis of a special information portal.*

PI-25. Internal Controls on Non-Salary Expenditure

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-25 Internal Controls on Non-Salary Expenditure	A	Scoring Method (M2)
25.1 Segregation of duties	A	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly laid down.
25.2 Effectiveness of expenditure commitment controls	A	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations through the GFMIS.

Indicator/Dimension	Score	Brief Justification for Score
25.3 Compliance with payment rules and procedures	A	Strict internal control exists on financial transactions ensuring compliance with payment rules which is very high and any misuse or errors in payment procedures is insignificant.

25.1. Segregation of Duties

398. **Legislation:** The legal framework governing the rules and procedures of internal control in non-salary expenditure are laid down in the Budget Code No. 360 (2013). The Budget Code defines the financial control bodies. They are the Chamber of Accounts and the Ministry of Finance. Article 29 of the Budget Code outlines the tasks of the MoF among which, is the control of expenditure of targeted budget funds with the Treasury subordinated and territorial functions. Article 26 of the Budget Code elaborates the tasks of the Chamber of Accounts among which, is control of appropriate spending of budget funds. Other legal acts applied in the segregation of duties in performing internal control are:

- Rules and Procedures No. 2634 (2014) on completion, approval and registration of statement of expenditure for all budget entities;
- Public Procurement Law No. 472 (2018); and
- Organizing and taking inventory stock No. 833 (1999).

399. **Procedures:** In relation to all operations performed and verified in the Treasury system, the Ministry of Finance has issued instructions on segregation of duties that are applied and strictly complied with by all budget entities. These instructions are also incorporated in the statement of expenditure of each entity. Generally, there are separate persons responsible to enter and handle specific information related only to procurement, or to salaries and changes in the personnel structure. All contracts signed by the budget entity are registered in the Treasury system, thus available and allocated funds are checked and verified. When a payment request is to be made, there are five persons checking, signing and approving: three persons from the respective budget entity (the head, the accountant and a legal counsellor; and two from the Treasury. When it concerns payment, the order is signed by at least two persons ensuring the four-eye principle. The signers are the accountant and the head of the respective budget entity. Payment balances owed, for example for goods delivered, is made only against signing of protocol of acceptance by at least two persons from the paying entity.

400. In summary, appropriate segregation of duties is prescribed throughout the entire expenditure process with responsibilities clearly laid down.

Dimension Rating = A

25.2 Effectiveness of Expenditure Commitment Controls

401. Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved annual budget allocations. The Treasury commitment controls system, which is integrated in the management information system, known as UzASBO, operates by covering information technology controls and review procedures performed by Treasury staff.

402. Ex-ante controls are conducted to ensure that only contracts within the approved expenditure estimates are registered in the Treasury system. The contracted commitments are checked and verified in the Treasury system by two separate persons verifying the legal compliance of the contract and its appropriate value. Next to check are the valid payment orders and invoices. This check requires that the respective budget entities provide all contracts and the related invoices and payment orders to the Treasury for review and acceptance. Having established such registration and verification procedures strictly controls the targeted use of budget funds. It also ensures that the contract obligations are adequately performed, that expenditure commitment arrears are not monitored and controlled from being accumulated.

403. In summary, the control on expenditure commitment exists and effectively restricts the commitments to the actually available funds as approved in the budget appropriations. Internal financial rules and procedures are widely known and applied by staff. The rules are extensively applied without exception and incorrect or inadequate applications are not significant. The established system of Treasury control on expenditure commitment provides consistency to expenditure estimates and ensures strict control over accounts payable for all legally binding contracts.

Dimension Rating = A

25.3. Compliance with Payment Rules and Procedures

404. The process of compliance of payments with regular payment procedures have already been described above. Additionally, it should be noted that the head of Internal Control and Analysis Department within the Treasury is in charge of assuring this compliance through initial, current and final control levels. Segregation of duties is an important element of the control and it is strictly applied especially with procurement commitments, where the practice is to pay only 15% in advance and 85% after goods or service delivery or work performed. The usual mistakes include the entry of wrong expenditure groups or line expenditure in the system, as well as cases when the documents are not correctly filled.

405. The usual controls applied by the Treasury staff are the so-called desk top (camera) or documentary (physical spot checks). Sampling is done every day to monitor that the rules are properly applied.

406. The evidence of the effectiveness of the internal control system has been obtained from discussions with the Treasury and financial controllers as well as from a report specially prepared for the purpose of the assessment on rate of errors in non-salary payment and routine financial transactions made as of the time of assessment (August 2018). The report provided shows that the average rate of errors is 1.44% for the central government budget entities and 4% for all budget entities (national and sub-national).

407. In summary, all payments are made through the Treasury system with full commitment and payment control provided through the GFMIS. Operating such highly centralized control system with numerous operational levels and control systems, ensures strong compliance with the formalised rules and procedures.

Dimension Rating = A

408. Ongoing Reforms

- *In 2018 it is planned to adopt the draft set of measures to improve public financial control and the Law "On State Financial Control". This will provide a clear division of tasks and functions of external and*

internal financial controls at each level of the budget process, as well as handle issues of the State financial control in organizations with State shares in authorized capital of more than 50 percent.

PI-26. Internal Audit

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-26 Internal Audit	D+	Scoring Method (M1)
26.1 Coverage of internal audit	B	Internal audit functions started only in 2017. Internal audit is operational in 6 entities representing 81% of total budgeted expenditure and for one entity collecting 84% of total budgeted government revenue.
26.2 Nature of audits and standards applied	C	Internal audit activities are primarily focused on financial compliance. The current practice of internal audit does not follow international standards and there is little, or no internal audit focused on systems monitoring.
26.3 Implementation of internal audits and reporting	D	Reports are issued regularly for most audited government entities, but the percentage of implementation of the Annual Audit Plans cannot be determined.
26.4 Response to internal audits	D	Action by management on internal audit findings is taken rapidly but the percentage of management response to all entities audited cannot be determined.

409. The legal basis governing the establishment of internal audit is the Ordinance of the President dated 21 August 2017 No. 3231 on further improvement of the financing of the educational and healthcare establishments within the system of State financial control. This documents sets the main tasks to be carried out by the internal audit and the financial control, and they are: (i) to monitor the planning and execution of expenditure, the budget reporting, to conduct tenders and to conclude contracts for entities within their subordination; (ii) make recommendations for the managers of the subordinated budget units on improvement of budget reporting, restriction of debit and credit indebtedness, strengthening the budget discipline, improve the efficiency in the budget execution and the budget appropriation including procurement of goods, services and works as well as capacity building of the human resources engaged in bookkeeping; and (iii) follow up on rectification of legal non-compliance and analysis of causes.

410. The internal audit function was established on 1 September 2017 in six central budget entities, namely: (i) Ministry of Health; (ii) Ministry of Public Education; (iii) Ministry of Higher and Special Education; (iv) Centre for Secondary Special and Vocational Education to the Ministry of Secondary Special and Vocational Education; (v) Ministry of Pre-school Education; and (vi) Pension Fund to the Ministry of Finance. Based on the Presidential Ordinance No. 3231, and by order of the ministers of the above line ministries, the so called 'temporary' rules and procedures are formalised concerning the function of internal audit and financial control.

411. They represent 81% of the total expenditure for FY 2017. There is no law on internal audit and the operational units were restructured from the former inspection function. International standards of the Institute of Internal Auditors are not applied, nevertheless, there are some elements of international practice

which are applied. The internal audit function is still very new to the government and it is rather early for its detailed assessment. The government is currently a beneficiary of donor funded (Asian Development Bank) project targeting capacity building in the area of the internal audit.

412. There is also internal audit function at the State Tax Committee established in compliance with Presidential Resolution 3802 dated 26 June 2018 on improvement of STC functions. The STC collects 84% of all government revenue.

413. In summary, internal audit function was recently established for central government entities and it represents most total budgeted expenditure (81%) and revenue (84%). The current system of financial inspection does not follow international standards and there is little, or no internal audit focused on monitoring of the internal control systems.

Dimension Rating = B

26.2 Nature of Audits and Standards Applied

414. The Control and Revision Unit (CRU) of the MoF, which operated before the establishment of the internal audit function, continues to operate simultaneously and employs elements of internal audit concept in the way they describe their job. CRU focuses rather on monitoring of the targeted use of budget funds and performs inspections identifying violation and make recommendations for corrective actions. The concept of internal audit is still new, and it was observed that both units claim to perform internal audit while the output of their work demonstrates that there are elements of internal audit practice mainly in the planning, but the approach is not sufficiently risk based and the audits are not focused on the effectiveness of the internal control system.

415. There was no evidence if there is a risk assessment approach in the selection of the audit topics and the preparation of the annual audit plan. The audits performed in the last three fiscal years were rather financial control oriented, reviewing accounting operations and checking financial transactions.

416. In summary, internal audit activities are primarily focused on financial compliance.

Dimension Rating = C

26.3. Implementation of Internal Audits and Reporting

417. The operational Internal Audits Units have inherited staff and practices from the practice of CRU, therefore, their approach bears common features. The internal audit practice of two-line ministries was studied: (i) the Ministry of Health and (ii) the Ministry of Public Education. The internal audit function at the Ministry of Public Education is known as Internal Audit and Financial Control Unit. They both have their roles and responsibilities formalised in order issued by the respective minister. Their mandate is to monitor the compliant allocation of State funds and to report to the minister for errors and violation. The units prepare audit plans, which are reported to be 100% implemented, however, no appropriate evidence has been obtained to justify the rate of implementation. They report to the minister on quarterly basis, the recommendations are mandatory, and the audited function is given 15-30 days for implementation. Action taken upon the recommendation is formalised in the latter. The follow-up is the next audit, which is usually undertaken in two or three years. These procedures are well established from the time of CRU, the reports adhere to a fixed format, however, it has not been confirmed if they are shared with the Chamber of Accounts.

418. In summary, the internal audit units prepare audit plans, which are reported to be fully implemented. No documentary evidence was provided to support the rate of audit plans implemented.

Dimension Rating = D

26.4. Response to Internal Audits

419. Generally, the response to any instructions is strong in the public administration of Uzbekistan. This reflects the mandatory nature of action by managers for rectifying identified problems. As described in the previous dimension, the audit report recommendations are implemented with short deadlines.

420. Evidence on response to internal audit has been obtained from the Ministry of Health and the Ministry of Public Education, both representing 41% of all six budget entities with established internal audit function. There is formal response in a letter made by the management of the audited function providing comments on the auditors' recommendations and reporting on taking appropriate action to implement them. There is no clear evidence if the internal auditors validate whether the response provided is appropriate and the recommendations fully implemented.

421. In summary, the practice as described and applied is appropriate, however it is not sufficiently supported by documentary evidence of management response to internal audit recommendations and the timing of the response. In principle, such evidence that allows to ascertain materiality would be difficult to collect given the current level of internal audit operations in the six budget entities. which is still in infant stages.

Dimension Rating = D

422. Ongoing Reforms

- *The Methodological Department at the MoF is currently benefiting from an Asian Development Bank funded project on capacity building in the area of internal audit. At the time of the assessment, discussions were ongoing to continue this support.*
- *By 2025, the plan is to implement internal audit and financial control in all ministries and departments.*



PILLAR SIX: Accounting and Reporting

PI-27. Financial Data Integrity

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-27 Financial data integrity	B	Scoring Method (M2)
27.1 Bank account reconciliation	D	The authorities reconcile the monetary and fiscal financing data on a regular basis, but the results of the reconciliations are not reported to the MoF for <i>all</i> active central government and commercial bank accounts to take action with the responsible entity to reconcile any differences.
27.2 Suspense accounts	B	Reconciliation of suspense accounts takes place at least quarterly within one month of the end of each quarter.
27.3 Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month.
27.4 Financial data integrity processes	B	The GFMIS systems generates an audit trail, which is supervised regularly by the IT department. However, a specific operational body, unit or team responsible for verifying financial data integrity is not yet in place.

27.1. Bank Account Reconciliation

423. The Treasury Single Account (TSA) was put in place on 1 January 2012 and reconciliations are made daily through the GFMIS. However, ministries have secondary accounts in commercial banks in foreign currencies for operations that need to be performed with foreign countries. Salaries can also be provided by cash and when such situation arises, a temporary account is opened in commercial banks. These bank accounts in commercial banks are reconciled manually but the results of the reconciliations are not reported to the MoF to take action with responsible entity to reconcile any differences.

424.

425. The MoF opened separate bank accounts in the National Bank of Uzbekistan and special Treasury accounts for project management purposes (see PI-6).

426. Bank reconciliations for all central government bank accounts are done on both an aggregate and detailed level and within the following time frames:

- The Treasury Single Account is reconciled daily at the end of each business day;
- The State Tax Authority bank accounts held in commercial banks are reconciled once a month within a week of the end of the period; and
- The remaining bank accounts are reconciled manually with banks statements received from either the central bank or commercial banks, but the results of the reconciliations are not reported to the MoF.

427.

428. In summary, bank reconciliation for all central government bank accounts in the TSA at the NBU takes place daily. The State Tax Authority bank accounts held in commercial banks are reconciled monthly within a week of the end of the period, but the remaining bank accounts, which account for more than 10% of the budget, are reconciled manually and the results of the reconciliations are not reported to the MoF to take action to reconcile any differences with the responsible entity.

Dimension Rating = D

27.2 Suspense Accounts

429. According to the legislation, suspense accounts must be cleared within 3 days and are reconciled within one month from the end of the quarter. All suspense accounts must be cleared by the end of the year.

430. In practice, suspense accounts are reconciled at least quarterly and are cleared within one month of the end of the quarter by the respective central and regional Treasury units. All suspense accounts are cleared no later than the end of the fiscal year unless duly justified. This was demonstrated to the assessment team through the UzASBO interface.

431. In summary, reconciliation of suspense accounts takes place at least quarterly within one month of the end of each quarter.

Dimension Rating = B

27.3. Advance Accounts

432. Advances to staff are done on the 15th of the month, recorded as settlement accounts and monitored by the 5th of the next month when payment is made. Advances for business trips can be done manually using petty cash. All advance accounts are cleared shortly after evidence has been provided. Reports are generated monthly.

433. Travel allowances are provided for authorized mission days and expensed. Where budget agencies operate an imprest (petty cash), it is reconciled and signed off monthly and reported as an annex to the monthly budget execution report.

434. Advance payments under public procurement are usually secured with guarantees and are administered within the procurement rules.

435. In summary, reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared in a timely way.

Dimension Rating = A

27.4. Financial Data Integrity Processes

436. The GFMIS is used by the MOF for budget execution follow-up and Treasury is using a different system known as UzASBO. Access to both systems (UzASBO and GFMIS) is restricted by password. There are different levels of access and administrators' rights. Levels of access are documented, ranging from a 'read-only' basis, to user with rights to interact with these systems at a higher level that allows the user to create, modify or prepare a report, which ensures there is an audit trail in the system. Although there is no identifiable (formal) GFMIS oversight body, there is collaboration at lead user level where requirements are articulated. In addition, the system is regularly supervised by the IT department.

437. In summary, the GFMIS system generates an audit trail, which is supervised regularly by the IT department. However, an operational or oversight body, unit or team responsible for verifying financial data integrity is not yet in place.

Dimension Rating = B

438. Ongoing Reforms

- *In March 2018, accounts in international currencies have been opened in TSA in order to reduce dependency on the commercial bank accounts.*

PI-28. In-Year Budget Reports

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-28 In-year budget report	C+	Scoring Method (M1)
28.1 Coverage and comparability of reports	A	Classification of data allows comparison to original budget for all items of expenditure.
28.2 Timing of in-year budget reports	C	Budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter.
28.3 Accuracy of in-year budget reports	C	There are no major concerns regarding data accuracy. Problems about data are not mentioned in reports, but they seem to be insignificant. Data on expenditure is provided at the payment stage. Analysis is made quarterly.

28.1. Coverage and Comparability of Reports

439. MoF adopted the application of new budget classification requirements in 2010. The government enacted a Budget Code in 2013 to replace the budget preparation and execution in selected sectors and other normative acts (Budget System Law in 2000 and the Treasury Law in December 2007), unifying them into a single document. Treasury applied a revised budget classification in budget preparation and execution in selected sectors. The MoF passed an Order on 12/12/2016 on the Approval of the Budget Accounting Standard. This Standard should be applied in the selection and application of accounting policies, accounting for changes in accounting policies and the preparation of financial statements in budget organizations. The GFMS was commissioned in 2016 and a unified COA was approved and introduced before the operation of the GFMS.

440. All fiscal data is received and published in a format according to international standards (GFSM 2001). Coverage and classification of data allows direct comparison to the original budget.

441. In summary, coverage and classification of data on executed budget allows direct comparison to the original budget. Expenditures made from transfers to de-concentrated units within central government are included in the reports. Information includes all items of budget estimates.

Dimension Rating = A

28.2 Timing of In-Year Budget Reports

442. MoF instruction on the Reports of Budget Organization requires monthly and quarterly reports on budget execution to be submitted to central and territorial finance departments within 10 days of the end of the period and this is strictly complied with. This requirement applies to all budget organizations (including their own revenue and expenditures), other extrabudgetary funds and the State Tax Committee and State Customs Committee.

443. Source data from the central units are provided by the Information System for Government Finance Management 35 days after the end of reporting period. General government operations are disseminated by

the 40th day of the month following the reporting period. Quarterly execution reports are submitted to the Parliament within forty days of the end of the period and some of them (but not all) are published on the web site of the MoF. Monthly reports are provided at a more aggregate level by groups of expenditures while quarterly reports provide a breakdown according to the functional classification. They present only the execution of the State Budget (without original or revised budget) but comparison with the original budget can be done easily (see PI-28.1).

444. In summary, budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter.

Dimension Rating = C

28.3. Accuracy of In-Year Budget Reports

445. As was already the case in 2012, the reliability of the in-year budget execution reports is supported by financial process controls. First, individual budget organization reports are submitted to MoF (at central and local level) which reconciles the reports with execution data captured in the Treasury system. Secondly, CRU staff performs checks on the reliability of the budget organization's accounting records as part of their inspection activities and expressed no significant concerns regarding the accuracy of underlying data.

446. The quality of underlying accounting information has improved as a result of the Treasury reforms and the development of MoF approved accounting software in many budget organizations. The Budget Policy Division analyses on a regular basis the sources of errors, omissions, and data fluctuations and examines whether data revision methods are explained. The total of quarterly data usually equals the reporting year data. Flow data regarding transactions with non-financial and financial assets and liabilities are reconciled with any stock changes in such assets and liabilities. Reconciliation spreadsheet is regularly disseminated (such as changes on the account of transactions, exchange rate fluctuation, quotations, and other volume changes). A review of accounting and financial reports did not highlight any concerns about possible data omission. Financial information is presented in a consistent and very detailed way.

447. With the introduction of the Treasury system in-year expenditures are covered both at the payments and commitment stage.

448. In summary, there are no major concerns regarding data accuracy. However, problems about data are not mentioned in reports, but they seem to be insignificant. Data on expenditure is provided at the payment stage. Analysis is made quarterly.

Dimension Rating = C

449. Ongoing Reforms

- *The full coverage of the income side of the budgetary system is expected to be done by the end of 2018.*
- *All spending of the State budget in foreign currency is expected to be covered by ISUGF before the end of 2019, as well as non-financial assets (fixed assets and intangible assets) of budget organizations.*
- *Before the end of 2025, ISUGF is expected to be improved on to do accounting on an accrual basis.*
-

PI-29. Annual Financial Reports

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-29 Annual financial reports	D+	Scoring Method (M1)
29.1 Completeness of annual financial reports	D	Annual reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, but not cash balances.
29.2 Submission of reports for external audit	B	Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.
29.3 Accounting standards	D	Annual statements do not contain the disclosures of accounting policies such as full disclosures of financial assets and liabilities that are required by IPSAS standards.

29.1. Completeness of Annual Financial Reports

450. Existing accounting system in the field of public administration is based on national legislation, which is applied consistently.

