



**USAID** | **TAJIKISTAN**  
FROM THE AMERICAN PEOPLE

APRIL– JUNE 2009

# Quarterly Report



## ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS

CONTRACT NUMBER EEM-I-00-07-00005

*This report was produced for the United States Agency for International Development (USAID). It was prepared by the Economic Reforms to Enhance Competitiveness project, implemented by Deloitte Consulting LLC. Views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.*

## Table of Contents

Significant issues affecting implementation: .....	2
A. <i>Budget Development &amp; Execution</i> .....	2
B. <i>Revenue Estimation</i> .....	3
C. <i>IGF</i> .....	3
D. <i>Tax Administration</i> .....	3
E. <i>Internal Audit – Tax Committee</i> .....	4
F. <i>Assistance to the National Bank of Tajikistan (NBT)</i> .....	5
G. <i>Assistance to commercial banks</i> .....	5

### **Significant issues affecting implementation:**

- The new Law on Banks and Banking Activities was passed by the Parliament on April 29, 2009. The Law was prepared by the NBT staff in a close cooperation with the World Bank and EREC. Its passing will result in a considerable improvement of the legal framework governing banking activities. As a result of passing of the new law, the Banking Supervision and Licensing Department plans to review and change all instructions to reflect the requirements of the new law.
- As a result of further devaluation of somoni, the NBT is considering a tightening of the requirements for specific provisions for loans denominated in foreign currency. The increase of the provision requirements is meant to accelerate the capital recognition of the deterioration of quality of foreign currency loans as businesses which earn in somoni are facing economic difficulties.
- As the implementation of functional organizational structure reduces the scope for collusion and corruption, there is a lack of motivation to implement functional re-organization properly among the staff, who are paid very low salary.
- The administrative segment of the budget classification for the republican budget has been finally approved. The approval will enable the 2010 Budget be prepared based on the administrative classification as agreed between IMF and MoF. At the same time, the funding segment of the budget classification has not been approved yet.
- MoF has approved the budget preparation and reporting formats incorporated in TBS. The revised budget preparation timetable has also been approved. The Budget Circular has been finalized and forwarded to line ministries.

### Significant meetings with counterparts & donors:

- Mr. Arne Petersen, ADB consultant
- Mr. Brett Coleman, World Bank consultant.
- Mr. A. Soliev, First Deputy Chairman of the TC.
- Mr. Jaborrov, Deputy Chairman of TC.
- Mr. Abibulaev, Head of the Budget Department on administrative classification.
- Mr. John Zohrab, IMF mission.
- Mr. Ubaidullo Mirvaidulloev

#### *A. Budget Development & Execution*

##### 1. Highlights & accomplished tasks/activities against the work plan

- Consultant conducted five training sessions on “Budget Classification: concepts and practical application” for the finance and budget staff from MoF and line ministries. The total of 121 staff attended the course.
- Consultant continued working on the revisions to the first draft budget instructions.

- Budget advisor has prepared a draft Minister's Order for the approval of the funding classification.
- The modified TBS has been installed on budget analysts' computers. It has been tested by the staff of the Budget Department of MoF. Also it was installed for testing in three line ministries. The Budget Consolidation Unit has requested further enhancements to the reporting capabilities of the TBS. ToRs for the IT specialist for have been drafted.
- The Budget Circular has been finalized and forwarded to line ministries.
- Consultant has finalized a draft Minister's Order and a cover note describing principles of the administrative classification for MoF. The Order and the note have been approved and signed by the Minister. Later it was amended to incorporate the funding segment of the budget classification.
- The Russian version of the TBS User Manual has been finalized and ready for printing. The first draft of the English version has also been prepared

## 2. Future activities & events

- The TBS will be further modified following the outcome of the testing exercises.
- The modified forms for budget presentation and reporting are pending MoF endorsement.
- Assist MoF in finalizing the draft budget instructions.
- Print the Russian version of the TBS User Manual.
- The English version of the TBS User Manual will be finalized following the completion of the IT specialist assignment.

