

- The coverage and presentation of fiscal information available to the public should be improved. The public should be provided with full information on the past, current, and projected fiscal activities. Much of it could be done in the short-term since a sizable amount of information is already available at the MoF, but not published.
- Fiscal data should better meet accepted data quality standards and independent scrutiny of fiscal data needs to be improved.

B. November 2004 ROSC Update

- The authorities have regularized financial relations between the NBKR and the MoF based on a decree that took effect in June 2002. A scheme to restructure NBKR-held government bonds was developed, under which both government deposits at NBKR and NBKR claims on government carry positive interest rates.
- A new regulation expected to take effect in late 2004 would require that license fees, fines, penalties and other obligatory payments received by ministries and government agencies (“special means”) are transferred to the budget and be processed directly through the treasury system and credited to the single treasury account. Since 2002, the central treasury holds a separate account at NBKR (and transit accounts at agent banks for the regional offices of the treasury) for “special means” that are not yet credited to the Treasury Single Account to manage operations under “special means.”
- Four large extrabudgetary funds are gradually integrated into the treasury system, following the government action plan approved in June 2004.
- Pending the full automation of the treasury system, the cash forecasting function of the treasury has been improved. A cash forecasting unit was created within the central treasury in 2003.
- Significant improvements were made by the government in the publication of fiscal information. A monthly budget implementation report is available on the MoF website. The NSC subsequently publishes this information in its monthly statistical bulletin. The quarterly bulletin published monthly by the MoF since 2003 discusses issues related to budget preparation and execution and includes information on government debt.
- The budget planning process has improved significantly with the annual publication, beginning in 2003, of rolling three-year MTBFs.
- Little progress has been made to improve the reporting of the government QFAs. Publication of the electricity sector quasi-fiscal deficit in the MoF quarterly bulletin is a welcome exception.

IV. SUMMARY TABLES

Table 1. A Summary Assessment of Practices

	Principles and Practices	Summary Assessments	Comments
1.1.	The government sector should be distinguished from the rest of the public sector and from the rest of the economy;	<i>Largely not observed</i>	
1.1.1	The structure and functions of government should be clear.	General government is largely defined in line with government finance statistics (GFS) principles, and is mostly covered in the budget process.	However, the use of special means to promote the introduction of user charges and fees could complicate the definition of boundaries of the general government sector and its consistent coverage in the budget process.
1.1.2	The fiscal powers of the executive, legislative, and judicial branches of government should be well defined.	The fiscal roles of the executive, legislative, and judicial branches are defined in the constitution and relevant laws.	
1.1.3	The responsibilities of different levels of government, and the relationships between them, should be clearly specified.	The responsibilities of different levels of government are not clearly defined and varies from year to year.	Although the legal frameworks exist, they do not provide adequate guidance, are not always implemented, and are sometimes superseded by other laws.
1.1.4	Relationships between the government and public corporations should be based on clear arrangements.	The relationship between government and public nonfinancial and financial corporations are not always clear.	The extent of some quasi-fiscal activities are not made transparent. None are included in budget documentation.
1.1.5	Government relationships with the private sector should be conducted in an open manner, following clear rules and procedures.	Laws and processes governing government regulation of the nonfinancial private sector are not always clear and open.	Laws and regulations are often fraught with contradictions, giving regulators and government inspectors some discretion.
1.2.	There should be a clear and open legal, regulatory, and administrative framework for fiscal management.	<i>Largely observed</i>	
1.2.1	The collection, commitment, and use of public funds should be governed by comprehensive budget, tax,	The legal framework for management of public funds is	