451. For the last FY 2017, the annual budget execution reports on all budget organizations (including their own revenue funds), all State Targeted Funds, and other Extra Budgetary Funds, contain revenue and detailed expenditure accounts (on a cash basis) broken down into functional, administrative and economic classification. The reports do not include cash balances. Furthermore, the financial statements do not produce full information on flows and stocks of assets and liabilities and there is no information provided on loans or debt and guarantees. In addition, no reconciled cashflow statement is produced. Other aspects included in the annual budget execution reports are reports on budget organizations' own revenues and expenditures, balance sheet, staff breakdown, fixed assets report and accounts receivable and payables report. However, data is presented in a series of separate schedules and there are no inter-entity eliminations as they are not consolidated. Extrabudgetary funds from government entities are transferred to the TSA but are not reported, which creates inconsistency.

452. In summary, annual reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, but not cash balances. In the absence of a consolidated set of the financial statements the default score for the indicator is the lowest score.

Dimension Rating = D

29.2 Submission of Reports for External Audit

453. According to article 165 in the budget code, MoF should submit the annual financial statements to the Cabinet of Ministers on April 1 and to the Chamber of Accounts for external audit and evaluation on April 5 according to article 167 of the budget code. The timetable set out in the law is complied with in practice.

454. For 2017 FY, annual financial statements (AFS) were sent on March 31, 2018 to the Cabinet of Ministers, according to transmission letter n° AX/03032/91. The AFS are supposed to be forwarded 5 days later to the Chamber of Accounts. The dates when the AFSs were received for the last three years by the Chamber of Accounts are shown in Table FF below. Audit reports are sent to the MoF who forward them within 5 days to the Parliament.

Table FF: Date of Submission of AFS to the Chamber of Accounts

Financial Year	Date of Submission to Chamber of Accounts
2015	6 May 2016
2016	10 May 2017
2017	18 May 2018

Source: MoF

455. In summary, financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.

Dimension Rating = B

29.3. Accounting Standards

456. Accounting standards applied to all financial reports are consistent with the legal framework and ensure consistency of reporting over time. Accounting is still done on a cash basis. Treasury has not adopted accrual basis of accounting, which is in the process of being developed. The MoF adopted a modern unified COA in 2010, but its implementation was postponed many times. The MoF introduced the Uzbekistan Automated System for Budget Organizations (UzASBO) central accounting system in 2014. The new unified COA was approved only in March 2016. It is now used internally by the Treasury but has not yet been officially registered with the Ministry of Justice and therefore not used by all budgetary organizations.

457. The annual financial statements do not contain a consolidated cashflow statement supported by detailed segmental reporting and they do not disclose accounting policies and other information (for example on contingent liabilities and full disclosures of financial assets and liabilities) that are typically required by internationally recognized accounting standards. In addition, they do not contain the disclosures of accounting policies, which is a requirement for the C score.

458. In summary, annual financial statements are not compliant with international standards such as International Public Sector Accounting Standards (IPSAS).

Dimension Rating = D

459. Ongoing Reforms

- *The government plans to implement IPSAS accrual starting with 11 IPSAS standards that were developed with assistance from UNDP.*

- *There is an on-going exercise to update the financial regulations that will include applying IPSAS to general government.*



PILLAR SEVEN: External Scrutiny and Audit

PI-30. External Audit

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-30 External audit	C+	Scoring method (M1)
30.1 Audit coverage and standards	C	The external audit covers all central government entities representing all total expenditures and revenue applying national standards in FY 2015, 2016 and 2017. Conclusions are made on the execution of the budget identifying weaknesses as well as outlining instructions for their rectification. The Chamber of Accounts report does not cover material issues and systemic and control risks.
30.2 Submission of audit reports to the legislature	A	The audit reports are submitted to the legislature within forty days from the receipt of the financial reports by the Chamber of Accounts.
30.3 External audit follow-up	B	Instructions with a Road Map of recommendations are issued by the Chamber of Accounts. The executive is obliged to implement and report on timely manner (usually within one month). There is formal response, which is comprehensive. Follow up audit to monitor implementation of audit recommendations is carried out in December following the completed and audited financial year.
30.4 Supreme Audit Institution independence	B	The Chamber of Accounts is independent from the executive for: (i) appointment and removal of SAI Head; (ii) annual audit plan; (iii) the contents and publishing of the audit report; and (iv) execution of its budget. Chamber of Accounts has full and unrestricted access to records, documents and information for all audited entities. The law on the Chamber of Accounts is still in progress of approval.

30.1. Audit Coverage and Standards

460. The Chamber of Accounts was established in 2002 as the independent highest financial supervisory body. It became Supreme Audit and Financial Control Institution in August 2017. It reports to the Parliament and the President of the Republic of Uzbekistan.

461. The functions of the Chamber of Accounts are outlined in the Article 174 of the Budget Code, 2013 as well as in the regulation of the Chamber of Accounts. The tasks and powers included in the mandatory activities of the Chamber of Accounts are: i) audits of the revenue and expenditures of political parties, (ii) the external audit of the annual budget execution report, (iii) review and report on the draft budget and (iv) an in-depth review of budget execution in at least two administrative regions (oblasts) each fiscal year. This mandate has been expanded by the latest Presidential Decree dated 10 August 2017 No UP-5147 defining measures to expand the activity of the Chamber of Account. Accordingly, the scope also covers: (i) performance audit; (ii) improvement of tax planning based on analysis of systemic violation; (iii) evaluation of local government budgets with view of self-sufficiency; (iv) audits by order of the President on government and regional programmes, decisions of the President as well as visits abroad; and (v) audit of assets and liabilities of the State, management of gold and foreign exchange reserves, as well as operations carried out with precious metals and precious stones.

462. The staff of the Chamber of Accounts were about 40 during 2015-2016. The staff numbers increased to 70 in 2017 and at the time of the assessment, it increased to 81 persons by a Presidential Decree dated 30th October 2018. This measure was taken in order to equip the external audit organisation with resources to cover all central government budget entities in the audit of their revenue, expenditure, assets and liabilities. The audit of FY 2017 covered assets and liabilities, still not all assets. The Chamber of Accounts can mobilise staff resources from all central government budget organisation depending on the expertise need of each audit activity.

463. All central budget units are audited once in two years in compliance with Cabinet of Ministers Order No. 362. The Chamber of Accounts enjoys full access to the databases and electronic system of all central budget units. The Audit Reports are published on the website of the Chamber of Accounts. The Audit Report of FY 2017 has been also found published on the website of the MoF. The final 2017 Audit Report is rather of compliance nature. It does not elaborate on material issues and does not indicate systemic weaknesses.

464. The Chamber of Accounts is not a member of INTOSAI but participates in international external audit initiatives and events. The ISSAI have been analysed and disputed for more than 20 years now with the purpose of being adopted. Nevertheless, there is a regulation on national standards, which are consistently applied in external audit. The national standards reflect the international practice and approach to some extent. The international practice of audit certification and classification of an audit opinion as 'unqualified', 'adverse' or 'qualified', is not applied. The national standards distinguish between positive and negative opinion. There was no independent quality assurance review of the Chamber of Accounts practice performed by another INTOSAI member SAI.

465. There is an audit conclusion identifying problems and weaknesses, which are formulated as findings. The problems disclosed result in findings and recommendations. Instructions are formalised to the audited entity and are to be implemented within 30 days. These instructions in fact represent recommendations (sometimes

referred to as the 'Road Map') which require specific measures to be undertaken by the budget entity in order to rectify or eliminate the errors and shortcoming of the audit report. The instructions (referred to in Russian language as 'предписания') issued by the Chamber of Accounts are binding. If they are not implemented, administrative sanctions are applied. If the implementation requires more than a month's time, action plan is triggered for follow up audit. The follow-up is regularly performed every December in the year following the completed financial one.

466. The Chamber of Accounts also covers internal control aspects during the audit. This is coordinated with the respective Control and Revision Unit and is based on review CRU's reports. Ten years ago, the usual problems identified by the Chamber of Accounts were ghost workers, overpricing (cash back on contracts on procurement). The Chamber of Accounts has acknowledged that there are still corrupt practices in the import of equipment and in construction.

467. The audit is usually completed within 35 days from receipt of the financial report on the execution of revenue and expenditures from the MoF and focuses on reconciling supporting documents and forms to the consolidated report.

468. In summary, the mandate of the Chamber of Accounts is clearly defined in the legislation, the revenue and expenditure on the execution of budget of all government entities have been audited consistently applying national auditing standards during the last three completed fiscal years. The execution of the budget is audited every year and it covers all central government budget units. The reports of the Chamber of Accounts identify weaknesses but do not feature material issues and do not indicate systemic weaknesses.

469. The score for the component is C because only revenue and expenditure have been audited over the last three completed years for all central government entities and the audit reports cover weaknesses but not material and systematic issues. No quality assurance was carried out on the audit practice of the Chamber of Accounts by an independent reviewer. The audit of assets and liabilities has been added to the Chamber of Accounts scope only in April 2017.

Dimension Rating = C

30.2 Submission of Audit Reports to the Legislature

470. In compliance with Article 167 of the Budget Code, the CoM sends the consolidated government report on execution of the State Budget to the Chamber of Accounts by April 5th for the purpose of external audit. The Chamber of Accounts submits the conclusion on the annual report on the execution of the State Budget and the State Trust Funds to the Cabinet of the Ministers by May 10th. The Cabinet of Ministers then is required to submit the audit report to the legislative Parliament (Oliy Majlis) by May 15th. This requirement is always complied with.

471. The evidence used for the assessment of this dimension in the summary table below shows the date of receipt of the financial report by the Chamber of Accounts and the date of submission of the audit report as required in the legislation.

Table GG: Date of Submission of the Audit Report for Fiscal Years 2015-2017

	FY 2015	FY 2016	FY 2017
CoM to Chamber of Accounts	4 April 2016	5 April 2017	5 April 2018
Chamber of Accounts to CoM	6 May 2016	6 May 2017	10 May 2018
CoM to Parliament	13 May 2016	15 May 2017	15 May 2018

Source: Chamber of Accounts and Parliament

472. In summary, the deadline for the submission of the audit report to the legislature are consistently complied with.

Dimension Rating = A

30.3. External Audit Follow-Up

473. The external audit performed by the Chamber of Accounts is performed according to the work plan and checks the accuracy of the report on revenues and expenditures of the respective entity. If errors and factors with impact on revenues and expenditures are identified during the external audit they are elaborated in detailed findings reported in protocol formalized by the Chamber of Accounts. Then instructions are given by the Chamber of Accounts to respective budget entity based on the Presidential Decree No. PF-3592 dated April 4, 2005, for elimination and prevention of defects identified during the audit.

474. These instructions include activities and measures related to financial discipline as well as the application of the public finance management procedures operational for the respective entity. Usually, one-month period is given to the audited entity to implement the audit recommendations and to report in writing to the Chamber of Accounts on the specific activities performed and measures taken. Evidence of such reports and the respective responses have been obtained for several budget entities such as the Ministry of Finance, Road Fund, Land Reclamation and Irrigation Fund, Pension Fund to the Ministry of Finance, and Health and Education Infrastructure Fund.

475. The audited entity reports in one-month time what measures have been taken in addressing the errors and weaknesses identified during the external audit conducted by the Chamber of Accounts.

476. In summary, there is a formal and timely response made by the audited entity for which follow-up was expected. A Road Map with recommendations is prepared by the Chamber of Accounts, all audited organisations implement and report in timely manner. Formal comprehensive and timely reporting is done but there is no information if the follow-up is effective.

Dimension Rating = B

30.4. Supreme Audit Institution Independence

477. The overall legal framework of the Chamber of Accounts is the Presidential Decree No. 5147 and the Budget Code. The internal rules and regulations of the Chamber of Accounts are developed on the basis of the Lima Declaration.

478. The Chamber of Accounts operates independently from the executive with respect to the following:

- i. Procedures for appointment and removal of the Head of the SAI are formalised in the current legislation – all staff of the Chamber of Accounts are appointed and dismissed by the President. The Chairman of the Chamber of Accounts is proposed by the President and approved by the Senate. The President cannot dismiss the Chamber of Accounts Chairman and management without approval by the Senate. Currently, the Chairman has unlimited tenure, the new law will restrict it to 5 years.
- ii. Planning of audit engagements - Annual audit plans have been developed for FY 2016 and 2017 without involvement of the executive. Development of annual audit plans will be formalised only in the new Chamber of Accounts Law, but the practice has already started as annual audit plans were prepared for FY 2016 and 2017 while for FY 2015, the practice was to plan the audits on six-month basis. Certain audits are obligatory, and they are conducted regularly every year, they are (i) audit of concept of budget proposal, (ii) audit of execution of budget, as well as (iii) the audit of the political parties.
- iii. Access to information – by force of the latest Presidential Decree, the Chamber of Accounts has unrestricted and timely access to all records, documentation and information. The Chamber of Accounts has also electronic access to the systems and database of 12 out of the 42 central budget entities.
- iv. Arrangements for publicizing reports –the reports of Chamber of Accounts are published on the website of the Chamber only in local language. The 2017 annual audit report is also published on the website of the Ministry of Finance.
- v. Approval and execution of budget - the budget of the Chamber of Accounts is approved by the Parliament whereas the decision related to its execution are made by the Chamber of Accounts.

479. The Law on Chamber of Accounts is in process of approval and is expected to be in force in 2019.

480. The issue of independence of the Chamber of Accounts in Uzbekistan was also reviewed with respect to compliance to International Standard of Supreme Audit Institutions (ISSAI) No. 10 on SAI independence, known also as the Mexico Declaration. The table below presents how Uzbekistan compares to the eight principles of independence according to ISSAI 10. The assessment of this dimension is based solely on the PEFA 2016 methodology and the ISSAI 10 independence requirements are covered for information purposes only.

Element/ Requirements	Met (Yes/No)	Evidence Used/ Comments
1. The existence of an appropriate and effective legal framework and of <i>de facto</i> application provisions of this framework	No	Legal framework - Presidential Decree 5147 and the Budget Code, as well as the internal rules of

Element/ Requirements	Met (Yes/No)	Evidence Used/ Comments
		the Chamber of Accounts. 5565 Decree of President dated 30 Oct 2018.
2. The independence of SAI head and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.	Yes	Chamber of Accounts is independent from the executive with respect to security of tenure. It reports to the Parliament and the President. Head and members are proposed by the President and approved by the Senate. The President cannot dismiss the Chamber of Accounts management without approval by the Senate.
3. Sufficiently broad mandate and full discretion, in the discharge of SAI functions.	Yes	Annual Audit Plans were prepared for FY 2016 and 2017. During FY 2015, the practice was to plan the audits on six-month basis. This practice will be formalised only in the new Law on Chamber of Accounts.
4. Unrestricted access to information	Yes	The latest Presidential Decree provides the Chamber of Accounts with unrestricted access to all information and data of the government entities. Chamber of Accounts has access to all documents when requested. 12 out of the 42 ministries and agencies are connected to Chamber of Accounts online, such that the expenditure can be monitored in real time or register that certain tax payment was received.
5. Rights and obligations to report on their work	Yes	Legal framework – Budget Code.
6. Freedom to decide the content and timing of audit reports and to publish and disseminate them.	Yes	The practice shows that the audited reports are published on the website of the Chamber of Accounts (ach.gov.uz) and provided when required. The contents of the report are solely decided by the Chamber of Accounts.
7. The existence of effective follow-up mechanisms on SAI recommendations	Yes	Legal framework and practice to follow up exists.
8. Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources	No	The Chamber of Accounts is not a separate legal entity; it functions as staff of the presidential office, like a cost centre and part of the President apparatus. It does not have separate account as budget fund. There is a 2018 decision to raise the salaries to the level of the executive, i.e., the salaries of the Chamber of Accounts staff are lower than those in the MoF.

481. In summary, the Chamber of Accounts operates independently from the executive with respect to the procedures of appointment and removal of the Head of the Chamber of Accounts, the planning of the audit engagements as well as the contents of the audit reports is solely decision of the Chamber of Accounts. The

reports of the Chamber of Accounts are published. The Chamber of Account’s budget is approved by the President and executed by the Chamber of Accounts. The latest Presidential Decree provides unrestricted access to all records and documentation of the budget entities.

Dimension Rating = B

482. *Ongoing Reforms:*

- *The law on the Chamber of Accounts is currently being reviewed by the Cabinet of Ministers and it is expected that it will be approved by Parliament and enforced in 2019. The Chamber of Accounts is in the process of expanding its scope by adding procurement and performance audit. Chamber of Accounts is currently in the process of increasing its staff in compliance with the Presidential Decree of October 2018.*

PI-31. Legislative Scrutiny of Audit Reports

Summary of Scores and Performance Table

Indicator/Dimension	Score	Brief Justification for Score
PI-31 Legislative scrutiny of audit reports	C	Scoring Method (M2)
31.1 Timing of audit report scrutiny	A	The comprehensive scrutiny of the annual audited budget execution report is usually completed by the legislature within two months from the receipt of the report.
31.2 Hearings on audit findings	C	In-depth hearings on key findings take place with 85% of the audited entities where relevant issues have been identified in the instructions of the audit report (there is no audit opinion concept). The hearings follow a consistent pattern - every year representatives are invited from the audited entities and the Chamber of Accounts. A list of attendees has been provided as evidence.
31.3 Recommendations on audit by legislature	D	Recommendations on audit are made by the legislature but there is no record of the decisions on actions to be implemented by the executive in relation to the conclusions of the Chamber of Accounts on the annual execution of the State Budget. There is no monitoring on implemented recommendations made by the legislature.
31.4 Transparency of legislative scrutiny of audit reports	D	The parliamentary proceedings and the approval of the audit reports are covered by the mass media. The audits are debated in the full chamber. The legislative committee issues an ordinance on the approval of the Chamber of Accounts audit report on the execution of the State budget (evidence provided) but it is not published.

31.1. Timing of Audit Report Scrutiny

483. Article 17 of the Budget Code elaborates on the principle of openness and transparency of the budget system. In addition, Article 169 stipulates that information about the execution of the State Budget and the Trust Funds Budget to be published on the website of the Ministry of Finance. In addition, the Anti-Corruption Commission (protocol No. 2 dated 30 June 2017) defines a set of measures ensuring budget accountability and transparency.

484. The Parliament has a key role in exercising scrutiny over the execution of the budget. The audit report of the Chamber of Accounts is discussed at the Budget and Finance Committee as well as by the groups of the political parties presented in the Parliament. The audit report is examined, and the audited organisation are questioned the about the findings. Once the Cabinet of Ministers has received from the Chamber of Accounts the conclusions of the external audit of the State Budget by May 10th, it submits to the Oliy Majlis the consolidated budget execution report along with the relevant conclusion of the Chamber of Accounts no later than May 15th. The audit report is then debated within the Parliament and approved within two months of its receipt. The audited entity always participates in the scrutiny as does the MoF, at a minimum. There are no delays in the regular activity of scrutinizing reports.

485. The evidence used for the assessment of this dimension in the summary table below showing the date of receipt of the audit report by the Parliament and the date when the scrutiny was completed for the three years of assessment.

Table HH: Dates of Transmission of Audit Reports for Fiscal Years 2015-2017

Audit Report	Date of Receipt of Audit Report	Date of Completion of Scrutiny	Time for Completion of Scrutiny
FY 2015	12 May 2016	6 June 2016	25 days
FY 2016	17 May 2017	1 June 2017	16 days
FY 2017	16 May 2018	28 June 2018	44 days

Source: Parliament

486. In summary, the audit report was reported as consistently debated and scrutinised within two months of its receipt at the Parliament.

Dimension Rating = A

31.2 Hearings on Audit Findings

487. Law on regulation of the legislative Chamber of Parliament dated 29 August 2003, article 33-34 defines the procedure of audit report hearings, Article 32-5 defines the hearings of the audit report by the Senate.

488. Article 11 of the Law on Parliamentary Control No. 403 (2016) defines the hearings on the report of the Chamber of Accounts. The legislative chamber of the Parliament should hear and approve the audit report at the latest by May 15th. Prior to hearings the audit report is discussed by the groups of the political parties

(fractions) as well as by the Committee on Budget and Economic Reforms. The legislative chamber of the Parliament approves an ordinance for each hearing of the audit report, which is submitted to the Chamber of Accounts and the Senate within 10 days of approval. Once this ordinance is received at the Senate, it annually also hears the audit report of the Chamber of Accounts. The Senate also approves an ordinance on the audit report hearing that is sent to the Chamber of Accounts and the legislative chamber of the Parliament within 10 days of approval.