### *B. Revenue Estimation*

- No activity to report

### *C. IGF*

- No activity to report

### *D. Tax Administration*

## 1. Highlights & accomplished tasks/activities against the work plan

- After series of discussion with the TC authorities, slightly modified the staffing structure, job descriptions of various positions and responsibilities of different sections of Hissor Tax Inspectorate.
- Prepared monitoring/reporting forms regarding audit and tax arrears collection.
- Worked on Hissor Tax Inspectorate Handbook, which contains organizational structure, job descriptions, working procedures, forms etc.

- Finalized five brochures.
- Collected sample registration application forms adopted by different countries including Australia, Nepal, Singapore and UK for Mr. A. Soliev, first deputy chairman of the TC.
- On the request of Mr. A. Soliev, prepared a brochure on One-Stop-Shop.
- Mr. Sumodov of MOF, Dr. Khwaja of World Bank DC, Mr. Hassan of WB Dushanbe and Mrs. Barbara Kaminski visited Hissor Tax Inspectorate.
- Monitored functional reorganization implementation process at Varzob Pilot Tax Inspectorate.
- Monitored functional reorganization implementation process at Hissor Pilot Tax Inspectorate.
- Joined tax arrears collection visits as a part of the on the job training of collection inspectors of Hissor Pilot Tax Inspectorate.
- Assisted Hissor and Varzob Pilot Tax Inspectorates in entering data into computers from taxpayers' returns and payment vouchers.
- Assisted Hissor Pilot Tax Inspectorate in developing a filing system.
- Organized different training courses for the staff of Hissor Pilot Tax Inspectorate.
- Printed 4,000 copies of four types of brochures (1. Value Added Tax, 2. Taxpayers Rights and Responsibilities, 3. Welcome to Hissor Tax Inspectorate, 4. Welcome to Varzob Tax Inspectorate) and provided to Hissor and Varzob Pilot Tax Inspectorates for the distribution to the taxpayers.

## 2. Future activities & events

- Continue working on Hissor Tax Inspectorate Handbook.
- Publish five brochures.
- On the request of Mr. A. Soliev, first deputy chairman of the TC, review reporting forms developed in relation to the implementation of computer system (registration, revenue accounting and VAT modules).
- Continue monitoring functional reorganization implementation process at Varzob Pilot Tax Inspectorate.
- Continue monitoring functional reorganization implementation process at Hissor Pilot Tax Inspectorate.
- Continue supporting Hissor Pilot Tax Inspectorate in developing a filing system.
- Continue working on Hissor Tax Inspectorate Handbook, which includes, among other subjects, business process.
- Participate in tax arrears collection visits.

### *E. Internal Audit – Tax Committee*

- No activity to report

#### *F. Assistance to the National Bank of Tajikistan (NBT)*

##### 1. Highlights & accomplished tasks/activities against the work plan

- The project advisor assisted the off-site unit in the preparation of 1<sup>st</sup> quarter analysis of financial condition of individual banks and the whole banking system. Project advisor worked with the newly appointed head of the BSLD to train him in the risk based CAEL off-site analytical approach.
- Project advisor continued to prepare financial indicators for the management of the NBT incorporating them into financial crisis monitoring process.
- Project advisor together with the BSLD staff visited several banks to discuss their liquidity positions and measures that are taken in order to secure uninterrupted access to financial resources by businesses and individuals. An issue of decreasing remittances and their impact on banks profitability and access to sources of funds was also discussed.
- Project advisor assisted the BSLD during an inspection of a major bank. Pre examination sessions for inspectors were conducted and the findings of off-site analysts were incorporated into the preparation of examination strategy. Advisor supported the team in finalizing capital and earnings sections of the examination report and participated in several discussions on credit quality evaluation, inspection findings and the final examination report. Project advisor assisted the examination team in the verification of loan collection procedures, policies and practice.
- Project advisor continued to implement the FinA off-site surveillance system in the deposit taking microfinance organizations. Project advisor and the micro finance unit staff continued to visit these organizations that already introduced the new system assisting them in eliminating reporting and accounting errors.
- Project advisor continues to train micro finance unit staff in the requirements of the new off-site surveillance system.
- Project advisor assisted the off-site unit in the preparation of special reports for donor–government meeting regarding cotton debt resolution and prospective donor assistance to the financial sector.

##### 2. Future activities & events

- No activities are planned for June 7-September 20, 2009 as there will be no advisor in country.

#### *G. Assistance to commercial banks*

- No activity to report