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	and other public finance laws, regulations, and administrative procedures.	mostly clear, but risks fragmentation due to a likely division of fiscal management function between two ministries.	
1.2.2	Laws and regulations related to the collection of tax and non-tax revenues, and the criteria guiding administrative discretion in their application, should be accessible, clear, and understandable. Appeals of tax or non-tax obligations should be considered in a timely manner.	The legislative basis for taxation is clear and is comprehensive but the scope for interpretation and discretion by tax officials is significant.	The tax and customs code provide the legal basis for taxation and exemptions.
1.2.3	There should be sufficient time for consultation about proposed laws and regulatory changes and, where feasible, broader policy changes.	Consultations about proposed laws and regulatory changes are not always held.	
1.2.4	Contractual arrangements between the government and public or private entities, including resource companies and operators of government concessions, should be clear and publicly accessible.	The government has a large degree of discretion in licensing, and the tendering process is not as transparent as it should be.	
1.2.5	Government liability and asset management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.	The power to grant rights to explore, produce, and sell these resources is established in laws, regulations, and procedures that cover all stages of resource development.	
2.1.	Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives.	<i>Largely not observed</i>	
2.1.1	A budget calendar should be specified and adhered to. Adequate time should be allowed for the draft budget to be considered by the legislature.	The key stages of the annual budget process are legally specified and the rest of the budget calendar is regulated by an order of the MoF each year.	
2.1.2 (a)	The annual budget should be realistic, and should be prepared and presented within a comprehensive	There is an MTBF which is updated every year, but its	The credibility of the budget is still low, as the variance between budgeted and actual outturns have been considerable

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	medium-term macroeconomic and fiscal policy framework.	projections are yet to be based on fully costed expenditure policy proposals	and partially disclosed to the public.
2.1.2 (b)	Fiscal targets and any fiscal rules should be clearly stated and explained.	No fiscal rule is used in the budget process. A statement on medium-term fiscal policy objectives is not included in the budget document, and fiscal sustainability issues are not presented.	
2.1.3	A description of major expenditure and revenue measures, and their contribution to policy objectives, should be provided. Estimates should also be provided of their current and future budgetary impact and their broader economic implications.	Estimates of the cost of new initiatives and of ongoing government policies are not clearly distinguished in the budget documents.	
2.1.4	The budget documentation should include an assessment of fiscal sustainability. The main assumptions about economic developments and policies should be realistic and clearly specified, and sensitivity analysis should be presented.	The budget documents do not include an analysis of the sensitivity of budget estimates to changes in economic variables and contain no information or discussion of fiscal risks.	
2.1.5	There should be clear mechanisms for the coordination and management of budgetary and extrabudgetary activities within the overall fiscal policy framework.	Foreign-financed development expenditure is not well integrated with budgetary operations, which complicates monitoring and fiscal management.	
2.2	There should be clear procedures for budget execution, monitoring, and reporting	<i>Largely not observed</i>	
2.2.1	The accounting system should provide a reliable basis for tracking revenues, commitments, payments, arrears, liabilities, and assets.	There is a lack of proper commitment controls, and expenditure payment arrears, which sometimes emerge, are not systematically reported.	
2.2.2	A timely midyear report on budget developments should be presented to the legislature. More frequent updates, which should be at least quarterly, should be published.	The legislature does not undertake a formal mid-year budget review, but it does receive monthly budget execution reports.	

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2.2.3	Supplementary revenue and expenditure proposals during the fiscal year should be presented to the legislature in a manner consistent with the original budget presentation.	Supplementary budgets are presented to the legislature, but the process by which budget funds are reallocated/increased during budget execution is not clear in the absence of virement rules.	
2.2.4	Audited final accounts and audit reports, including reconciliation with the approved budget, should be presented to the legislature and published within a year.	The consolidated annual budget execution report is submitted to parliament within six months after the end of the fiscal year, but is not subject to external audit beforehand. It is not reconciled with the original budget.	The audit report of the COA is submitted to the legislature, but is not made available to the general public.
3.1	The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks.	<i>Largely not observed</i>	
3.1.1	The budget documentation, including the final accounts, and other published fiscal reports should cover all budgetary and extrabudgetary activities of the central government.	Fiscal reporting appears to cover most if not all general government.	General government fiscal reports are produced by consolidating the reports from the treasury, the social fund, and the PIP division of the MoF.
3.1.2	Information comparable to that in the annual budget should be provided for the outturns of at least the two preceding fiscal years, together with forecasts and sensitivity analysis for the main budget aggregates for at least two years following the budget.	The budget document discloses the main revenue and expenditure aggregates for two years prior to the budget year and forecasts for the next two years.	However, no sensitivity analysis for the main budget aggregates is provided.
3.1.3	Statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities should be part of the budget documentation, together with an assessment of all other major fiscal risks.	No statement on contingent liabilities is included in the budget documents. Statements of tax expenditures are not included in the budget documents. QFAs are extensive and their estimated cost is not included in the budget	