489. There is no legal provision defining who participates at the hearings on the key findings of the audit report, the Committee on Budget and Economic Reforms decides who will be invited to the hearings. The list of attendees at the audit report hearings is decided by the Committee and it covers representatives from the same organisation every year. They are reported to constitute about t 85% of the audited budget entities. It should be noted that the practice of issuing adverse or qualified audit opinion does not exist. The conclusions of the audit reports are either negative or positive. Nevertheless, the list (42 pages) of attendees at the hearings covers as a minimum representative from the MoF.

490. The Legislative Chamber of the Oliy Majlis reviews and approves the audit report in three stages as follows: (i) The Committee on Budget and Economic Reforms considers the audit report having had detailed hearings on the areas of control weaknesses that had been identified by the Chamber of Accounts, these deliberations are conducted in consultation with representatives from ministries and agencies highlighted in the report; (ii) the audit report is then discussed and considered by the groups of the political; and (iii) it is then discussed and approved in a plenary session having hearings with participation of the audited organisation and the MoF.

491. In summary, all central government budget users report to the Parliament annually. They are invited to present the line ministries reports. Open discussion on recommendations with members of the Parliament (common chamber). All conclusions made by the various groups reviewing the audit report are finally discussed in the plenary meetings, the government (as a minimum MoF) is also invited to these discussions where the execution of the budget is discussed by sector. Hearings on key findings of audit reports take place with nearly 85% of audited organisations where errors and weaknesses were identified, evidence of attendance at hearings was provided.

Dimension Rating = C

31.3. Recommendations on Audit by Legislature

492. Article 7 of the Law on Parliamentary Control No. 403 (2016) defines the hearings conducted in relation to the execution of the State Budget. The Cabinet of Ministers presents (not later than May 15th) to the legislative chamber of the Parliament the report on the annual execution of the State Budget with the conclusions of the Chamber of Accounts. The annual report is then considered based on the discussions already made within the groups of the political parties and the Parliamentary committees. During the discussions of the annual report, the additional information can be requested. Once the annual report is heard at the Parliament, it is approved by ordinance of the legislative chamber of the Parliament. This ordinance is not published.

493. The problems identified by the Chamber of Accounts are actively discussed and investigated at the Parliament discussions and hearings. Special investigative committees can be established for this purpose

consisting of members of the Budget and Economics Reform Committee, Chamber of Accounts auditors, external experts. They can visit the budget user in the specific region where the problems had been identified. There is follow up on these visits to ensure that the auditor recommendations are implemented.

494. It was reported that the Parliament rarely issues recommendations related to the audit report. Nevertheless, four recommendations were made on the last Audit Report for FY 2017. They were: (i) one to the MoF on State funds control in relation to three draft laws; (ii) two recommendations for changes in the Public Procurement Law; and (iii) changes to the Law on Chamber of Accounts.

495. There is no practice of keeping minutes of the discussions and decision made at the hearings of the audit report. Decisions are made by the Parliament for further actions to be taken by the audited entities but there is no protocol on what is discussed, and the decisions are not publicly available.

496. In summary, the Law on Parliamentary Control does not stipulate procedures for following up on recommendations. The execution of the State Budget appears to be closely monitored throughout the year based on the quarterly reports on execution when recommendations are made and monitored. There is no record of recommendations made by the Parliament for actions to be taken by the executive with regard to the conclusions of the audit report. It appears that such are not made.

Dimension Rating = D

31.4. Transparency of Legislative Scrutiny of Audit Reports

497. The Law on Parliamentary Control No. 403 (2016) does not provide for transparency of the legislative scrutiny of the audit report.

498. The parliamentary hearings and the approval of the reports are covered by the mass media with the exception of such related to confidential issues. The hearings are transmitted live by mass media but are not attended by the members of the public on site.

499. The evidence that the audited annual report on the execution of the State Budget as presented by the Chamber of Accounts is debated in the full chamber of the legislature and there are mass media coverages uploaded in the website of the Parliament. The Committee reports on the debates have been provided but they are not published in a publicly accessible form.

500. The evidence provided by the Parliament consists of the following documents:

- Approval of the report of the Chamber of Accounts for FY 2014, issued on 11 May 2015.
- Report on the budget considerations made by the CoM on the State Budget, issued 27 October 2017
- Report on adjustment made to State Budget 2017 to increase the expenditure by more than 10%, issued 18 December 2017

501. In summary, all hearings are conducted in public except for strictly limited circumstances; the audit reports are debated in the full chamber of the legislature and are published on the official website of the Chamber of Accounts. The Budget and Economic Reforms Committee issues ordinances with respect to the debate of the audit report but they are not publicly available.

Dimension Rating = D

4. Conclusions of the Analysis of PFM Systems

4.1. Integrated Assessment of PFM Performance

Budget Reliability

502. Over the three years covered by this assessment (2015-2017) the PFM system of Uzbekistan has produced a credible budget. Total expenditure outturn variation was between 95% and 105% of the approved aggregate expenditure in two of the last three years (PI-1 rated A) and the composition variance by functional and economic classification was good (PI-2 rated B+). The comparison of revenue estimates to actual outturns also scored well (PI-3, rated B+), as collections regularly meet and even exceed targets, especially tax revenues, which may be due to conservative revenue projections or to increased effectiveness of the MoF revenue authorities. All these elements have contributed to a credible national budget. In addition, there are no concerns at all around the frequency of monitoring expenditure arrears (PI-22 scored A).

Transparency of Public Finances

503. The Republic of Uzbekistan has a notable array of information regarding the finances of the budgetary central government.

504. Budget documentation is comprehensive, and the recently updated budget classification was used for the 2019 budget presented to Parliament (PI-4 rated B). Coverage of government operations is incomplete (PI-6 rated C).

505. The budget documentation sent to parliament is sufficiently comprehensive to support effective decision-making and ex-ante parliament scrutiny (PI-5 rated B). The budget documents include all the 4 basic elements, and 3 additional supplementary information, required to support a transparent budget process. The budget documentation includes even the presentation of new budget and tax policy decisions and their respective fiscal impact which supports in maintaining fiscal discipline and facilitate strategic allocation of resources. The budget documentation could be enriched further by including information on details of debt stock, financial assets, fiscal risks, medium-term fiscal forecasts and quantification of tax expenditures.

506. Information on operations for public bodies (PI-6.3 rated C) not included in fiscal reports comprises largely the operations of the Fund for Reconstruction and Development. Expenditure outside government financial reports is more than 10% of total BCG expenditure while revenue outside government financial reports is slightly less than 5% of total BCG revenue. Detailed financial reports of less than 75% of extrabudgetary units are submitted to government annually within nine months of the end of the fiscal year.

507. The consolidated budget document contains the State budget and the State targeted funds, and estimated revenue and expenditure of the Fund for Reconstruction and Development (FRD). The revenues and expenditures of the State budget and the State targeted funds are channelled through the Single Treasury Account (STA), and the annual budget execution report includes both the State budget and the State targeted funds. The FRD produces separate monthly reports and an annual report which are submitted to the Cabinet of Ministers.

508. While off-budgetary funds of budget organisations are not included in the consolidated budget, all revenue and expenditure are channelled through the TSA and reported on.

509. The horizontal allocation of the subvention to subnational governments from central government is not fully determined by a transparent and rule-based system (PI-7 scored D). The main issue is inadequate transparency and rules, and variability from one year to another. Moreover, the transfer system lacks predictability. Subnational governments do not receive budget allocation information in order to develop their budget before the Presidential Decree (confirming the approved appropriations) informs them about the amounts of transfers.

510. Performance information on service delivery is hardly available at the planning and reporting stage (PI-8 scored D+), but steps are taken to promote informed policy decisions and to drive a proper accountability process on the outcome of financial execution through delivery of public services. Most performance information submitted as part of the budget requests have the nature of input or activity information or the number of users and do hardly possess characteristics of outputs (with a few exceptions) or outcomes. The budget documentation does not contain any performance information. The Annex to the annual report for 2017 (in print form: thick Green document) contains an Annex that includes for every budget institution the planned and the realized values of their indicators. The indicators are listed by budget institution and are not related to a specific activities or development programs of budget institutions. Like in the planning stage, most listed indicators are not of an output or outcome nature.

511. The IT system effectively supports information on front-line service delivery units providing services such as primary schools, primary health care and other facilities. Tracking of information on all types of resources received is done through UzASBO. Information on resources received by frontline service delivery units is collected and recorded for all ministries and budget institutions, disaggregated by source of funds. Each ministry produces a consolidated report that is sent to the Ministry of Finance.

512. Public access to fiscal information is not sufficient yet to align with international good practices. All required basic elements except the annual executive budget proposal, are made available to the public (PI-9 scored C). Uzbekistan has no pre-budget statement yet, lacks information on tax expenditures and macroeconomic forecasts, and does not make public external audit reports other than the audited annual budget execution report. Key budget information is accessible to the public in a summary format. The focus of the government on increasing transparency will elevate the score to higher level in the near future. Now already the budget proposal for 2018 has been made available to the public on MoF's website²⁸. Public disclosure of information is becoming a critical feature of PFM systems in the country due to a series of other initiatives demonstrating the government's willingness to facilitate scrutiny of government policies and programs by citizens.

Management of Assets and Liabilities

513. Effective management of assets and liabilities ensures that: (i) fiscal risks are adequately identified, monitored and addressed in a timely and appropriate manner; (ii) public investments respond to infrastructure

²⁸ On 13 July 2018 the Ministry Finance of presented the first published Citizen's Budget, "Citizen's budget 2018". For FY 2019, the draft Citizens budget was made public already on 6 December 2018.

needs, including maintenance costs, and provide value for money; (iii) financial investments provide appropriate returns, assets are recorded regularly, and rules for asset transfers and disposal are followed; and (iv) the debt portfolio is managed based on a sustainable debt strategy minimizing debt service costs.

514. Uzbekistan's arrangements for the effective management of assets and liabilities are not in line with international standards (PI-12 scored C).

515. Monitoring of public corporations appears to be reasonable (PI-10.1 scored B), but a comprehensive picture of the sector and the risks it poses to the country's public finances is lacking. Except for one fully government-owned commercial bank, public corporations published their audited financial statement within six months of the end of the fiscal year. Unitary enterprises which are not JSC or LLC report to their founder/parent ministry. If budget funds are involved, these are reflected in the financial reports. While analysis is being conducted on the economic and financial situation of public corporations through the use of specific Key Performance Indicators, a specific consolidated report on the financial performance of the public corporation sector is not prepared. Monitoring of subnational governments is part of the regular budget monitoring and is strong due to the role of the territorial financial departments. Reporting on subnational finances is consolidated in the report on the financial position of the State budget and State targeted funds that is audited by the Chamber of Audit (PI-10.2 scored A). However, a report on contingent liabilities and other fiscal risks is not compiled (PI-10.3 scored D). Overall fiscal risk reporting is good (PI-10 scored B).

516. The implementation of the government's capital investment program is not sufficiently supported by the current Public Investment Management framework and until 2017 did not meet international standards (PI-11 scored C). Although economic analyses were conducted, as established in national guidelines, to assess major and other investment projects, and the analyses were reviewed by an entity other than the sponsoring entity, the results were not published. With regard to project selection, although all investment projects are prioritized by central entities on the basis of published general and broad standard criteria for project selection, political considerations and ultimately the available funding influenced the selection process of some projects. With regard to investment project costing, the 2017 Investment Program included projections of the total capital cost of major investment projects, together with capital costs for the forthcoming budget year.

517. Project monitoring is devolved to the implementing agency but quarterly reporting on progress in implementing the Investment Program is done (PI-11.4 scored C). Although the total cost and physical progress of major investment projects were monitored by the implementing government unit as well as the Ministry of Economy, and quarterly reports were provided to the Cabinet of Ministers, but these were not published. At the end of 2017 and in 2018 a complete overhaul of public investment management in Uzbekistan took place. The institutional roles and functions of NAPM, the State Investment Committee, the Ministry of Finance, the Ministry of Economy and other actors in the public investment management cycle are taking shape.

518. Furthermore, public asset management also indicates a mixed performance on the accounting and reporting of public assets (PI-12 scored C). While the government maintains a record of its holdings in major categories of financial assets, a specific consolidated report on the financial performance is not prepared or published. The reporting of asset registers and inventories is not consolidated and is dispersed over various agencies. The government maintains registers of its holdings of different types of nonfinancial assets, with varying details about information on value and usage of the assets. Most information is not published, or only partial information is provided. 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.

519. Debt management (PI-13 scored B) has improved over time. The recording and reporting of (external) debt and government guarantees are complete, updated and reconciled on a monthly basis. For internal purposes comprehensive reports are produced on a quarterly basis. Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to the Ministry of Finance. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by the Ministry of Finance. Annual borrowing is approved by the legislature when discussing the government budget proposal. However, the government does not have a Medium-Term Debt Strategy (MTDS) in place yet but plans to develop one in the near future. Once the debt management strategy is developed, managing debt would further improve.

Policy-Based Fiscal Strategy and Budgeting

520. The government prepares forecasts of key macroeconomic indicators for the budget year and the two following fiscal years, but only forecasts of year Y+1 are included in budget documentation submitted to the legislature (PI-14 scored C). This framework defines standard assumptions included into the budget documentation but does not ensure that the basis upon which fiscal forecasts are produced incorporate the policies set out in the national development strategy.

521. Revenue forecasting is formalized, integrated in the budget process, but it published only for the next budget. The Ministry of Economy makes projections that are provided to the MoF, but they do not support a framework consistent with the national strategy (PI-15 and PI-16 scored C). Nevertheless, revenue forecasts are comprehensive to include all revenue sources including domestic revenue (tax and non-tax revenue) and grants (capital and budget support), and form part of the budget documentation sent to Parliament, with the macroeconomic and fiscal forecasting (only for Y+1). Different macroeconomic scenarios are established and the one inserted into the budget documentation is generally the pessimistic scenario.

522. A budget calendar exists and is respected but it does not define aggregate ceilings for the budget. Ceilings are decided by the Cabinet just before sending the budget to the Parliament (PI-17 scored B).

523. Parliament considers and provides comments on the Budget but does not have much work to do because it cannot examine the budget with a greater scrutiny for analysing compliance with priorities agreed in the national development strategy nor the links between the budget and the strategic plans developed by the ministries. Sector committees scrutinize budget submissions and make recommendations to the plenary for consideration and approval, although Parliament has no power to amend budget estimates. However, recommendations are considered by the Executive and may result in amendments to initial budget submissions (PI-18 scored B+).

Predictability and Control in Budget Execution

524. The State Budget is implemented within a system of effective standards, processes, and internal controls. This implementation ensured that the planned resources are obtained in good time and used as intended in the government strategies and plans. The revenue administration is comprehensive; the funds are allocated to

the budget users in a predictable environment. There is no accumulation of overdue payments. The control on payroll and other expenditure is strictly applied which ensures that regulations are complied with in the process of budget execution. Due to the recent establishment of dedicated public procurement agency and internal audit function in six budget organisations, both areas are still in the process of development and introduction of international standards and practices.

525. The procedures applied by the State Tax Committee and the State Customs Committee to collect and monitor central government revenues are well established (PI-19 scored B). They are clear and transparent providing the public with many channels of information and facilitating the payment of obligations. With the latest amendments in the legislation, taxes and customs duties are clear and comprehensive. Still, reforms in the area of revenue collection and administration are underway and continue to improve and make the tax and customs environment more user friendly. Both revenue collecting administrations have a redress system allowing for complaints to be filed and resolved in good manner and time. Risk management system is partially applied following an approach for assessing and prioritizing compliance risk. The routine inspection on detection of non-compliance at customs are expected to change the priorities with the introduction of the current reforms in the legislation and practice. Revenue arrears are properly managed, and the age of the arrears is monitored. The level of arrears is less than 1%.

526. The procedures for revenue accounting show that recording, consolidation and reporting of revenue collections is adequate and performed in timely manner through the TSA and reported upon (PI-20 scored A). Revenue is collected in accordance with the relevant laws. This strengthens the fiscal discipline and allows allocation of budget resources to strategic priorities and development plans. The information on revenue collection and transfer is daily with consolidated reporting on arrears produced on a monthly basis. Timely and accurate information on revenue permits the government to monitor the budget implementation, to manage the cash flow, to service the debt, and to make decisions on development and investment.

527. The government is able to forecast cash commitments following well established practice (PI-21 scored A). Reliable information on the availability of funds is provided well in advance to budgetary units for their service delivery obligations. The concept of commitment ceilings has a local connotation of permits for expenditure. It is well formalised in legal documents and in-year information provided to budgetary units on ceilings for expenditure commitments for specific periods. The commitments already approved are incorporated in the GFMS system and automatic limits are set on the expenditure each budget unit can make. The process is closely monitored by the Treasury and facilitates implementation of plans and effective service delivery. Cash flow is forecasted for the fiscal year and is updated monthly based on actual cash inflows and outflows.

528. Expenditure arrears strictly monitored and reported by MoF using the centralised UzASBO are identified and monitored by the Treasury (PI-22 scored A). The value of arrears is monitored by the four different groups of expenditure, this information is monitored on daily basis but reporting on the stock of arrears by type and value is generated monthly. The stock of arrears incurred over the three years of assessment are less than 0.5% and they are related to procurement contract on capital investment. There are no arrears on salaries or pension payments. The stock of expenditure arrears indicates that there are adequate commitment controls, efficient cash rationing and reliable budget estimates on contracts. The government does not accumulate overdue obligations and demonstrates adequate resource allocation.

529. Integrity of the internal control system is well ensured by integration of the personnel module and the payroll module within the accounting software (PI-23 scored B+). Thus, technical errors are avoided, and changes made in the personnel data are immediately reflected in the payroll system. The authority to change staff records and payroll is restricted, results in an audit trail, and is adequate to ensure full integrity of data through the UzASBO system. Generally, the degree of integrity of the payroll control is high with payroll audits of all budget entities once in two years.

530. Significant public spending takes place through the public procurement system (PI-24 scored B). However, as NAPM came to existence only in 2018, annual activity reports will be produced for the first time for FY 2018. Before 2018, no annual report was produced on the activities performed by the NAPM and procurement methods were not in line with international standards (PI-24.2 scored D).

531. The effectiveness of general internal controls for non-salary expenditures is strong (PI-25 scored A). Segregation of duties are formalized in the Budget Code and in the internal rules and procedures of the respective budget entity. Internal controls as described and incorporated in the management information system of the Treasury provide assurance that transactions are performed as approved and the public funds and resources are used only where appropriate authority has been verified. The process of strict application of the segregation of duties procedures and expenditure commitment control ensures that fiscal discipline is maintained on the level of the single budget entity, i.e. at micro level. Such a system is also indicative of the discipline on the macro level with a high degree of assurance that access and use of public funds is made under a strictly regulated and complied-with environment in which resources are used for the approved targeted purposes only.

532. The internal audit function does not provide regular feedback to management on the performance of the internal control systems (PI-26 scored D+). The internal audit of the central government is of rather monitoring nature and is operational as financial control – a practice inherited from the Control Revision Unit which has been restricted and continues to work. Due to the recent launch of internal audit, the practice is still immature. There is no risk assessment in the preparation of the Annual Work Plans and hence the controls are not sufficiently streamlined to evaluate processes and improve the effectiveness of risk management, control and governance processes. The function is rather focused on assuring compliance to the rules, legislation and procedures and not so much on adequacy and effectiveness of the internal control system. Reporting and management response is rather strong and within short deadlines, a feature inherent in the overall system of public funds management. The evidence obtained is still does not sufficiently represent the budget entities with established internal audit function.

Accounting and Reporting

533. Bank reconciliations for all central government accounts takes place daily at the TSA and at least monthly for central government accounts in commercial banks. Suspense accounts and travel allowances are promptly expensed, and any reconciliation is conducted by the Treasury.

534. In-year budget execution reporting covers State government and is on a quarterly basis (PI-28 scored C+). Reports are broken down by the economic and functional classifications. All reports are produced at the payment (and not at the commitment) stage.

535. The Annual Financial Statements (AFS) cover the State budget, which does not cover all ministries, agencies and other budget entities. They are prepared according to the cash basis of accounting, which is in accordance with the legal framework. However, this framework does not comply with International Public Sector Accounting Standards (IPSAS) (PI-29.3 scored D).

External Scrutiny and Audit

536. The external audit and scrutiny by the legislature is relatively good enough to hold the government accountable for its fiscal and expenditure policies and their implementation. The Chamber of Accounts report is a review on the budget execution applying national standards, without focus on material issues and control risks. The Chamber of Accounts is independent from the executive and accountable to the President. The external audit is in the process of being enhanced and approximated to some extent to the international practice by the currently developed Law on the Chamber of Accounts. The external audit report represents a specific output produced by the Chamber of Accounts with conclusions on the execution of the State Budget rather than audit opinion. The legislative scrutiny of the audit report follows the established practice by the Law on Parliamentary Control. The transparency is not sufficiently ensured by having only mass media coverage of hearings of the audit report in the legislative chamber of the Parliament. There are no records of public attendance at hearings and the publication of the approved audit report is not easily accessible to the public.

4.2. Effectiveness of the Internal Control Framework

537. Based on the available information provided by the Government, the internal control practice in place is fairly sound to contribute to the achievement of the four control objectives: (i) the execution of operations in an orderly, ethical, economical, efficient and effective manner; (ii) fulfilment of accountability obligations; (iii) compliance with applicable laws and regulations; and (iv) safeguarding resources against loss, misuse and damage. In principle the strict observance of regulation and law are characteristic feature in the PFM area of the country. 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

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

- Pillar 1: Budget reliability: high expenditure and revenue outturn increases the credibility of the budget.
- Pillar 2: Transparency of public finances: part of the revenue and expenditure of the public establishments is not reported even if the funds are transferred to the TSA. The amount of off-budget revenue and expenditure is not disclosed in the annual financial reports. This creates the risk of misuse of funds and poor service delivery to the public.
- 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 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).

- 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).
- 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. Risk assessment and management system is in process of being implemented in order to accommodate the changes in the legislation of the two main revenue-collecting entities. The risks of incurring expenditure arrears are basically eliminated by the strict control and regulatory environment (PI-22). The personnel database is linked to the payroll software thus reducing the risk of errors and retroactive adjustment. The recently reformed procurement establishment and practice shows that competitive selection methods are mostly applied, which keeps the risk of favouritism low, but the level of independence of the appeal body is still not convincing enough to eliminate any risk (PI-24). There is clear segregation of duties between salary and non-salary expenditures. Non-salary expenditures are electronically monitored (being equipped with various authorization levels) and roles assigned to different functions and operational staff. This keeps the risk of errors and non-compliance low. Also, nearly 100% of transactions are controlled implying that risk assessment is not employed in sampling. This fact simply engaged many resources (time and staff) and may have an impact on time efficiency (PI-25). Risk management principles do not seem to be guiding the newly established internal control function. This creates the risk of focus on areas of less significance for the smooth operation of the internal control system.

Control Activities

539. Control activities in PFM appears to be very well developed and applied. Use of GFMS with clear control of payment rules for all operations for budget execution enhances transparency and accountability. The recently established internal audit units are yet to be developed in line with the international practice in order to audit these PFM functions, which may open gaps in the internal control system.

Information and Communication

540. The PFM information such as the approved budgets, the in-year budget execution reports, and the annual budget execution report are available to the public. Even if the discussion at the Parliament are covered by mass media, an important document, which is not consistently published and not easily accessed by the public is the report of the Chamber of Accounts on the annual execution of revenue and expenditure. Other gaps in information and communication to the public are the hearing on audit findings at the Parliament. An important development is the publication of citizen budget for FY 2018 that clearly and interactively describes the purpose of the budget, its composition and priorities. There is little 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 new e-procurement platform in mid-2018, the information on procurement tenders, plans, statistics and appeals is extensive.

Monitoring

541. 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 developed yet (PI-11). The main tools of monitoring PFM are ensuring that the in-year quarterly reports and the budget execution reports are consistently prepared. There are no specific reports elaborating on consistency of performance-planned outputs and achieved outcomes and explaining any deviation. 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.

542. Strictly speaking, the international concept of internal control (COSO Framework) and the related internal audit is still developing. Nevertheless, the internal control environment exists, and it is rigorously regulated and complied with by the application of the current control inspections by the Control Revision Unit (CRU). However, the CRU only identifies errors but does not perform evaluations with recommendations that would not only eliminate weaknesses in future but also explain the reasons and causes for a particular control not working as designed. CRU and the newly established internal audit functions are responsible to test the effectiveness of the internal controls used and to detect material misstatements.

4.3. PFM Strengths and Weaknesses

Aggregate Fiscal Discipline

543. Overall, fiscal discipline is good, and most elements in the overall PFM system that contribute to achieving this objective appear to be sound. On the revenue side, performance is good (PI-3) in spite of some variances in expenditure against the original budget (PI-2.1) because extensive administrative reallocations are permitted by the legislation (PI-18.4). These are not distorted by payment arrears the stock of which, is very small (PI-22.1). Budget classification is in accordance with international norms except for economic classification presented in the financial assets transactions that requires improvement (PI-4 and PI-5).

544. However, some risks to attaining fiscal discipline still exist due to several factors: there are few unreported operations which level is unknown (PI-6); monitoring of fiscal risks from other Public Sector entities is not complete (PI-10); central government entities and agencies do not quantify significant contingent liabilities in their financial reports (PI-10.3 rated D). Recording of government debt is comprehensive (PI-13) except for the inclusion of donor funds in commercial bank accounts due to the lack of consolidation of all government bank accounts cash/bank balances (PI-21) and reconciliation (PI-27).

545. However, the various elements of the system concerned with budget execution – including internal controls – are sound and contribute to the attainment of aggregate fiscal discipline.

Strategic Allocation of Resources

546. The five indicators concerned with policy-based fiscal strategy and budgeting (PI-14 to PI-18) did not receive good overall ratings. Macroeconomic and Fiscal Forecasting (PI-14) and Fiscal Strategy (PI-15) did not score well because of the absence of multi-year forecasting and programming. Moreover, there is still no established process to allocate budgetary resources in accordance with Government's declared strategic objectives (PI-16). Finally, the mid-term debt strategy is not yet in place (PI-13.3).

547. Another weakness of budget preparation is the absence of medium-term expenditure ceilings in the budget preparation process (PI-16.2). Moreover, ceilings are not established during the budget preparation process. Parliamentary votes the budget only on the basis of the functional classification and oversight of in-year amendments to the approved budget is weak (e.g. Parliament rules allow extensive reallocation of expenditure).

548. Most of the other indicators that contribute to the strategic allocation of resources are functioning well, notably the comprehensiveness of the budget documentation. The indicators related to revenue collection (PI-19 and PI-20) perform well except for Revenue Risk Management (PI-19.2) and Revenue Audit and Investigation (PI-19.3) because these practices have not been put in place yet.

549. However, Public Investment Management (PI-11) does not sufficiently reflect generally accepted good practice.

Efficient Use of Resources for Service Delivery

550. In this regard, the PFM system does not work well enough in Uzbekistan regarding the efficient use of resources for service delivery, because the budget is currently controlled by the Treasury of the Ministry of Finance. This does not fully satisfy the needs of individual budget organizations in the field of accounting and control, reduces the transparency of information on the results of activity of subjects of the budgetary system, and diminishes public access to public finance information.

551. Moreover, intergovernmental fiscal relations are not fully determined by a transparent and rule-based transfer system (PI-7) and subnational governments do not receive information on their budget allocation sufficiently early in order to develop their budget before the Presidential Decree.

552. As a result, the rating for the indicator “Performance information for service delivery” (PI-8) that can demonstrate the efficiency with which services are delivered is disappointing. This is also the case for the indicator “Public Asset Management” (PI-12), which reveals a weak performance. Consequently, resources are unlikely to be utilized efficiently or effectively because the government does not disclose what assets it owns and maintains.

553. The mechanisms in place to reduce possible leakages in the system, such as internal controls, control of procurement, and controls over payroll (PI-23 and PI-25 respectively) are working well in spite of the absence of Internal Audit that is not yet in place in most of the budgetary entities (PI-26), and not reconciling the monetary and fiscal financing data on a regular basis (PI 27). The indicator PI-24 has reached international good practices but too recently to be considered in the assessment.

554. The oversight arrangements in External Scrutiny and Audit (PI-30 and PI-31) show a mixed picture. The Parliament scrutinises the Chamber of Accounts reports but evidence provided is not convincing and control weaknesses have been identified. Further, there is no record of recommendations on actions to be implemented by the executive in relation to the conclusions of the Chamber of Accounts on the annual execution of the State Budget. In addition, the Chamber of Accounts is independent from the MoF but is subordinated to the President, which can be seen as a constraint on the scope and nature of the work performed.

555. In summary, most aspects of the PFM system are functioning at a good satisfactory level but areas for improvement remain, such as: performance information on service delivery, consolidating and reconciling all bank accounts detained by the government, capturing and publishing all assets, establishing a medium-term budget, introducing risk management practices and internal audit, issuing and publishing more detailed budget execution reports; and improving the independence of the Chamber of Accounts. However, most of above-mentioned weaknesses have already been identified by the government and the PFM reform strategy incorporates action to reduce the gaps.

4.4. Performance Changes Since a Previous Assessment

Aggregate Fiscal Discipline

556. The small decline in budget credibility (budget execution rate by ministry) is the only non-positive development of the PFM management system between the two PEFA assessments of 2012 and 2018. The other changes in the observable ratings of the indicators are generally positives.

557. While some weaknesses identified in 2012 persist in 2018, such as lack of consistency between budget preparation at the sectoral level (ministries) and the effective budget estimates decided by the MoF, significant progress has been made in important areas of PFM.

558. Fiscal discipline remains good, partly because of the overall credibility of the budget at the global level, partly because the forecasting for the next budget year and budget execution processes are well established and controlled. The control process has been strengthened by a closer administrative control due to the implementation of a new budget execution system integrated with the accounting system, UzASBO. On the other hand, no significant progress was observed in annual budgetary procedure associated with the multiannual expenditure forecasts or in the evaluation of budgetary risks. Debt and cash management was progressively aligned with international standards thanks to the implementation of transfer to nearly all the government bank accounts into the TSA. However, some bank accounts remain open in commercial banks for international transaction purposes. Revenue collection remains effective and has continuously improved, but risk management practices are still not in place. Payroll control was enhanced by interfacing human resources management and payroll applications. Internal control of salary expenditures remains robust and is subject to inspections. Internal audit practices have been partially put in place as they have only been piloted in 6 budgetary entities. Modern internal audit is only beginning to be developed and the use of management techniques and controls based on risk assessment is slowly developing. Practically, internal control practices have not changed very much. Further, external control has not significantly evolved in order to reach the best standards in force. The controls exercised by the Chamber of Accounts, which were already weak in 2012, have not developed.

559. The legal bases for public procurement have been improved but too lately to have been taken into consideration in the assessment. For the period under review, important weaknesses remain such as the cumbersome nature of the procedures, the lack of transparency, and the non-competitive procedures that were used too widely.

Strategic Allocation of Resources

560. The strategic allocation of resources has not significantly improved because it did not benefit from the deployment of strategic multi-year programming tools at all levels of economic, budgetary and financial management. Medium-Term Development Frameworks in Debt Management strategy, Macroeconomic Forecasting, Macro-Budget Forecasts, National and Departmental strategies are still non-existent or at an early stage of development.

Efficient Use of Resources for Service Delivery

561. Few specific advances are recorded in the management of public service deliveries. Ministries still do not participate in the preparation of the budget in more favourable conditions than before. Only an improvement in tax collection can broaden, very moderately, the financial bases available for financing better public services. However, the performance of public services is not better managed, monitored and controlled than during the previous assessment.

5. Government PFM Reform Process

5.1. Approach to PFM Reforms

562. Achieving a strong and credible PFM system has been central to the Government of Uzbekistan governance agenda.

563. Uzbekistan's PFM reform program over the past 10 years has focused on improving control over the PFM system in the Republic of Uzbekistan in order to: (i) allocate resources in accordance with the priorities and policies of the Government of Uzbekistan; (ii) deliver services efficiently in terms of the use of resources; and (iii) maintain aggregate fiscal discipline. The Government has undertaken comprehensive fiscal reforms under the 2007-2018 Strategic PFM Plan supported by the Public Financial Management Reform Project funded by Asian Development Bank (ADB), and its current 2018-2025 PFM Strategic Plan that will be updated by the findings of this PEFA assessment.

564. The reforms were further reinforced in 2017 when under new leadership an ambitious program of market-oriented reforms was enacted. The Government's National Development Strategy for 2017-2021 (NDS) aims at transforming the country by liberalizing the economy, reshaping the role of the State in the economy, modernizing the agriculture sector, strengthening governance, creating markets, strengthening financial services, enabling private sector growth, investing in human capital, and improving social protection and service delivery for all citizens.

565. The Parliament approved the Budget System Law (BSL) in December 2000, providing a legal basis for budget management. The law sets forth the process of preparation of annual budgets by the national and sub national governments. It also sets forth Parliamentary authority for setting public debt limits and provisions for giving State guarantees. The succeeding legal framework to encapsulate the policies articulated in the 2007-2018 PFM strategy led to revision of the Budget Code, Tax Code and a new Law on Procurement. These and other legislative and regulatory initiative laws have created a new institutional framework and set a course for strengthening the quality of budget institutions in the formulation of the budget, Treasury operations and expenditure oversight. While the PFM reform program was highly ambitious, in practice basically the country has pursued a "Basics First" approach to PFM reform by focusing on, among others, improving annual budgeting, cash-based budgeting, and strengthening controls of revenues and expenditures.

566. PFM reforms across the PFM system have proceeded gradually and progressively. The government has made good progress in implementing a GFS 2001-compliant classification and coding system, creation of a dedicated Treasury unit within the Ministry of Finance, the establishment of a TSA, consolidation of extrabudgetary funds and extrabudgetary special accounts of budget entities into the TSA, and the implementation of interim financial management information systems in advance of a full Government Financial Management Information System (GFMS). The Tax Code has also been updated and consolidated though customs legislation still awaits similar consolidation.

5.2. Recent and On-Going Reform Actions

Public Finance Management Reform Strategies

567. In May 2007, the MoF developed the Public Finance Management Reform Strategy, 2007–2018 with support from the IMF Fiscal Affairs Department and ADB. The strategy outlined a 12-year action plan to (i) establish a functioning Treasury system, (ii) adopt and implement a modern unified budget and accounting system, and (iii) introduce a medium-term budget framework (MTBF) and program budgeting. The project provided support for implementing and refining the PFM strategy. PFM reform was expected to have significant implications for the country's economic management, leading to more effective and efficient public resource management.

568. This strategy of 2007-2018 was followed by a subsequent strategy of public finance management development to set forth the direction and priorities for PFM reform for 2018-2025 in accordance with the Strategy of Action for the five priority areas of the Republic of Uzbekistan for 2017-2021, that was approved on February 7, 2017 by the Decree of the President of Uzbekistan № UP -4947 on "The Strategy for the Further Development of the Republic of Uzbekistan".

569. The ultimate goal of PFM reform strategy is to improve the quality of public services, the achievement of which is provided through the provision of:

- stability and fiscal sustainability in the long term;
- flexibility in the allocation and use of budgetary resources; and
- fiscal transparency.

570. Interim target is to improve key processes in the PFM system by:

- introduction of modern and comprehensive single budget and accounting system;
- introduction of medium-term fiscal strategy and program budgeting;
- increasing budget transparency based on international good practices; and
- improving the functions of internal and external audit as well as financial control.

Main Reforms Action by Theme

Upstream PFM - Budgeting

571. Budgeting processes are being improved. Budget preparation and adoption reform, include fiscal risk assessment, adopting a medium-term budget framework (MTBF), program budgeting, budget classification, and improving procedures for discussion and adoption of the budget.

Revenue

572. Further revenue reforms are foreseen based upon the orders of the President of the Republic of Uzbekistan dated February 13, 2018 № P-5214 "On measures aimed at radical improvement of tax legislation", which would result in improving the fiscal policy and making related changes to the Tax Code.

Downstream PFM – Budget Execution, Procurement, Internal Control, Internal and External Audit

573. Substantial development in the public procurement policy reform and institutional arrangements were decreed by the Resolution of the President of the Republic of Uzbekistan №PP-3237 dated August 23, 2017. This included the transfer of the whole public procurement policy mandate from MoF to the newly established National Project Management Agency (NPMA). The Law on Public Procurement and related regulations based on best international practices were approved. Further plans are being considered to create a full-fledged e-GP (Electronic Government Procurement) system and build sustainable capacity leading to the professionalization of the public procurement workforce.

574. The 2018-2025 Strategic Plan includes a strategy for the implementation of accrual-based accounting, adopting more international standards for accounting, the acquisition of a new Government Financial Management Information System (GFMIS) and greater transparency in financial reporting.

575. Key accountability functions such as internal and external audit were not covered in the 2007-2018 PFM Reform Strategy, but they have received prominent attention in 2018-2025 PFM Strategy.

Public Procurement

576. The procurement system has been recently improved by: (i) the approval of a Law on Public Procurement; (ii) the establishment of an agency focused on public procurement; and (iii) having appeal mechanism. There was an abrupt change in the procurement practices in year 2018 with the introduction of the new law removing the option of direct contract award which was the most common method applied in FY 2017. The procurement information became fully transparent to the public and the complaint mechanism demonstrated efficiency in resolving nearly 100% of files claims within 10 days. The electronic procurement has been the focus of development and with the launch of the new e-procurement portal in June 2018 the information on procurement plans, bidding opportunities, contract awards, statistics and appeal resolution are in place. Therefore, it can be stated that the key procurement principles of transparency and competition have been achieved. The weakness of the procurement system is that historical data is not easily retrieved, which raised the issue of the lack of institutional memory.

Transparency and Accountability

577. The authorities have committed to improve transparency, accountability and performance of the public sector, including SOEs. The President has also issued a resolution that will enhance transparency of the budget and audited financial statements as well as include citizen participation in the budget process. The Citizen's Budget will also be produced especially after the submission of the budget proposal to parliament.

578. The current PFM Strategy does not yet address key accountability functions of internal and external audit that could be developed in order to build on the momentum achieved from implementing the Treasury system.

Intergovernmental Fiscal Relations

579. The new strategy includes ambitions to overhaul the system of intergovernmental fiscal relations. In the short term, the main directions of optimization of inter-budgetary relations comprise the establishment of

permanent rules of revenue sharing between the budgets of all levels, as well as streamlining the process of distribution of subsidies in connection with the national development policy objectives. In the medium-term improvement of inter-budgetary relations will be directed to the production of improved formula-based method of calculation of intergovernmental transfers leading ultimately to the established by law of stable and long-term criteria and rules for the determination and allocation of transfers. The reforms aim also to reduce subvention to regions and strengthening the revenue base of local budgets.

5.3. Institutional Considerations

580. The Government initiated the PFM reforms in 2000. Comprehensive fiscal reforms were undertaken that transformed the functions and practices of all government entities. The ongoing PFM Reform Strategy covers development priorities for the period 2007-2018. Its ultimate objective is to improve control over PFM system and (i) modernise the processes at the Treasury systems e.g. compliance with international accounting standards; (ii) introduce unified budget and accounting system including a new budget classification and a new chart of accounts; and (iii) introduce a medium-term budget framework and program budgeting. Progress has been achieved but compared to the original plan, not all priorities were achieved, partly due to the uneven deployment of planned activities and sometimes slow progress in implementation and change of approach. On the other hand, the strategy was in some cases very ambitious, for example, in the cases of accrual-based accounting and adoption of the international accounting standards, which were not achieved and have been carried forward to the new PFM Reform Strategy (2018-2025) where a more gradual approach to implementation of the accounting standards will be adopted. This will involve starting with the implementation of IPSAS Cash Basis then moving to accrual basis.