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		documents.	
3.1.4	Receipts from all major revenue sources, including resource-related activities and foreign assistance, should be separately identified in the annual budget presentation.	Most resource revenue-related transactions are reported but only some are clearly identified and described in the budget process and final accounts documents.	Externally-financed project expenditures are included in the budget documentation, but mostly remain outside the treasury control. The treasury's monthly revenue reports do not explicitly separate resource revenues from other revenues.
3.1.5	The central government should publish information on the level and composition of its debt and financial assets, significant nondebt liabilities (including pension rights, guarantee exposure, and other contractual obligations), and natural resource assets.	Information on gross public debt is published on the website of the MoF. Information on government financial assets is not published.	Estimates of resource asset worth are also not prepared/published.
3.1.6	The budget documentation should report the fiscal position of subnational governments and the finances of public corporations.	Apart from the general government balance, no information on the finances of public corporations is reported in the budget documentation. The fiscal position of local governments are reported.	Although the state property committee receives annual reports from state-owned joint-stock companies, it does not consolidate the information or submit a standard report to the government and/or parliament.
3.1.7	The government should publish a periodic report on long-term public finances.	No such report is published.	
3.2	Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.	<i>Largely not observed</i>	
3.2.1	A clear and simple summary guide to the budget should be widely distributed at the time of the annual budget.	The government prints brochures explaining the budget and its composition.	
3.2.2	Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional,	Fiscal data is reported on gross basis and expenditure is classified by administrative and economic	The introduction of a new GFSM 2001-based economic classification is a step further to make the budget presentation consistent with international standards.

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	and administrative category.	category. The functional classification is still to be finalized.	
3.2.3	The overall balance and gross debt of the general government, or their accrual equivalents, should be standard summary indicators of the government fiscal position. They should be supplemented, where appropriate, by other fiscal indicators, such as the primary balance, the public sector balance, and net debt.	The overall balance of general government is the main indicator of the fiscal position in the budget. However, its monitoring during the year could be improved. The non-resource balance is not used.	Exclusion of information about projection financed by donors creates difficulty in monitoring the deficit target.
3.2.4	Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.	The objectives and expected results from government activities are discussed in budget documents only in general terms.	The budget formulation process mostly focuses on inputs, and the budget documents say little about policy or program objectives. No performance measures or indicators is made available.
3.3	A commitment should be made to the timely publication of fiscal information.	<i>Largely observed</i>	
3.3.1	The timely publication of fiscal information should be a legal obligation of the government.	There is no legal framework that requires the publication of the republican and local budgets.	Nonetheless, monthly information is accessible on the MoF website, one to two weeks after approval by parliament.
3.3.2	Advance release calendars for fiscal information should be announced and adhered to.	Formal commitments for more regular publication of fiscal data have been made and advance release dates for fiscal information are announced.	The Kyrgyz Republic subscribed to the IMF's Special Data Dissemination Standard (SDDS) in February 2004 and complies with SDDS requirements to produce advance release calendars.
4.1	Fiscal data should meet accepted data quality standards.	<i>Largely not observed</i>	
4.1.1	Budget forecasts and updates should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments.	The macroforecasts and their underlying assumptions come too late in the budget process to feed into the MTBF and provide timely guidance to the ministries and budget units.	
4.1.2	The annual budget and final accounts should indicate the accounting basis used in the compilation and presentation of fiscal data. Generally accepted accounting standards should be followed.	Statements on accounting policy are not included in the budget or final accounts documents.	Accounting practices differ between the treasury and budget institutions and they do not meet international standards.