581. The key accountability functions of internal and external audit were covered only in the area of internal audit in the current PFM Reform Strategy with little progress being made starting with establishing the internal audit function in a few ministries though there is need to strengthen internal audit methodology to comply with international standards. With respect to the PFM Strategy for 2018-2025, both internal and external audit reforms are incorporated. The new Strategy identifies the following priorities:

Priorities of PFM Reform 2018-2025	Activities
<p>i. Budget preparation and adoption reform</p>	<ul style="list-style-type: none"> • Budget planning for the medium-term; • Develop forecasts of the main macroeconomic indicators for 3 years budget forecasting; • Medium-term fiscal strategy; • Budget preparation on the basis of budget programs (Introduction of Performance-based budgeting); • Development Programs (Strategic Plans); • New formats to be approved for presentation of revenue and expenditure according to GFSM 2001; • Programme classification; and • Procedures for discussion and adoption of the budget.
<p>ii. Treasury budget execution system.</p>	<ul style="list-style-type: none"> • Full coverage of all budget organisations; • Law on public procurement (2018); and • E-procurement on special information portal UZEX.
<p>iii. Further development of GFMIS.</p>	<ul style="list-style-type: none"> • New modules for managing income and liabilities, • Accounting and reporting on implementation of respective budgets; and • Accrual basis reporting by 2025.
<p>iv. Continuation of the accounting reform.</p>	<ul style="list-style-type: none"> • Adoption of IPSAS Cash for the preparation of comparable financial statements; and • Development of national standards in accordance with IPSAS.
<p>v. Internal control and audit.</p>	<ul style="list-style-type: none"> • SAI to audit the effectiveness of public spending by conducting financial, compliance and performance audits; • Establishment of Internal Audit and Financial Control; • Develop respective legislation; • Develop methodology for external and internal audit by 2019; • Internal audit units in all central level budget users by 2024; and • Training.
<p>vi. Legislative framework for PFM reforms.</p>	<ul style="list-style-type: none"> • Establishment of permanent rules of revenue sharing between the budgets of all levels, as well as streamlining the process of distribution of subsidies in connection with the national development policy objective.
<p>vii. Fiscal transparency improvement</p>	<ul style="list-style-type: none"> • Approved and executed budgets of the State Trust Funds to be published on MoF site; • Approved and executed local budgets to be published both on the website of MoF and on the website of the local government. • Citizen Budget (by 2019), published on MoF website by 2020. • Quarterly execution of budget to be published on MoF website; • Execution of annual State budget to be published; and • Fiscal risks report on the website of MoF.

582. Certain progress has already been achieved in the implementation of the priorities underpinned in the new 2018-2025 Strategy. For example, a good effort has been made in the establishment of the National Project Management Agency responsible for regulating public procurement. The Law on Public Procurement was drawn up with the support of ADB and the World Bank and was adopted in April 2018. The e-procurement portal is already operational. The internal audit function was established in six central level budget users in 2018. Currently, an ADB technical assistance project is going on with focus on development of the MTBF and the internal audit practice. The Citizen Budget for financial year 2018 was already prepared, published in hard copy and distributed.

583. It is expected that the progress in the implementation of the updated PFM Reform Strategy will continue as there were no signs of factors that could hamper its implementation.

584. There are several factors that are likely to support the effective achievement of the reforms:

- **Government leadership and ownership** – the political engagement in the reform process is strong, the course of government to market liberalization is firm and is generally supported in the political scene; MoF is the key contributor and owner of the PFM reforms, demonstrating extraordinary commitment to the process and exercising control over progress. The PFM Strategy is outlined in its Action Plan with deadlines and responsibilities indicated.
- **Coordination across government** – the PFM Reform Strategy does not outline the particular responsibilities and contributions of the various PFM players, which can be obtained from the responsible institutions Strategy documents. Generally, it is likely that the progress of the reform and the effect of the change will be more manageable if the reform agenda covers the existing administrative capacities of the different government levels. The Ministry of Finance is responsible for the execution of the reforms and it sets out the reform action plan while the Cabinet of Ministers is responsible for the overall coordination among all budget entities involved.
- **Sustainable reform process** – the PFM reforms are being supported by extensive capacity building programmes initiated and funded by the donors. The previous PFM Reform Strategy 2007-2018 defined as a priority the issue of staff training. The updated Strategy (2018-2025) does not elaborate on staff retention or restructuring although this is a factor that is likely to influence the impact of the reform.
- **Transparency of PFM Strategy** – the reform programme documents being the actual PFM Reform Strategies are publicly available on the website of the MoF.

Annex 1 : Performance Indicator Summary

ID	Indicator/Dimension	Score	Justification
PI-1	PI-1 Aggregate Expenditure Outturn	A	Scoring Method M1
1.1	1.1 Aggregate expenditure outturn	A	Aggregate expenditure outturn was between 95% and 105% of the approved aggregate expenditure in at least two of the last three years (95.8% in 2015, 95.8% in 2016, and 105.1% in 2017).
PI-2	PI-2 Expenditure Composition Outturn	B+	Scoring Method M1
2.1	2.1 Aggregate composition outturn by function	B	Variance in expenditure composition by functional classification was less than 10% in all the three years.
2.2	2.2 Expenditure composition outturn by economic type	B	Variance in expenditure composition by economic classification was less than 10% in all the three years.
2.3	2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average 0.4%, which is less than 3% of the original budget.
PI-3	PI-3 Revenue outturn	B+	Scoring Method M2
3.1	3.1 Aggregate revenue outturn	A	Actual Revenue was between 97% and 106% in two of the last three years (101% in 2015; 101% in 2016; and 112% in 2017).
3.2	3.2 Revenue composition outturn	B	Variance in revenue composition was less than 10% in two of the last three years (7.0% in 2015, 10.7% in 2016 and 7.5% in 2017).
PI-4	PI-4 Budget classification	B	Scoring Method M1
4.1	4.1 Budget classification	B	The budget formulation and execution are based on administrative, economic and functional classification, using GFS/COFOG standards.
PI-5	PI-5 Budget documentation	B	Scoring method (M1)

ID	Indicator/Dimension	Score	Justification
5.1	5.1 Budget documentation	B	The budget documentation fulfils 7 of 12 elements including every basic element (1-4).
PI-6	PI-6 Central government operations outside financial reports	C	Scoring method (M2)
6.1	6.1 Expenditure outside financial reports	D	Expenditure outside government financial reports is more than 10% of total BCG expenditure (including net lending), primarily due to FRD expenditure (including net lending) which is reported outside government financial reports.
6.2	6.2 Revenue outside financial reports	B	Revenue outside government financial reports is slightly less than 5% of total BCG revenue, primarily due to FRD revenue which is reported outside government financial reports.
6.3	6.3 Financial reports of extra budgetary units	C	Detailed financial reports of less than 75% of extrabudgetary units are submitted to government annually within nine months of the end of the fiscal year. This is caused by FRD, reporting separately to the President, whose report was not disclosed.
PI-7	PI-7 Transfers to subnational governments	D	Scoring method (M2)
7.1	7.1 System for allocating transfers	D	The horizontal allocation of the only transfer to (donor) subnational governments from central government (i.e. the subvention) is not fully determined by a transparent and rule-based system. The main issue is inadequate transparency and rules, and variability from one year to another.
7.2	7.2 Timeliness of information on transfers	D	Regions do not receive budget allocation information in order to develop their budget before the Presidential Decree on the approved budget informs them of the amounts of transfers.
PI-8	PI-8 Performance information service delivery	D+	Scoring method (M2)

ID	Indicator/Dimension	Score	Justification
8.1	8.1 Performance plans for service delivery	D	Performance plans are not prepared government-wide.
8.2	8.2 Performance achieved for service delivery	D	No reporting on performance on realized outputs or outcomes takes place.
8.3	8.3 Resources received by service delivery units	A	Tracking of information on all types of resources received in cash and in kind is done through UzASBO. Each service delivery unit provided information to the parent ministry which consolidated the information on an annual basis.
8.4	8.4 Resources evaluation for services delivery	D	No efficiency or effectiveness studies have been conducted.
PI-9	PI-9 Public access to fiscal information	C	Scoring method (M1)
9.1	9.1 Public access to fiscal information	C	Four basic elements and one additional element are made available to the public within the specified timeframe.
PI-10	PI-10 Fiscal risk reporting	B	Scoring method (M2)
10.1	10.1 Monitoring of public corporations	B	Except for one commercial bank, all joint stock public corporations published their audited financial statement within six months of the end of the fiscal year. While analysis is being conducted on the economic and financial situation of public corporations through the use of Key Performance Indicators (KPIs), a specific consolidated report on the financial performance of the public corporation sector is not prepared.
10.2	10.2 Monitoring of subnational governments	A	Annual regional government financial reporting is part of the consolidated budget execution report that is audited by the Supreme Audit Institution within the same timeframe. The report on the financial position of all subnational governments is consolidated with the report on the financial position of the State budget and State targeted funds.

ID	Indicator/Dimension	Score	Justification
10.3	10.3 Contingent liabilities and other fiscal risks	D	Central government entities and agencies do not quantify significant contingent liabilities in their financial reports.
PI-11	PI-11 Public investment management	C	Scoring method (M2)
11.1	11.1 Economic analysis of investment projects	C	Although economic analyses were conducted, as established in national guidelines, to assess most major investment projects, and the analyses were reviewed by an entity other than the sponsoring entity, the results were not published. Some economic analyses were conducted superficially.
11.2	11.2 Investment project selection	C	Although all major investment projects are prioritized by central entities on the basis of published standard criteria for project selection, political considerations and ultimately the available funding influenced the selection process of some projects.
11.3	11.3 Investment project costing	C	Projections of the total capital cost of major investment projects, together with only the capital costs for the forthcoming budget year, 2017, are included in the official documents.
11.4	11.4 Investment project monitoring	C	Although the total cost and physical progress of major investment projects were monitored by the implementing government unit as well as the Ministry of Economy, and quarterly reports were provided to the Cabinet of Ministers, but these were not published.
PI-12	PI-12 Public asset management	C	Scoring method (M2)
12.1	12.1 Financial asset monitoring	C	While the government maintains a record of its holdings in major categories of financial assets, which are recognized at their book or market (stock exchange) value and includes the total value of financial assets in its balance sheet, a specific consolidated report on the financial performance is not prepared or published.
12.2	12.2 Nonfinancial asset monitoring	C	The government maintains a register of its holdings of different types of nonfinancial assets, with varying details about information on value, usage of

ID	Indicator/Dimension	Score	Justification
			the assets. Most information is not published, or only partial information is provided.
12.3	12.3 Transparency of asset disposal	C	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.
PI-13	PI-13 Debt management	B	Scoring method (M2)
13.1	13.1 Recording and reporting of debt and guarantees	A	The recording and reporting of (external) debt and government guarantees are complete, updated and reconciled on a monthly basis. For internal purposes comprehensive reports covering debt stock, debt servicing and debt-related operations are produced on a quarterly basis.
13.2	13.2 Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity, i.e. the Ministry of Finance. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by the Ministry of Finance. Annual borrowing is approved by the legislature when discussing the government budget proposal.
13.3	13.3 Debt management strategy	D	The MoF does not have (yet) a Medium-Term Debt Strategy (MTDS) in place but plans to develop one in the near future.
PI-14	PI-14 Macroeconomic and fiscal forecasting	C	Scoring method (M2)
14.1	14.1 Macroeconomic forecasts	C	The government prepares forecasts of key macroeconomic indicators for the budget year and the two following fiscal years, but only a forecast of year Y+1 is included in budget documentation submitted to the legislature.

ID	Indicator/Dimension	Score	Justification
14.2	14.2 Fiscal forecasts	C	The government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years, but only a forecast of year Y+1 is included in budget documentation submitted to the legislature.
14.3	14.3 Macroeconomic sensitivity analysis	C	The macroeconomic forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions but the budget documents include discussion of forecast sensitivities.
PI-15	PI-15 Fiscal strategy	C	Scoring method (M2)
15.1	15.1 Fiscal impact of policy proposals	C	Since 2017, the Ministry of Finance prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and includes them into the budget documentation, but only for the next fiscal year.
15.2	15.2 Fiscal strategy adoption	C	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, but not the following two fiscal years.
15.3	15.3 Reporting on fiscal outcomes	C	The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for the last completed fiscal year.
PI-16	PI-16 Medium-term perspective in expenditure budgeting	C	Scoring Method (M2)
16.1	16.1 Medium-term expenditure estimates	A	For the 2019 budget, the annual budget presents expenditure estimates for the budget year and the two following fiscal years allocated by administrative, economic, and program (or functional) classification.
16.2	16.2 Medium-term expenditure ceilings	D	No aggregate expenditure ceilings are approved by the government after the first budget circular.

ID	Indicator/Dimension	Score	Justification
16.3	16.3 Alignment of strategic plans and medium-term budgets	D	Medium-term strategic plans are prepared for some ministries (5). Some expenditure policy proposals in the annual budget estimates align with the strategic plans. However, those sector strategies that exist have no comprehensive costings. Links between investments and future recurrent costs are not made.
16.4	16.4 Consistency of budgets with previous year's estimates	N/A	The budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level because it is not possible yet.
PI-17	PI-17 Budget preparation process	B	Scoring Method (M2)
17.1	17.1 Budget calendar	A	A fixed budget calendar exists by law and his adhered to.
17.2	17.2 Guidance on budget preparation	D	There is no formal political involvement in the setting of ceilings as they do not exist.
17.3	17.3 Budget submission to the legislature	A	The legislature has received the budget at least two months before the end of the year for the last 3 years.
PI-18	PI-18 Legislative Scrutiny of Budgets	B+	Scoring Method (M1)
18.1	18.1 Scope of budget scrutiny	B	The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue; however, budget does not provide for a medium-term fiscal framework.
18.2	18.2 Legislative procedures for budget scrutiny	B	The legislature's procedures for budget review are established and respected. They include internal organizational arrangements, such as specialised review committees and negotiation procedures.
18.3	18.3 Timing of budget approval	A	Budget approval by the legislature was made always timely for the last 3 FY.

ID	Indicator/Dimension	Score	Justification
18.4	18.4 Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget amendments by the executive, but extensive administrative reallocations may be permitted.
PI-19	PI-19 Revenue Administration	B	Scoring method (M2)
19.1	19.1 Rights and obligations for revenue measures	A	Both entities collecting most revenues use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation. A redress mechanism with clear procedures is in place for both entities.
19.2	19.2 Revenue risk management	C	Both entities collecting most of revenue use structured and systematic approach for assessing and prioritizing compliance risk. Development of comprehensive compliance risk management is in progress.
19.3	19.3 Revenue audit and investigation	C	State Tax Committee (84% share of all collected revenue) performed revenue audits and inspection for 56% of all legal entities in FY 2017 applying risk-based approach. State Customs Committee (8% share) monitors compliance but was not able to report on the percentage of mitigation activities performed over the last completed year.
19.4	19.4 Revenue arrears monitoring	A	The total amount of revenue arrears as well as the arrears older than 12 months is insignificant as it represents less than 1% of revenues for FY 2017. The rate of arrears has been consistently below 1% during the three years of assessment.
PI-20	PI-20 Accounting for revenue	A	Scoring method (M1)
20.1	20.1 Information on revenue collections	A	The Treasury at MoF collected revenue data from STC and SCC in real time on a daily basis and presented this information by revenue source in its monthly reports.
20.2	20.2 Transfer of revenue collections	A	Transfers of revenue are made daily.
20.3	20.3 Revenue accounts reconciliation	A	Reconciliation is made monthly within 10 days of month end by both tax and customs. Overdue reconciliation is done quarterly.

ID	Indicator/Dimension	Score	Justification
PI-21	PI-21 Predictability of in-year resource allocation	A	Scoring method (M2)
21.1	21.1 Consolidation of cash balances	A	The Treasury consolidates all cash balances on daily basis except for the volume of bank accounts in foreign currency in commercial banks, with volume of 2% in 2017 and 1% in the 3 rd quarter in 2018, thus it represents less than 10%.
21.2	21.2 Cash forecasting and monitoring	A	Cash flow forecasts are prepared for the fiscal year and are updated monthly on the basis of cash inflows and outflows but they are approved only quarterly by the MoF.
21.3	21.3 Information on commitment ceilings	A	Budgetary organisations are able to plan and commit expenditure for at least six months in advance with the budgeted appropriations. They can even spend all the appropriation at the beginning of the year if justified.
21.4	21.4 Significance of in-year budget adjustments	A	Significant in year adjustments to budget allocations take place infrequently and are done in a transparent and predictable way. In-year budget adjustment was below 10% for 2017
PI-22	PI-22 Expenditure Arrears	A	Scoring method (M1)
22.1	22.1 Stock of expenditure arrears	A	In all three years of assessment, the stock of arrears was less than 0.5 percent of the total budget expenditure.
22.2	22.2 Expenditure arrears monitoring	A	Data on arrears is monitored on a daily basis according to the local definition of arrears and reported in quarterly reports together with its age within one month after the end of the quarter.
PI-23	PI-23 Payroll Controls	B+	Scoring method (M1)
23.1	23.1 Integration of payroll and personnel records	A	Personnel data and payroll data are now directly linked. Payroll is integrated into UzASBO.

ID	Indicator/Dimension	Score	Justification
23.2	23.2 Management of payroll changes	A	Required changes to personnel records and payroll are updated automatically and retroactive adjustment are less than 3% (0.91%).
23.3	23.3 Internal control of payroll	A	Access to payroll and staff records modules in the software system is restricted, authority to make changes results in an audit trail.
23.4	23.4 Payroll audit	B	Payroll audit covering all central government entities are conducted by the CRU once every two years as part of their review of the targeted use of budget funds.
PI-24	PI-24 Procurement	B	Scoring method (M2)
24.1	24.1 Procurement monitoring	A	Records of all procurement are maintained with details on value, duration and who has been awarded the contract. The data is complete and accurate and reconciles to the budget execution data on: (i) services for goods; and (ii) consumption of fixed capital.
24.2	24.2 Procurement methods	D	The total value of contracts awarded through competitive methods in the last completed fiscal year was about 42%, the remaining 58% represented the volume of direct contract award method.
24.3	24.3 Public access to procurement information	B	Five of the six procurement information elements were made available to the public in FY 2017. This information was published on the e-procurement website.
24.4	24.4 Procurement complaints management	A	Complaints on electronic tenders are filed and resolved by an appeal body, the others are directly filed with the court. The composition of the appeal body is decided by the Cabinet of Ministers and consists of seven members from different organisations. This mechanism functioned for all procurement operations in FY 2017. All procurement system criteria are met.
PI-25	PI-25 Internal controls on non-salary expenditure	A	Scoring method (M2)

ID	Indicator/Dimension	Score	Justification
25.1	25.1 Segregation of duties	A	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly laid down.
25.2	25.2 Effectiveness of expenditure commitment controls	A	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations through the GFMS.
25.3	25.3 Compliance with payment rules and procedures	A	Strict internal control exists on financial transactions ensuring compliance with payment rules which is very high and any misuse or errors in payment procedures is insignificant.
PI-26	PI-26 Internal Audit	D+	Scoring Method (M1)
26.1	26.1 Coverage of internal audit	B	Internal audit functions started only in 2017. Internal audit is operational in 6 entities representing 81% of total budgeted expenditure and for one entity collecting 84% of total budgeted government revenue.
26.2	26.2 Nature of audits and standards applied	C	Internal audit activities are primarily focused on financial compliance. The current practice of internal audit does not follow international standards and there is little, or no internal audit focused on systems monitoring.
26.3	26.3 Implementation of internal audits and reporting	D	Reports are issued regularly for most audited government entities, but the percentage of implementation of the Annual Audit Plans cannot be determined.
26.4	26.4 Response to internal audits	D	Action by management on internal audit findings is taken rapidly but the percentage of management response to all entities audited cannot be determined.
PI-27	PI-27 Financial Data Integrity	B	Scoring Method (M2)
27.1	27.1 Bank account reconciliation	D	The authorities reconcile the monetary and fiscal financing data on a regular basis, but the results of the reconciliations are not reported to the MoF for <i>all</i> active central government and commercial bank accounts to take action with the responsible entity to reconcile any differences.

ID	Indicator/Dimension	Score	Justification
27.2	27.2 Suspense accounts	B	Reconciliation of suspense accounts takes place at least quarterly within one months of the end of each quarter.
27.3	27.3 Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month.
27.4	27.4 Financial data integrity processes	B	The GFMS systems generates an audit trail, which is supervised regularly by the IT department. However, a specific operational body, unit or team responsible for verifying data integrity is not yet in place.
PI-28	PI-28 In-year budget report	C+	Scoring method (M1)
28.1	28.1 Coverage and comparability of reports	A	Classification of data allows comparison to original budget for all items of expenditure.
28.2	28.2 Timing of in-year budget reports	C	Budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter.
28.3	28.3 Accuracy of in-year budget reports	C	There are no major concerns regarding data accuracy. Problems about data are not mentioned in reports, but they seem to be insignificant. Data on expenditure is provided at the payment stage. Analysis is made quarterly.
PI-29	PI-29 Annual financial reports	D+	Scoring Method (M1)
29.1	29.1 Completeness of annual financial reports	D	Annual reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, but not cash balances.
29.2	29.2 Submission of reports for external audit	B	Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.
29.3	29.3 Accounting standards	D	Annual statements do not contain the disclosures of accounting policies such as full disclosures of financial assets and liabilities that are required by IPSAS standards.
PI-30	PI-30 External audit	C+	Scoring method (M1)

ID	Indicator/Dimension	Score	Justification
30.1	30.1 Audit coverage and standards	C	The external audit covers all central government entities representing all total expenditures and revenue applying national standards in FY 2015, 2016 and 2017. Conclusions are made on the execution of the budget identifying weaknesses as well as outlining instructions for their rectification. The Chamber of Accounts report does not cover material issues and systemic and control risks.
30.2	30.2 Submission of audit reports to the legislature	A	The audit reports are submitted to the legislature within forty days from the receipt of the financial reports by the Chamber of Accounts.
30.3	30.3 External audit follow-up	B	Instructions with a Road Map of recommendations are issued by the Chamber of Accounts. The executive is obliged to implement and report on timely manner (usually within one month). There is formal response, which is comprehensive. Follow up audit to monitor implementation of audit recommendations is carried out in December following the completed and audited financial year.
30.4	30.4 Supreme Audit Institution independence	B	The Chamber of Accounts is independent from the executive for: (i) appointment and removal of SAI Head; (ii) annual audit plan; (iii) the contents and publishing of the audit report and for; and (iv) execution of its budget. Chamber of Accounts has full and unrestricted access to records, documents and information for all audited entities. The law on the Chamber of Accounts is still in progress of approval.
PI-31	PI-31 Legislative scrutiny of audit reports	C	Scoring method (M2)
31.1	31.1 Timing of audit report scrutiny	A	The comprehensive scrutiny of the annual audited budget execution report is usually completed by the legislature within two months from the receipt of the report.
31.2	31.2 Hearings on audit findings	C	In-depth hearings on key findings take place with 85% of the audited entities where relevant issues have been identified in the instructions of the audit report (there is no audit opinion concept). The hearings follow a consistent pattern - every year representatives are invited from the audited entities and the Chamber of Accounts. A list of attendees has been provided as evidence.

ID	Indicator/Dimension	Score	Justification
31.3	31.3 Recommendations on audit by legislature	D	Recommendations on audit are made by the legislature but there is no record of the decisions on actions to be implemented by the executive in relation to the conclusions of the Chamber of Accounts on the annual execution of the State Budget. There is no monitoring on implemented recommendations made by the legislature.
31.4	31.4 Transparency of legislative scrutiny of audit reports	D	The parliamentary proceedings and the approval of the audit reports are covered by the mass media. The audits are debated in the full chamber. The legislative committee issues an ordinance on the approval of the Chamber of Account's audit report on the execution of the State budget (evidence provided) but it is not published.

Annex 2: Summary of Observations on the Internal Control Framework

Internal Control Components and Elements	Summary of Observations
<p>1. Control Environment</p>	<p>There is a strong regulatory framework in the government which is stipulated in the key acts: Constitution-1992; Budget Code - 2013; Tax Code-2007; Customs Code-2016; On Accounting Reporting-2016; Law on Public Procurement-2018. There are various Presidential and Cabinet of Ministers’ decrees and ordinances issued to ensure compliance with the laws. Other documents setting up the control environment are: (i) procedures on defining and registration of expenditure commitments; (ii) procedures for application of internal control for budget entities; (iii) procedures for amendment of expenditure commitments, personnel list, and salary; (iv) procedures on calculation of salary for budget entities;</p> <p>The internal audit function is newly set up only in six budget units and the annual external audit is carried out by the Chamber of Accounts. The audit reports are submitted to both chambers of the Parliament for discussion and approval. There is, however, not obvious public participation at hearings.</p>
<p>1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation</p>	<p>The issues related to personal and professional integrity and ethical values are covered in the internal rules of the budget organisations.</p>
<p>1.2 Commitment to Competence</p>	<p>No information available from the PEFA assessment. However, the general understanding of the assessment team is that both senior and junior level of staff possess the necessary academic qualification and experience. The management of the MoF supports staff to continue education and to acquire professional qualification with exposure to international practice and environment.</p>
<p>1.3 The “Tone at the Top” (i.e. management’s philosophy and operating style)</p>	<p>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 county's budgetary resources. This responsibility rest with the government leadership. The tone at the top is rigorously adhered to judging from the strict control procedures and the prompt response to orders made. The internal audit is still in very early stage of its development in order to be indicative of the condition of the internal control system. The external auditor’s findings are always acted upon within short deadlines.</p>
<p>1.4 Organisational Structure</p>	<p>No information available from the PEFA assessment.</p>
<p>1.5 Human Resource Policies and Practices</p>	<p>No information available from the PEFA assessment.</p>

Internal Control Components and Elements	Summary of Observations
2. Risk Assessment	Risks are covered by preliminary control activities permeating the entire system of public finance, however there is no formalised risk assessment mechanism in the area of revenue collection. Risk identification is not the practice defining the audit plan in the internal audit function.
2.1 Risk Identification	Several PIs are related to the extent to which risks are identified, notably: Economic analysis of investment proposals: proposed capital investment projects are not submitted for economic appraisal before approval; Debt management strategy: debt strategy is yet to be developed with associated risk, exchange rate and interest rate factors; Cash forecasting and monitoring: cash flow forecasts are updated quarterly based on actual cash flows; Revenue risk management: currently extensive reform is being underway in the entities collecting and administering revenue; a new system of risk assessment and management is being set up with formalised procedures and specifically developed software application.
2.2 Risk Assessment (significance and likelihood)	Examples of risk assessment are associated with the above PIs and the work to be done in relation to development of standards for analysis of investment proposals, the work in preparing a medium-term debt strategy, and the risks to be defined and assessed in the area of revenue collection with a proper degree of probability and impact.
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. Risk Assessment	Risks are covered by preliminary control activities permeating the entire system of public finance, however there is no formalised risk assessment mechanism in the area of revenue collection. Risk identification is not the practice defining the audit plan in the internal audit function.
3.1 Authorization and Approval Procedure	The government accounting 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.
3.2 Segregation of Duties (authorizing, processing, recording, reviewing)	There is appropriate segregation of duties with clear responsibilities. All functions are properly segregated but there are no formalised activities in place, yet, with view to risk assessment of internal control system.

Internal Control Components and Elements	Summary of Observations
3.3 Controls Over Access to Resources and Records	<p>Compliance with payment rules and procedures: the degree of compliance is good. Actual transfer is carried out through GFMIS.</p> <p>Financial data integrity processes. Access to records are restricted by password and changes are recorded and result in audit trail. GFMIS is used to record and process budget data.</p>
3.4 Verifications	<p>The Budget Code and the internal procedures set out the usual internal control instructions for verification - review of transactions to check the propriety and reliability of documentation, costing, or mathematical computation. It includes checking the conformity of acquired goods and services with agreed quantity and quality specifications.</p> <p>The verification procedures are built-in in every transaction. This is internal checking procedure to avoid errors or fraud.</p>
3.5 Reconciliations	Revenue reconciliation and bank account reconciliation are carried out through the Treasury Single Account in real time with exception to foreign currency account which are reconciled on monthly basis.
3.6 Reviews of Operating Performance	Operating performance with efficiency and effectiveness is an element of the PFM reform currently underway, it is not assessed by the internal control, yet.
3.7 Reviews of Operations, Processes and Activities	Processes and activities are controlled on operational level mainly by the Treasury. The controls are applied mostly as a desk top review by the staff with all budget related processes being integrated in the GFMIS. The internal audit is yet to develop capacity in order to review the PFM operations and to observe efficiency and effectiveness of processes. The Chamber of Accounts is also currently developing capacity to perform comprehensive performance audit.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	No information available from the PEFA assessment.
4. Information and Communication	The government is required to report quarterly and annually to the Parliament, the Chamber of Accounts and to the President for these functions which are directly subordinated to the Presidency (e.g. the National Project Management Agency). Communication to the public is realised through various channels such as the websites of the key PFM institutions, the reporting made available to the public, the Citizen Budget 2018 and by media coverage of the Parliament hearings. Public participation in relation to the budget formulation is not ascertained. Clear and comprehensive information on revenue collection and administration exists (PI-19). Information on procurement tenders, plans, statistics and appeals is extensive with the launch of e-procurement platform in mid-2018.
5. Monitoring	Monitoring is usually carried out through operational and financial reports. There are tools for monitoring performance, subsequent planning, and decision-making. Tough controls exist, and they are strictly applied.

Internal Control Components and Elements	Summary of Observations
5.5 Evaluations	Performance monitoring in the PFM system is not developed yet (PI-8.4 and PI-11.4). There are no specific reports elaborating on consistency of performance-planned outputs and achieved outcomes and explaining any deviation.
5.6 Management Responses	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. Management responses to the recommendations of the Chamber of Accounts on budget execution is very high. The management of the budget entity prepares a Road Map with is in fact an action plan for implementation of the Chamber of Accounts recommendations (instructions).

Annex 3A: Related Surveys and Analytical Work

Asian Development Bank

Report ADB 41041-013-PCR-EN

IMF

Press Release IMF Executive Board Concludes 2015 Article IV Consultation with Uzbekistan

Review tax system

Uzbekistan May 2018 Article IV

UNDP

AM UZB Sep 14 v3

Concept Accounting

Final Concept of the Accounting

Report International consultant IPSAS

AM UZB Sep 14 v3

UZ Prodoc Budget System Reform in Uzbekistan

The World Bank

Governance Report May 26, 2008

Annex 3B: List of People Met

First Name	Last Name	Email/Telephone (dial 00 before number)	Position, Department
Ismonjon	Mamadjanov	Imamadjanov@mf.uz ; Metodsovet@mf.uz	Head of Methodology Department, Ministry of Finance
Botir	Kholmuradov	bkholmuradov@mf.uz	Head of Budget Policy Division, Ministry of Finance
Kahramon	Usmonov	kusmonov@mf.uz	Deputy Head of Budget Department, responsible for revenues, Ministry of Finance
Ulugbek	Rustamov	urustamov@mf.uz	Chief Accountant of Ministry of Finance
Sarvar	Nazarov	snazarov@mf.uz	Deputy Head of Treasury Department, Ministry of Finance
Jasur	Buriyev	Jburiyev@mf.uz	Head Department of Territorial Finance, Ministry of Finance
Avaz	Mahmudhodjaev	Amahmudhodjaev@mf.uz	Department of Investment, Ministry of Finance
Jamshid	Yarashev	Jyarashev@mf.uz	Department of Investment, Ministry of Finance
Zafarjon	Hujayev	zhujayev@gmail.com	Deputy Head of Department, State Committee
Baxtiyor	Xaydarov		State Committee for Investment
Zokhidjon	Bobobekov	z.bobobekov@gkk.uz	Head of the Department, State Competition Committee
Talat	Samandarov	res@gkk.uz	Deputy Head of the Restructuring of Insolvent Enterprise Department, State Competition Committee
B.	Khaydarov	b.khaydarov@gki.uz	Head of the Delegation of the State Competition Committee,
Odilbek	Isakov	odilbek@gmail.com	Minister's Advisor, Head of Debt Management Office, Ministry of Finance
Farruh	Hamdamov	fhamdamov@mf.uz	Head of Division of Public Debt Accounting and Reporting, Ministry of Finance
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Jamshid	Isomurodov	998711207600	Chief Inspector, State Customs Committee
Suxrob	Ulashev	998711207600	Chief Inspector, State Customs Committee
Ilhom	Muhtarov	00998711207600 (2206)	Head of Risk Management and Monitoring Department, State Customs Committee

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Bekhzod	Ergashev	bekhzod.ergashev@minzdrav.uz	Ministry of Health, Head of Department of Economic, Finance and Forecasting
Zafar	Gulyamov	zafar.gulyamov@minzdrav.uz	Ministry of Health, Assistant to the Chief Accountant
Bahrom	Muminov	bahrom.muminov@minzdrav.uz	Ministry of Health, Deputy Head of Department of Medical Preventive Care
Sarvar	Dustmuradov	nemat.yusupkhodjaev@minzdrav.uz	Ministry of Health, Chief Specialist of Internal Audit and Financial Control
Sarvarbek	Mirakhmedov	s.mirakhmedov@minzdrav.uz	Ministry of Health, Chief Specialist on Management and Coordination of Investment Projects, Humanitarian Aid and Technical Assistance
Akrom	Muminov	amuminov@mineconomy.uz	Ministry of Economy, Deputy Head of Macroeconomic, Tax, Budget and Monetary Policy Division
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Sergey	Voromin	sergey.voromin63@yahoo.com	Institute for Budget and Tax Research, Tax Specialist
Mukhamet	Djumagaldiyev	int@senat.uz	Head of Budget and Finance Committee, Senate of Uzbekistan

First Name	Last Name	Email/Telephone (dial 00 before number)	Position, Department
Odiljon	Iminov	int@senat.uz	Deputy Chairman, Senate of Uzbekistan
Rakhmatulla	Nazarov	int@senat.uz	Member of Committee, Senate of Uzbekistan
Mirbotir	Mirkhamidov	int@senat.uz	Consultant working for the Committee, Senate of Uzbekistan
Adkham	Shadmanov	budget@parliament.gov.uz	Parliament of the Republic of Uzbekistan, Chairman of the Parliamentary Committee on Budget and Economic Reforms
Temur	Komilov	kjj@ach.gov.uz	Chamber of Accounts, Head of Unit
Ulugbek	Kadirov	kjj@ach.gov.uz	Chamber of Accounts, Head of Unit
Olimkhon	Rustamov	kjj@ach.gov.uz	Chamber of Accounts, First Deputy Chairman
Tokhir	Kasimov	ktr@ach.gov.uz	Chamber of Accounts, Head of Sector
Shukhrat	Aminov	ast@ach.gov.uz	Chamber of Accounts, Lead Inspector
Khusniddin	Kashimov	x.xashimov@napm.uz	National Project Management Agency, Head of Public Procurement Supervision Department
Abiar	Godaev		National Project Management Agency, Head of Department
Dilmurod	Yunusmetov		National Project Management Agency, Leading Specialist of Public Procurement Supervision Department
Abdurahid	Raimov		National Project Management Agency, Specialist Supervision Department
Bakhtiyer	Umarov	bumarov@chamber.uz	Chamber of Commerce, Head of Department for work with market infrastructure organisations
Bakhtiyor	Khaydarov		Centre for Public Asset Management
Alisher	Miraliev		Centre for Public Asset Management
Zafar	Yuvmitov	z.yuvmitov@davarz.uz	Ministry of Construction, Head of Economic Department
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Mirmod	Burkhanov	m.burkhanov@davarx.uz	Ministry of Construction, Chief Specialist International Department
Bobir	Gafurov	bgafurov@adb.org	Asian Development Bank, Senior Private Sector Development Officer
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Annex 3C. Sources of Information by Indicator

- **PI-1**
 - En-PI-1 PI-2 Exp calculation-Jan 2015
- **PI-2**
 - Contingency code.txt
 - desktop.ini
- **PI-3**
 - Exp & Revenue 2015-2016 – Uzbek (UZ)
 - Revenue 2015-2016
 - Revenues – English (EN)
 - Revenues UZ
- **PI-4**
 - PI-4 Economic classification (EN)
 - PI-4 economic classification EN1 (most from RU in EN)
 - PI-4 Economic classification EN1 (most parts from Russian (RU) and EN)
 - PI-4 Economic classification EN2 (with few parts from Uzbek to EN)
 - PI-4 economic classification RUS
 - PI-4 functional classification EN1 (most from RU to EN)
 - PI-4 functional classification RUS
 - PI-4 Instruction on Budget Classification (from UZ to EN)
 - PI Economic classification RU
- **PI-5**
 - PI-6 Annual Budget Execution Report 2017 (in UZ)
 - PI-6 Budget Proposal 2018 RU (note - hard copy version and annexes are complete version)
 - PI-6 Photo of Table State Budget and FRD 2018 EN
 - PI-6 State budgets 2015 ПП-2270 RU
 - PI-6 State budgets 2015, 2016 and 2017 RU (zip file)
 - PI-6 State budgets 2016 ПП-2455 RU
 - PI-6 State budgets 2017 ПП-2699 RU
- **PI-6**
 - PI-6 Annexes 1-6 Pres Decree on macroeconomic dev and budget parameters for budget 2017 RU
 - PI-6 Annual Budget Execution Report 2017 UZ
 - PI-6 Appendices 1-62 to the Instruction on accounting in budgetary organizations RU
 - PI-6 Changes to Resolution by Cabinet of Ministers 03.09.1999, no 414 19.07.2007 RU
 - PI-6 IMF Article IV Consultation May 2018 - Data on FRD EN
 - PI-6 Instructions on accounting in budgetary organizations 17.12.2010 N 105 RU
 - PI-6 Order of financing (payment) of expenses of budgetary organizations (including off-budget expenditure budget organisation RU)
 - PI-6 PEFA Team Calculation State Targeted Funds revenues and expenditures 2017 based on audited budget execution report EN
 - PI-6 PEFA Team GDDS data calculation State Targeted Funds revenues and expenditures 2017 EN
 - PI-6 Photo of Commercial bank accounts (from MoF) UZ

- PI-6 Regulation on Rules of forming, approval and issue of periodic financial reports of budget organizations and budget recipients UZ
- PI-6 Resolution by Cabinet of Ministers 03.09.1999 n 414 on the improvement of the procedure for financing budget organizations
- PI 6 GDDS data GGO approved budget Central Government EN
- PI-6 Regulation on Reporting by State Targeted Funds (of text) EN
- PI-6 Regulation on Reporting by State Targeted Funds RU
- **PI-7**
 - PI-7 Annex 13 to the Order of MoF on Budget Execution Reporting - Reporting by Territorial Financial Authorities RU
 - PI-7 Chapter 20 of Budget Code - Intergovernmental Fiscal Relations RU
 - PI-7 Relevant Intergovernmental Fiscal Relations codes in economic classification (in yellow and orange) RU and UZ
 - PI-7 Transfers to SNG 2018 RU
- **PI-8**
 - PI-8 2013-09-Uzbekistan-Education-Sector-Plan-2013-2017 EN
 - PI-8 Annex to Budget Circular with requirements for FY2019 UZ
 - PI-8 Annex with Performance Indicators included in 2017 Annual Report Annexes UZ
 - PI-8 Budget proposal 2019 - Expenditures by Programs RU
 - PI-8 Government Strategy 2017-2021 RU
 - PI-8 Performance Indicators Education UZ
 - PI-8 Speech President of the Republic of Uzbekistan to the Parliament, December 2017 On Results Achieved in 2017 and Plan for 2018 EN
 - PI 8 Letter on the Budget Circular 2018 for Budget FY2019 UZ
- **PI-9**
 - PI-9 Background Paper on Political Reform in Uzbekistan (relevant sections on Evolving Citizen Participation) EN
 - PI-9 Citizens budget 2018 RU
 - PI-9 Citizens' Budget 2019
 - PI-9 Commentary to Report Audit Chamber on Annual Budget Execution Report 2017 UZ
 - PI-9 National Summary Data Page (NSDP) - Uzbekistan EN
 - PI-9 Proceedings Conference on Citizens Budget 2018 RU
 - PI-9 Progress in public funds management in Uzbekistan 2012-2018 received from MoF (includes progress on transparency) EN
 - PI-9 Progress in public funds management in Uzbekistan 2012-2018 received from MoF RU
 - PI-9 Report Audit Chamber on Annual Budget Execution Report 2017 EN
 - PI-9 Report Audit Chamber on Annual Budget Execution Report 2017 UZ
 - PI-9 Summary Budget proposal 2017 in PowerPoint UZ
- **PI-10**
 - PI-10 Annual Budget Execution Report 2017 UZ
 - PI-10 Article on methodology of monitoring SOEs through system of KPIs RU
 - PI-10 Article on monitoring effectiveness SOEs through system of KPIs RU
 - PI-10 Data on Commercial Banks from Ministry of Finance RU
 - PI-10 Data on Public Corporation from State Completion Committee RU