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4.1.3	4.1.3 Data in fiscal reports should be internally consistent and reconciled with relevant data from other sources. Major revisions to historical fiscal data and any changes to data classification should be explained.	The process of accounts reconciliation and fiscal reporting is largely effective with some limitations.	Bank balances are reconciled monthly on both aggregate and detailed level. However, the quality of the reconciliations between budgetary accounts and financial accounts is undermined by the different accounting systems of the treasury and budget institution and the largely manual system of recording and consolidation.
4.2	Fiscal activities should be subject to effective internal oversight and safeguards.	<i>Largely observed</i>	
4.2.1	Ethical standards of behavior for public servants should be clear and well publicized.	Some initiatives have been taken to regulate the conduct of public servants.	The Kyrgyz Republic participates in the Istanbul Anti-Corruption Action Plan. It has established a national agency for the prevention of corruption.
4.2.2	Public sector employment procedures and conditions should be documented and accessible to interested parties.	Despite recent initiatives, the existing civil service arrangements are still problematic.	The scope for discretion in recruitment and promotion continues due to complex and non-standardized rules.
4.2.3	Procurement regulations, meeting international standards, should be accessible and observed in practice.	Procurement rules conform to international best practice, but some problems with their implementation remain.	Problems include: few procuring entities have qualified procurement staff; others use a permanent tender commission; difficult access to bidding documents; short bid preparation time allowed to bidders; cancellation of contract awards without justification; and frequent amendments to contracts during contract performance.
4.2.4	Purchases and sales of public assets should be undertaken in an open manner, and major transactions should be separately identified.	The legal framework for privatization is clear; and privatization processes and payments of receipts to the budget are broadly clear.	The government formulates a privatization program, which it submits to parliament for approval. Privatization proceeds are reflected as financing in the budget.
4.2.5	Government activities and finances should be internally audited, and audit procedures should be open to review.	Although some progress has been made, the internal audit function is yet to be fully developed.	There is a lack of legal and regulatory framework governing internal audit, and the capacity continues to be very low for application of modern audit practices.
4.2.6	The national revenue administration should be legally protected from political direction, ensure taxpayers' rights, and report regularly to the public on its activities.	Tax administration is clearly defined and is mostly coordinated with overall fiscal management. The STC and SCC now are independent entities with ministerial status.	The STC has a unit providing taxpayer services, which maintains a website and periodically places information for taxpayers in the mass media.

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4.3	Fiscal information should be externally scrutinized.	<i>Largely not observed</i>	
4.3.1	Public finances and policies should be subject to scrutiny by a national audit body or an equivalent organization that is independent of the executive.	The external audit is fairly independent of the executive branch, and its mandate covers all public sector activities.	However, it does not provide any certification of final accounts. The technical capacity of the staff is limited.
4.3.2	The national audit body or equivalent organization should submit all reports, including its annual report, to the legislature and publish them. Mechanisms should be in place to monitor follow-up actions.	The legislature discusses external audit reports, but does not systematically follow up on audit findings.	
4.3.3	Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions.	External scrutiny of macroeconomic models and assumptions is not encouraged.	The budget data are made publicly available only after approval of the budget. The model used by the MoF for the macroeconomic forecasts underpinning the budget is not made publicly available.
4.3.4	A national statistical body should be provided with the institutional independence to verify the quality of fiscal data.	The NSC is given legislative assurance of independence.	The <i>Law of the Kyrgyz Republic on State Statistics</i> explicitly prohibits interference by central and local governments.