- PI-10 Fiscal Report Tashkent Q4 2017 RU UZ (mixed)
- PI-10 Monitoring SOEs through aggregate KPI indicator 2017 RU
- PI-10 News article on State-Owned Enterprises and Privatization Plans EN
- PI-10 Template Data required on Public corporations, Commercial banks (sent to SCC, MoF) EN and RU
- **PI-11**
 - PI-11 Additional measures to accelerate implementation investment and infrastructure projects in 2018-2019 years – with new procedure and methodology EN
 - PI-11 Annex 1 to Investment Program 2017 - Limits 2017 investments
 - PI-11 Investment Program 2017 EN
 - PI-11 PEFA Team calculation of Allocation of State Budget to sectors for investment 2017 EN
 - PI-11 Photo of 1st page of Document containing list of specific investment projects 2017 RU
 - PI-11 Photo of 1st page Resolution on developing Investment Program 15.10.2009, no. 274 RU
 - PI-11 Resolution Cabinet On order of development, examination and approval of documentation of investment projects – with previous procedures and methods RU
- **PI-12**
 - PI-12 Annex to Government regulation on Balance sheet of Mineral Resources RU
 - PI-12 Balance sheet Ministry of Higher Education 2017 RU
 - PI-12 Data on Commercial Banks from Ministry of Finance RU
 - PI-12 Data on Public Corporation from State Completion Committee RU
 - PI-12 Data Transactions with assets and obligations Q2 2018 RU (to be clarified)
 - PI-12 Example Report Land Cadastre 12.10.2017 RU
 - PI-12 Government regulation on Balance sheet of Mineral Resources RU
 - PI-12 Government regulation on Disposal, transfers fixed assets RU
 - PI-12 Law on Land cadastre 1998 RU
 - PI-12 On approval of the Rules for the preparation, approval and submission of periodic financial reports by organizations funded from the State Budget (Appendix 1 Balance sheet) EN
 - PI-12 Order of the President of the Republic of Uzbekistan of July 23, 2018, No. P-5343, On Critical Study of the State Assets Management System RU
 - PI 12 Balance of Mineral Resources 2013-16 UZ, RU and EN
- **PI-13**
 - PI-13 Data Public External Debt Central Government EN
 - PI-13 IMF Article IV Consultation May 2018 - Debt Sustainability Analysis EN
 - PI-13 Photo 1 of Monthly Updating Report on Debt RU
 - PI-13 Photo 2 of Monthly Updating Report on Debt RU
 - PI-13 Photo 3 of Monthly Updating Report on Debt RU
 - PI-13 Photo 4 of Monthly Updating Report on Debt RU
 - PI-13 Regulation On the procedure for granting guarantees of the Republic of Uzbekistan on foreign loans RU
 - PI-13 Resolution of President of the Republic of Uzbekistan On Additional Measures for Diversification of External Financing Sources RU
 - PI-13 Resolution On the procedure for granting guarantees of the Republic of Uzbekistan on foreign loans RU
- **PI-14**

- PI-14-16 Annexes 1-6 Pres Decree on macroeconomic dev and budget parameters for budget 2015
- PI-14-16 Annexes 1-6 Pres Decree on macroeconomic dev and budget parameters for budget 2016
- PI-14-16 Annexes 1-6 Pres Decree on macroeconomic dev and budget parameters for budget 2017
- PI-14-16 Pres Decree on macroeconomic dev and budget parameters for budget 2015
- PI-14-16 Pres Decree on macroeconomic dev and budget parameters for budget 2016
- PI-14-16 Pres Decree on macroeconomic dev and budget parameters for budget 2017
- PI 14-16 Social economic strategy 2017-2021
- PI 14.1 2015 parameter (1-6 application)
- PI 14.1 2016 parameter (1-6 application)
- PI 14.1 2017 parameter (1-6 application)
- **PI-15**
 - 2017-2021 (УП-4947) Strategy Development
 - Budget concept BP for 2017
 - Budget concept BP for 2018
- **PI-16**
 - PFM Reform strategy 2007 2018
- **PI-17**
 - Attachment to the letter on the budget request 2018
 - Budget request letter 2018
 - PI-17 Budget transmission letter cabinet to Parliament (1)
 - PI-17 Budget transmission letter cabinet to Parliament (2)
 - PI-17 Letter of transmission of budget to Oliy Majlis
 - PI-17 Letter on Budget Circular April 2018 (preparation 2019 budget)
 - PI 17 (also relevant PI-8) Annex to letter on Budget Circular 2018 (EN)
 - PI 17 (also relevant PI-8) Annex to letter on Budget Circular 2018
- **PI-18**
 - Budget transmission letter FY2015
 - Budget transmission letter FY2016
 - Budget transmission letter FY2017
- **PI-19**
 - PI-19 Customs Code`RU
 - PI-19 revenue by quarter 2017`RU
 - PI-19 Tax Code`RU
 - PI-19.1. volume of revenue by entity`EN
 - PI-19.3 tax risk management system`RU
 - PI-19.4 Moratorium on tax audit by President`RU
 - PI-19.4. revenue arrears for 3 FY`UZ
 - Tax Code EN
- **PI-20**
 - PI-20.1 Revenue collection by groups 2`UZ
 - PI-20.1 Revenue Collection by groups 1`UZ
 - PI-20.1 Revenue Collection by groups 3`UZ
- **PI-21**
 - FX currency in commercial banks`UZ

- PI-21.2 Cash Plan`RU`
- PI 21.4 budget adjustment for 3FY`RU`
- **PI-22**
 - PI-22 expenditure arrears FY`15`16`17`UZ`
- **PI-23**
 - Control checks for 3 FY`
 - Control Plan 2017`UZ`
 - Control Plan 2017 `2`UZ`
 - Control Plan 2017`3`UZ`
 - desktop.ini`
 - Financial Control establishment 1`RU`
 - Financial Control establishment 2`RU`
 - Financial Control Establishment 3`RU`
 - Financial Control Establishment 4`RU`
 - Financial Control Report 1`RU`
 - Financial Control Report 2`RU`
 - Financial Control Report`3`RU`
 - Financial Control Results 1`RU`
 - Financial Control Results 3`RU`
- **PI-24**
 - 24.4`data on appeals in e-mail from NAPM`EN`
 - Law on Public Procurement EN`
 - Law on Public Procurement RUS`
 - PI-24.2 FY Procurement methods data as of mid-2018`EN`
 - UZEX procurement statistics 2015`RU`
 - UZEX procurement statistics 2016 `RU`
 - UZEX procurement statistics 2017`RU`
- **PI-25**
 - PI-25 payroll Collective agreement on salary`UZ and EN`
- **PI-26**
 - desktop.ini`
 - Pi-26.4 MoEdu Response to recommendations `Tashkent City`EN`
 - Pi-26.4 MoEdu Response to recommendations Tashkent city`UZ`
 - PI-26 MoEdu Audit Plan`UZ`
 - PI-26.1 Ordinance 3231 on internal audit`RU`
 - PI-26.1 volume of expenditure of budget users with IA function`
 - PI-26.4 Management Letter from MoEdu`EN`
 - PI-26.4 Management letter from MoEdu`UZ`
 - PI-26.4 MoEdu Action Plan`UZ`
 - PI-26.4 MoEdu Information Letter`EN`
 - PI-26.4 MoEdu Information Letter`UZ`
 - PI-26.4 MoEdu Response to recommendations`EN`
 - PI-26.4 MoEdu Response to recommendations`UZ`
- **PI-27**

- Bank account consolidation capture.
- **PI-28**
 - Budget execution report - 1 half year 2016
 - Budget execution report - 1 half year 2017
 - Annex 1-5 to the Rules of Budget Accounting for Treasury Performance of the State Budget
 - Annex 1 to the order of MoF - Rules of budgetary accounting of Treasury execution of the State budget
 - Annex 6 to the Rules of Budget Accounting for Treasury Performance of the State Budget - Accounts overview
 - Annex 7 to the Rules of Budget Accounting for Treasury Performance of the State Budget
 - Annex 12 to the order of MoF on BE reporting to Treasury by Ministries etc
 - Annex 13 to the order of MoF on Timing of Budget Exec Reporting by territorial financial authorities
 - Annex 14 to the order of MoF on Treasury reporting on BE to the Main Department of the State Budget
 - Annex 15 To the order of MoF on Treasury reporting on SNG BE to territorial financial organs
 - Annex 16 To the order of MoF on Fund balances on the Unified TSA
 - PI-28 Quarterly Budget Execution Reports 2017
- **PI-29**
 - PI-29 Standards of budget accounts o, IPSAS Документ1
 - PI-29.3 Chart of Accounts2 (UZ)
 - PI-29.3 Chart of Accounts (UZ)
 - PI-29.3 Instruction on budget execution reporting EN (On the Approval of the Budget Accounting Standards)
 - PI-29.3 Instruction on budget execution reporting RUS
- **PI-30**
 - Response to Chamber of Accounts Ministry of Finance`EN
 - Chamber of Accounts Work Plan for 2017`RU
 - Comments on Chamber of Accounts External Audit Report 2017`UZ
 - desktop.ini
 - Eng PI 30 External Audit Report
 - External Audit Report of Chamber of Accounts 2017`UZ
 - FY 2015 Chamber of Accounts Instructions to Ministry of Finance`EN
 - FY 2015 Chamber of Accounts Instructions to MoF Land Reclamation and Irrigation Fund`EN
 - FY 2015 Chamber of Accounts Instructions to MoF Pension-Fund`EN
 - FY 2015 Response to Chamber of Accounts Land Reclamation and Irrigation Fund`EN
 - FY 2015 Response to Chamber of Accounts Road Fund`EN
 - FY 2016 Response to Chamber of Accounts Pension Fund`EN
 - FY 2017 Response to Chamber of Accounts Employment Fund`EN
 - FY 2017 Response to Chamber of Accounts Land Reclamation and Irrigation Fund`EN
 - FY 2017 Response to Chamber of Accounts Ministry of Finance`EN
 - FY 2017 Response to Chamber of Accounts Pension Fund`EN
 - FY 2017 Response to Chamber of Accounts Road Fund reply`EN
 - President Decree 2017 on Chamber of Accounts development

- Response to Chamber of Accounts recommendation Road Map of MoF 2`UZ (1)
- Response to Chamber of Accounts recommendation Road Map of MoF 2`UZ (2)
- Response to Chamber of Accounts recommendation Road Map of MoF 2`UZ (3)
- **PI-31**
 - Approval of State Budget FY2016`RUS
 - Approval of State Budget FY2015`RUS
 - Approval of State Budget FY2017`RUS
 - Cover letter
 - desktop.ini
 - Law on Parliamentary Control EN
 - Law on Parliamentary Control RUS
 - Timing of audit report scrutiny 2015`EN
 - Timing of audit report scrutiny 2016`EN
 - Timing of audit report scrutiny 2017`EN

Annex 4: Comparison of PEFA Scores for 2012 and 2018

Method	ID	Indicator	2012	2018	Change	Justification
M1	PI-1	Aggregate expenditure out-turn compared to original approved budget	A	A	=	
	PI-1 (i)	The difference between actual primary expenditure and the originally budgeted primary expenditure.	A	A	=	Deviation of the State budget's primary expenditures from the approved budget was not significant.
M1	PI-2	Composition of expenditure out-turn compared to original approved budget	A	B	-	
	PI-2 (i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items.	A	B	-	The overall expenditure composition variance based on the functional classification was less than 10% in 2 of the last 3 FY.
	PI-2 (ii)	The average amount of expenditure actually charged to the contingency vote over the last three years.	A	B	-	Spending from the contingency reserve as a share of approved budget remains with less than 0.4% of initial budget throughout the period, but more than 0.3%.
M1	PI-3	Aggregate revenue out-turn compared to original approved budget	A	A	=	
	PI-3 (i)	Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget.	A	A	=	Actual domestic revenues were between 97% and 106% of original budget (100.9%, 103.2% and 110.7%).
M1	PI-4	Stock and monitoring of expenditure payment arrears	A	A	=	
	PI-4 (i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year and any recent change in the stock).	A	A	=	MoF records and monitors the stock of expenditure arrears (accounts payable), the stock is below 2% of total expenditure in the last FY.
	PI-4 (ii)	Availability of data for monitoring the stock of expenditure payment arrears.	A	A	=	Data is complete and is easily available, it is reported at year end, the usual paper report does not cover age, but such data exists in the system and can be retrieved.
M1	PI-5	Classification of the budget	A	A	=	

Method	ID	Indicator	2012	2018	Change	Justification
	PI-5 (i)	The classification system used for formulation, execution and reporting of the central government's budget.	A	A	=	The budget formulation and execution are still based on administrative, economic and sub-functional classification, using GFS/COFOG standards.
M1	PI-6	Comprehensiveness of information included in budget documentation	A	A	=	
	PI-6 (i)	Share of the 9 elements listed information in the budget documentation most recently issued by the central government (in order to count in the assessment, the full specification of the information benchmark must be met.	A	A	=	The recent budget documentation fulfils 7 the 9 information benchmarks; not met are Debt stock, and Financial Assets. Note that the PEFA 2012 indicated inclusion of information on Financial Assets in the budget documentation. This was not the case.
M1	PI-7	Extent of unreported government operations	A	D	-	
	PI-7 (i)	The level of extrabudgetary expenditure (other than donor funded projects) which is unreported.	A	D	-	The level of unreported extrabudgetary expenditure of FRD alone amounted to > 13% of total expenditure (other than donor funded projects). Note that the PEFA 2012 did not consider FRD in their assessment.
	PI-7 (ii)	Income/expenditure information on donor-funded projects which is included in fiscal reports.	A	D	-	GoU does not collect information anymore. Website www.devaid.uz (used by PEFA2012) is not functional anymore. Therefore, information on donor financed projects included in fiscal reports is seriously deficient.
M2	PI-8	Transparency of inter-governmental fiscal relations	B+	C+	-	
	PI-8 (i)	Transparent and rule-based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations.	A	D	-	The main transfer for last completed FY 2017 was the subvention from central government to four subnational governments. The determination of the subvention is not fully determined by a transparent and rule-based system. The system in 2017 (and before) included features of general rules as well as flexible elements. The main issue is inadequate transparency and rules, and variability from one year to another. The PEFA 2012 describes basically the same system but incorrectly assigned a "A" score (should be D).

Method	ID	Indicator	2012	2018	Change	Justification
	PI-8 (ii)	Timeliness of reliable information to SN governments on their allocations from central government for the coming year.	C	C	=	The transfers' amounts are communicated through the Presidential Decree on the Approved budget, before the start of the FY. Based on this subnational governments finalizes their budgets just before the start of the SNG fiscal year.
	PI-8 (iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure is collected and reported for general government according to sectoral categories.	A	A	=	Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for all SN government expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.
M1	PI-9	Oversight of aggregate fiscal risk from other public sector entities	C+	C+	=	
	PI-9 (i)	Extent of central government monitoring of AGAs and PEs.	C	C	=	All AGAs/PEs submit fiscal reports to the Government (either Ministry of Finance, State Committee for Competition or direct to Council of Ministers at least annually, but a consolidated overview is missing or significantly incomplete.
	PI-9 (ii)	Extent of central government monitoring of SN governments fiscal position.	A	A	=	The new Budget Code remains clear that SN government cannot generate fiscal liabilities for central government.
M1	PI-10	Public access to key fiscal information	D	B	+	
	PI-10 (i)	Share of the 6 elements listed in Public access to key fiscal information.	D	B	+	The government makes available to the public 3 of the 6 listed types of information: In-year budget execution reports, Year-end financial statements (if interpreted as the Annual Budget Execution Report 2017), Audit report (Audited Budget Implementation Report with comments of Chamber of Audit).
M2	PI-11	Orderliness and participation in the annual budget process	B	B	=	
	PI-11 (i)	Existence of and adherence to a fixed budget calendar.	A	A	=	A fixed budget calendar exists by law and his adhered to. The circular 2018 was sent on April 15th and budget users had to send their estimates on 1rst of July. Thy are consequently more than 2 months to prepare their estimates.
	PI-11 (ii)	Guidance on the preparation of budget submissions.	D	D	=	There is no formal political involvement in the setting of ceilings as they do not exist.
	PI-11 (iii)	Timely budget approval by the legislature.	A	A	=	Budget approval by the legislature was made always timely for the last 3 FY.

Method	ID	Indicator	2012	2018	Change	Justification
M2	PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D	D	=	
	PI-12 (i)	Multi-year fiscal forecasts and functional allocations.	D	D	=	For the 2019 budget, the annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and program (or functional) classification but the linkage between the MTEF estimates and the budgets ceilings cannot be made.
	PI-12 (ii)	Scope and frequency of debt sustainability analysis.	N/A	C	+	Note that PEFA 2011 indicated Not Applicable (NA). The 2016 PEFA framework does not require a debt sustainability analysis (DSA) but a tougher requirement: medium-term Debt Management Strategy (DMS). The latter does not exist yet but a DMS is planned as the country wants to issue euro bonds next year (2019). The field guide for PEFA 2011 mentions that a DSA can be counted if the IMF has done it and the Government accepts the findings of the DSA conducted on its behalf. Therefore a "C" score can be given as a DSA for at least external debt was undertaken once during the last three years.
	PI-12 (iii)	Existence of costed sector strategies.	D	D	=	Medium-term strategic plans are prepared for some ministries (5). Some expenditure policy proposals in the annual budget estimates align with the strategic plans. However, those sector strategies that exist have no comprehensive costings.
	PI-12 (iv)	Linkages between investment budgets and forward expenditure estimates.	D	D	=	Links between investments and future recurrent costs are still not made.
M2	PI-13	Transparency of taxpayer obligations and liabilities	B	B+	+	
	PI-13 (i)	Clarity and comprehensiveness of tax liabilities.	B	B	=	Tax liabilities for most tax collecting entities (not for most major taxes) are clear and comprehensive.
	PI-13 (ii)	Taxpayer access to information on tax liabilities and administrative procedures.	B	A	+	Tax payers have access to clear tax information, hot line, brochures and educational campaigns are performed.
	PI-13 (iii)	Existence and functioning of a tax appeals mechanism.	C	B	+	Tax appeal system is set up.
M2	PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B	B	=	

Method	ID	Indicator	2012	2018	Change	Justification
	PI-14 (i)	Controls in the taxpayer registration system.	A	A	=	Controls in tax payer registration system are scored the same.
	PI-14 (ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations.	B	B	=	Penalties for registration and declaration are scored the same.
	PI-14 (iii)	Planning and monitoring of tax audit and fraud investigation programs.	C	C	=	The regular remote (cameral) audits of documents, fraud and criminal cases are continuous. They are based on partially structured risk assessment. New risk assessment system is in progress of being implemented.
M1	PI-15	Effectiveness in collection of tax payments	A	A	=	
	PI-15 (i)	Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last three fiscal years).	A	A	=	The average of collected tax debt ratio is more than 90% for the last 3 FY, the tax arrears are less than 1%.
	PI-15 (ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration.	A	A	=	As before, daily transfers are made to Treasury.
	PI-15 (iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.	A	A	=	As before, monthly reconciliation is performed.
M1	PI-16	Predictability in the availability of funds for commitment of expenditures	A	A	=	
	PI-16 (i)	Extent to which cash flows are forecast and monitored.	A	A	=	Cash flow is prepared annually and updated monthly based on actual cash inflow and outflow.
	PI-16 (ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	A	A	=	As before, plan commitment ceiling at least six months in advance.
	PI-16 (iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	A	A	=	Significant in year adjustments to budget allocations take place max twice and are done in a transparently and in predictable way. Adjustment below 10% for 2017.
M2	PI-17	Recording and management of cash balances, debt and guarantees	B	A	+	

Method	ID	Indicator	2012	2018	Change	Justification
	PI-17 (i)	Quality of debt data recording and reporting.	B	A	+	The Ministry of Finance has been using since 2016 a new debt management system - DMFAS 6.0. The new system can produce the reports. World Bank senior economist confirms that they received proper training, have the system in place and in 2017 have already full grasp on it.
	PI-17 (ii)	Extent of consolidation of the government's cash balances.	B	A	+	All cash balances are consolidated daily except for the cash in FX in commercial banks which is consolidated monthly, but it constitutes less than 10%.
	PI-17 (iii)	Systems for contracting loans and issuance of guarantees.	C	A	+	Central government's contracting of loans and issuance of guarantees are now made within limits for total debt and total guarantees based on new Budget Code and other relevant regulations, and always approved by a single responsible government entity (Ministry of Finance; now Debt Management Office under the Ministry of Finance.). New DMO head confirmed that for FY 2017, the debt ceiling on annual basis was defined by Parliament when the government budget was discussed.
M1	PI-18	Effectiveness of payroll controls	C+	B+	+	
	PI-18 (i)	Degree of integration and reconciliation between personnel records and payroll data.	B	A	+	Payroll and personnel data are fully integrated now.
	PI-18 (ii)	Timeliness of changes to personnel records and the payroll.	A	A	=	Changes to payroll and personnel records are updated monthly in time for salary payment.
	PI-18 (iii)	Internal controls of changes to personnel records and the payroll.	C	A	+	Making changes to personnel records and payroll is restricted and results in an audit trail.
	PI-18 (iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers.	B	B	=	Payroll audit is performed once in two years.
M2	PI-19	Competition, value for money and controls in procurement	D	C+	+	
	PI-19 (i)	Transparency, comprehensiveness and competition in the legal and regulatory framework.	C	C	=	Meets three of the six requirements.

Method	ID	Indicator	2012	2018	Change	Justification
	PI-19 (ii)	Use of competitive procurement methods.	D	D	=	Data on competitive bidding shows that nearly 60% of the procurement contracts were awarded directly without competitive procedure in 2017.
	PI-19 (iii)	Public access to complete, reliable, and timely procurement information.	D	B	+	At least three of the criteria are met. Procurement plans, bidding opportunities and contract awards are published. Tender opportunities and contracts awards are published but data for % of procurement operations (by value) for which this is true is not collected as required by the 2016 PEFA Framework.
	PI-19 (iv)	Existence of an independent administrative procurement complaints system.	D	A	+	The procurement complaints system meets all seven criteria.
M1	PI-20	Effectiveness of internal controls for non-salary expenditure	B+	A	+	
	PI-20 (i)	Effectiveness of expenditure commitment controls.	A	A	=	Controls limit commitments to approved budget allocations.
	PI-20 (ii)	Comprehensiveness, relevance and understanding of other internal control rules/ procedures.	B	A	+	The controls on non-salary payment are reported for nearly 100% of transactions.
	PI-20 (iii)	Degree of compliance with rules for processing and recording transactions.	A	A	=	Compliance with rules is very high.
M1	PI-21	Effectiveness of internal audit	D+	D	-	
	PI-21 (i)	Coverage and quality of the internal audit function.	D	D	=	There is still no functioning internal audit, no checks on internal control system. The current internal audit is rather little focused on systems monitoring.
	PI-21 (ii)	Frequency and distribution of reports.	C	D	-	Reports on financial controls exist and are submitted to the audited entity only.
	PI-21 (iii)	Extent of management response to internal audit findings.	A	D	-	There is no data on management response.
M2	PI-22	Timeliness and regularity of accounts reconciliation	A	C+	-	
	PI-22 (i)	Regularity of bank reconciliations.	A	D	-	Bank reconciliations for all central government bank accounts in the TSA at the NBU take place daily. The State Tax Authority bank

Method	ID	Indicator	2012	2018	Change	Justification
						accounts held in commercial banks are reconciled monthly within a week of the end of the period. However, the remaining bank accounts, which count for more than 10% of the budget, are reconciled manually but the results of the reconciliations are not reported to MoF to take action with the responsible entity to reconcile any differences.
	PI-22 (ii)	Regularity of reconciliation and clearance of suspense accounts and advances.	A	A	=	Suspense accounts must be cleared within 3 days and are reconciled within one month from the end of the quarter. All suspense accounts must be cleared by the end of the year.
M1	PI-23	Availability of information on resources received by service delivery units	A	A	=	
	PI-23 (i)	Collection and processing of information to demonstrate the resources that were actually received (in cash and kind by the most common front-line service delivery units (focus on primary schools and primary health clinics	A	A	=	Tracking of information on all types of resources received is done through UzASBO. Each service delivery unit provides information to the parent ministry, which is consolidated on an annual basis.
M1	PI-24	Quality and timeliness of in-year budget reports	B+	B+	=	
	PI-24 (i)	Scope of reports in terms of coverage and compatibility with budget estimates.	A	A	=	Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.
	PI-24 (ii)	Timeliness of the issue of reports.	B	B	=	Reports are prepared quarterly 35 days after the end of period and disseminated by the 40th day of the month following the reporting period.
	PI-24 (iii)	Quality of information.	A	A	=	There are no major concerns regarding data accuracy. Analysis is made quarterly.
M1	PI-25	Quality and timeliness of annual financial statements	D+	D+	=	

Method	ID	Indicator	2012	2018	Change	Justification
	PI-25 (i)	Completeness of the financial statements.	D	D	=	Annual financial statements are presented, however information presented is not a consolidated set of financial statements, but a budget execution report. Financial information is not presented according to international standards. Extra budgetary funds from government entities are transferred to the TSA but are not reported, which create inconsistency. Cash balances are not reported but Chamber of Accounts has access to the system.
	PI-25 (ii)	Timeliness of submission of the financial statements.	A	A	=	AFS are submitted for external audit within 6 months of the end of the fiscal year. 2017 FY annual financial statement was sent on March 31, 2018 to the cabinet of minister, according to article 165 in the budget code. N° AX/03032/91. It was received by the Chamber of Accounts on May 18, 2018. 2015 AFS was received by the Chamber of Accounts on May 6, 2016 and 2016 AFS received on May 10, 2017.
	PI-25 (iii)	Accounting standards used.	D	D	=	The statements presently do not contain the disclosures of accounting policies and other information (for example on contingent liabilities and full disclosures of financial assets and liabilities) that are typically required by internationally recognized accounting standards.
M1	PI-26	Scope, nature and follow-up of external audit	D+	C+	+	
	PI-26 (i)	Scope/nature of audit performed.	D	C	+	Central government entities representing nearly all of total expenditures and revenues are audited annually. The audit applies national standards and predominantly comprise compliance and transaction level testing, material systemic issues are not covered.
	PI-26 (ii)	Timeliness of submission of audit reports to legislature.	A	A	=	The dates of submission of the Chamber of Accounts reports to the Legislature are consistently less than 3 months from receipt of the report on budget execution.

Method	ID	Indicator	2012	2018	Change	Justification
	PI-26 (iii)	Evidence of follow up on audit recommendations.	A	B	-	Road Map with recommendations by SAI are issued, all audited org implement and report in timely manner. There is formal response which is comprehensive. Follow up audit to monitor implementation of audit recommendations is carried out in December following the completed and audited financial year. Provisional score based on meeting reporting - Road Map with recommendations by SAI, all audited org implement and report in timely manner. Formal comprehensive and timely report is made.
M1	PI-27	Legislative scrutiny of the annual budget law	B+	B+	=	
	PI-27 (i)	Scope of the legislature's scrutiny.	B	B	=	The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of estimates and revenue; however, budget does not provide for a medium-term fiscal framework.
	PI-27 (ii)	Extent to which the legislature's procedures are well-established and respected.	A	A	=	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialised review committees and negotiation procedures.
	PI-27 (iii)	Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).	A	A	=	The legislature has received the budget at least two months before the end of the year to review the budget proposals for the last 3 years.
	PI-27 (iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature.	A	B	-	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected. However extensive reallocation may be permitted at the administrative classification level. It seems that this factor was not taken into account in the previous assessment.
M1	PI-28	Legislative scrutiny of external audit reports	C+	D+	-	

Method	ID	Indicator	2012	2018	Change	Justification
	PI-28 (i)	Timeliness of examination of audit reports by the legislature (for reports received within the last three years).	A	A	=	Scrutiny is complete within 3 months of receipt of audit reports.
	PI-28 (ii)	Extent of hearings on key findings undertaken by the legislature.	C	C	=	In-depth hearings on key findings take place with 85% of the audited entities where relevant issues have been identified in the instructions of the audit report (there is no audit opinion concept). The hearings follow a consistent pattern - every year representatives are invited from the audited entities and the Chamber of Accounts. A list of attendees has been provided as evidence. The parliamentary proceedings and the approval of the reports are covered by the mass media, but the audit reports are not available on SAI website, there is only upload of 2017 Audit Report on MoF website. In-depth hearings on key findings usually cover MoF officials.
	PI-28 (iii)	Issuance of recommended actions by the legislature and implementation by the executive.	B	D	-	Recommendations on audit are made by the legislature but there is no record of the decisions on actions to be implemented by the executive in relation to the conclusions of the Chamber of Accounts on the annual execution of the State Budget. There is no monitoring on implemented recommendations made by the legislature. Actions are recommended, some of which are implemented according to existing evidence. It is not sure that such proofs were obtained for the previous assessment.
M1	D-1	Predictability of Direct Budget Support	NR	NR	=	
	D-1 (i)	Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body).	NR	NR	=	<p>No sufficient data provided.</p> <p>Since the EU Delegation is presently working on future first budget support operation for UZ there is no previous experience to be recorded.</p> <p>The IMF does not provide budget support or project assistance.</p> <p>The AFD has begun to finance his first project in Uzbekistan - the Solid Waste Management Project in Samarkand since July 2018. In frame of this project 100 000 EUR have been disbursed. Half of this amount is not used yet.</p>

Method	ID	Indicator	2012	2018	Change	Justification
	D-1 (ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates.	NR	NR	=	No sufficient data provided.
M1	D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+	NR		
	D-2 (i)	Completeness and timeliness of budget estimates by donors for project support.	D	NR		No sufficient data provided. The EU development donor aid total amount assigned for UZ in 2014-2020 is EUR 168 million.
	D-2 (ii)	Frequency and coverage of reporting by donors on actual donor flows for project support.	C	NR		Disbursement breakdown has not been provided.
M1	D-3	Proportion of aid that is managed by use of national procedures	D	NR		
	D-3 (i)	Overall proportion of aid funds to central government that are managed through national procedures.	D	NR		No data provided.

Annex 5: Calculation Sheet for PI-1, PI-2 and PI-3

Calculation Sheet for PFM Performance Indicators PI-1, PI-2.1 and PI-2.3

Figures in all tables of this Annex stated in UZS billion

Data for year 2015

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
General public services	3 251	2 514	3 114	-599.5	599.5	19.3%
Defence	74	91	71	19.7	19.7	27.9%
Public order and safety	475	508	455	52.8	52.8	11.6%
Economic affairs	5 123	4 631	4 907	-276.1	276.1	5.6%
Environmental protection	22	27	21	6.2	6.2	29.2%
Housing and community amenities	623	669	597	72.1	72.1	12.1%
Health	4 933	4 787	4 725	61.9	61.9	1.3%
Recreation, culture, and religion	462	514	442	72.1	72.1	16.3%
Education	12 758	12 249	12 220	29.3	29.3	0.2%
Social protection	3 509	3 352	3 361	-8.9	8.9	0.3%
Other expenditure	6 518	6 814	6 243	570.4	570.4	9.1%
Allocated expenditure	37 748	36 155	36 155	0.0	1 769.0	
Contingency	110	102				
Total Expenditure	37 858	36 257				
Overall (PI-1) variance						4.2%
Composition (PI-2) variance						4.9%
Contingency share of budget						0.3%

Data for year 2016

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
General public services	3 969	2 958	3 802	-843.9	843.9	22.2%
Defence	53	220	51	168.7	168.7	330.7%
Public order and safety	454	552	435	117.5	117.5	27.0%
Economic affairs	5 347	5 077	5 122	-45.0	45.0	0.9%
Environmental protection	24	29	23	6.3	6.3	27.7%
Housing and community amenities	682	718	653	64.9	64.9	9.9%
Health	5 498	5 305	5 267	39.0	39.0	0.7%
Recreation, culture, and religion	579	604	554	50.0	50.0	9.0%
Education	14 524	13 935	13 913	22.0	22.0	0.2%
Social protection	4 050	3 745	3 880	-134.7	134.7	3.5%
Other expenditure	7 421	7 666	7 111	555.2	555.2	7.8%
Allocated expenditure	42 601	40 809	40 809	0.0	2 047.2	
Contingency	120	102				
Total Expenditure	42 721	40 911				
Overall (PI-1) variance						4.2%
Composition (PI-2) variance						5.0%
Contingency share of budget						0.3%

Data for year 2017

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
General public services	4 571	4 818	4 807	10.5	10.5	0.2%
Defence	64	234	68	166.1	166.1	245.7%
Public order and safety	539	1 069	567	501.3	501.3	88.4%
Economic affairs	5 573	6 155	5 861	294.1	294.1	5.0%
Environmental protection	26	103	28	75.6	75.6	271.5%
Housing and community amenities	808	895	850	44.8	44.8	5.3%
Health	6 216	6 302	6 538	-235.6	235.6	3.6%
Recreation, culture, and religion	683	1 045	719	326.2	326.2	45.4%
Education	16 240	15 971	17 080	-1 109.0	1 109.0	6.5%
Social protection	3 290	3 132	3 460	-328.3	328.3	9.5%
Other expenditure	8 610	9 308	9 055	253.4	253.4	2.8%
Allocated expenditure	46 620	49 032	49 032	0.0	3 345.8	
Contingency	323	312				
Total Expenditure	46 943	49 344				
Overall (PI-1) variance						5.1%
Composition (PI-2) variance						6.8%
Contingency share of budget						0.7%

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Data for year 2015

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Compensation of employees	19,622	19,589	18,738	851	851	4.5%
Use of goods and services	3,608	3,668	3,445	223	223	6.5%
Consumption of fixed capital	1,800	1,839	1,719	120	120	7.0%
Interest	129	46	123	(77)	77	62.6%
Subsidies	258	291	246	45	45	18.3%
Grants	41	43	39	4	4	10.3%
Social benefits	243	234	232	2	2	0.9%
Other expenses	12,157	10,547	11,715	(1,168)	1,168	10.0%
Total expenditure	37,858	36,257	36,257	-	2,490	
Overall variance						-4.2%
Composition variance						6.9%

Data for year 2016

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Compensation of employees	21,727	21,852	20,807	1,045	1,045	5.0%
Use of goods and services	4,092	4,128	3,919	209	209	5.3%
Consumption of fixed capital	2,100	2,089	2,011	78	78	3.9%
Interest	94	59	90	(31)	31	34.4%
Subsidies	281	312	269	43	43	16.0%
Grants	41	48	40	8	8	20.0%
Social benefits	254	216	243	(27)	27	11.1%
Other expenses	14,132	12,207	13,537	(1,330)	1,330	9.8%
Total expenditure	42,721	40,911	40,911	-	2,771	
Overall variance						-4.2%
Composition variance						6.8%

Data for year 2017

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Compensation of employees	24,474	24,710	25,726	-1,016	1,016	3.9%
Use of goods and services	4,873	5,564	5,123	441	441	8.6%
Consumption of fixed capital	2,450	3,234	2,575	659	659	25.6%
Interest	94	134	100	34	34	34.0%
Subsidies	303	330	319	11	11	3.4%
Grants	59	125	63	62	62	98.4%
Social benefits	246	239	259	-20	20	7.7%
Other expenses	14,444	15,008	15,178	-170	170	1.1%
Total expenditure	46,943	49,344	49,344	0	2,413	
Overall variance						5.1%
Composition variance						4.9%

Calculation Sheet for Revenue composition outturn

Data for year 2015

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
1. Direct Taxes	8,555	8,798	8,627	171	431	5.0%
Tax on profit legal individuals	1,285	1,180	1,296	(116)	116	9.0%
Deductions to the State budget from single tax payment for of enterprises trade and public power supply	1,193	1,208	1,203	5	5	0.4%
Deductions to the State budget from single tax payment, including micro firms and small enterprises	1,067	1,192	1,076	116	116	10.8%
Tax on income physical individuals	3,649	3,801	3,680	121	121	3.3%
Fixed tax by separate types of entrepreneurial activities	617	681	622	59	59	9.5%
Tax on improvement and development social infrastructure	744	736	750	(14)	14	1.9%
2. Indirect Taxes	19,117	19,194	19,279	(85)	245	1.3%
Value Added Tax	10,722	10,851	10,813	38	38	0.4%
Excise Tax	5,529	5,618	5,576	42	42	0.8%
Customs Duty	1,584	1,482	1,597	(115)	115	7.2%
Tax on consumption gasoline, diesel fuel and gas for transport funds	1,282	1,243	1,293	(50)	50	3.9%
3. Resource Payments and Tax on Property	5,743	4,816	5,791	(975)	975	16.8%
Tax on Property	1,717	1,393	1,731	(338)	338	19.5%
Land Tax	930	750	938	(188)	188	20.0%
Tax behind use subsoil	2,932	2,515	2,957	(442)	442	14.9%
Tax behind use by water resources	164	158	165	(7)	7	4.2%
4. Tax on Profit	548	653	553	100	100	18.1%
5. Other Income	2,222	3,032	2,243	789	789	35.2%
Total Revenue	36,185	36,493	36,493	-	2,540	
Overall Variance						100.9%
Composition Variance						7.0%

Data for year 2016

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
1. Direct Taxes	9,339	9,852	9,462	390	526	5.56%
Tax on profit legal individuals	1,266	1,215	1,283	(68)	68	5.30%
Deductions to the State budget from single tax payment for of enterprises trade and public power supply	1,383	1,515	1,402	113	113	8.06%
Deductions to the State budget from single tax payment, including micro firms and small enterprises	1,238	1,441	1,254	187	187	14.91%
Tax on income physical individuals	4,040	4,137	4,094	43	43	1.05%
Fixed tax by separate types of entrepreneurial activities	743	822	752	70	70	9.31%
Tax on improvement and development social infrastructure	669	722	677	45	45	6.65%
2. Indirect Taxes	22,298	21,131	22,594	(1,463)	1,463	6.48%
Value Added Tax	12,505	11,892	12,671	(779)	779	6.15%
Excise Tax	6,480	6,258	6,566	(308)	308	4.69%
Customs Duty	1,717	1,450	1,740	(290)	290	16.67%
Tax on consumption gasoline, diesel fuel and gas for transport funds	1,596	1,531	1,617	(86)	86	5.32%
3. Resource Payments and Tax on Property	5,807	5,307	5,884	(577)	741	12.59%
Tax on Property	1,874	1,659	1,899	(240)	240	12.64%
Land Tax	874	967	885	82	82	9.27%
Tax behind use subsoil	2,875	2,518	2,913	(395)	395	13.56%
Tax behind use by water resources	184	163	187	(24)	24	12.83%
4. Tax on Profit	390	1,402	395	1,007	1,007	254.94%
5. Other Income	2,672	3,351	2,708	643	643	23.74%
Total Revenue	40,506	41,043	41,043	-	4,380	
Overall Variance						101.3%
Composition Variance						10.7%

Data for year 2017

Economic Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
1. Direct Taxes	10,674	11,539	11,925	(386)	682	5.7%
Tax on profit legal individuals	1,291	1,476	1,442	34	34	2.4%
Deductions to the State budget from single tax payment for of enterprises trade and public power supply	1,613	1,707	1,802	(95)	95	5.3%
Deductions to the State budget from single tax payment, including micro firms and small enterprises	1,623	1,752	1,813	(61)	61	3.4%
Tax on income physical individuals	4,476	4,876	5,001	(125)	125	2.5%
Fixed tax by separate types of entrepreneurial activities	832	1,043	929	114	114	12.3%
Tax on improvement and development social infrastructure	839	685	938	(253)	253	27.0%
2. Indirect Taxes	24,285	26,133	27,131	(998)	1,072	4.0%
Value Added Tax	13,422	14,686	14,995	(309)	309	2.1%
Excise Tax	6,871	7,449	7,676	(227)	227	3.0%
Customs Duty	1,632	1,707	1,823	(116)	116	6.4%
Tax on consumption gasoline, diesel fuel and gas for transport funds	1,940	1,785	2,168	(383)	383	17.7%
Other	420	506	469	37	37	7.9%
3. Resource Payments and Tax on Property	6,050	6,868	6,759	109	703	10.4%
Tax on Property	1,989	2,130	2,222	(92)	92	4.1%
Land Tax	1,103	1,092	1,232	(140)	140	11.4%
Tax behind use subsoil	2,746	3,474	3,068	406	406	13.2%
Tax behind use by water resources	212	172	237	(65)	65	27.4%
4. Tax on Profit	723	1,415	808	607	607	75.1%
5. Other Income	2,738	3,726	3,058	668	668	21.8%
Total Revenue	44,470	49,681	49,681	-	3,732	
Overall Variance						111.7%
Composition Variance						7.5%

