



# **HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT**

## **REPUBLIC OF TAJIKISTAN**

Fiscal Risk Management and Transparency of  
State-Owned Enterprises

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Fiscal Affairs Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

**ABSTRACT:** State-owned enterprises (SOEs) continue playing a pivotal role in the economy of Tajikistan as they operate in important sectors and provide essential public services. Fiscal interdependence between SOEs and state budget is high, SOEs operations affect public finances through quasi-fiscal activities and persisting losses. Tajikistan has achieved some progress over the past decade in SOE financial oversight and fiscal risks management, which is focused on 27 largest SOEs that account for a significant share of public sector assets and liabilities, especially the energy sector. Improvements have been made in financial reporting, audit, and transparency of SOEs, but further reform efforts are needed to strengthen SOE performance and enhance fiscal risk management, requiring a stronger role for the Ministry of Finance.

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## Background

**State-owned enterprises (SOEs) continue playing a pivotal role in the economy of Tajikistan as they operate in systemically important sectors and provide essential public services.** Fiscal interdependence between SOEs and state budget remains high, SOEs operations affect public finances through quasi-fiscal activities and persisting losses. The authorities committed to four reform targets in the context of the program supported by the Policy Consultation Instrument to improve transparency and governance of SOEs, strengthen the role and capacity of the Ministry of Finance's in SOE financial oversight and implement reforms to mitigate fiscal risks stemming from SOEs.

**The authorities requested a technical assistance mission of the Fiscal Affairs Department (FAD) to assist with meeting their SOE reform targets.** The FAD mission visited Dushanbe and worked with the Ministry of Finance's SOE Monitoring Division in analyzing selected SOEs' financial performance, key indicators, and SOE coverage in the Fiscal Risks Statement, reviewing the list of entities with state participation, and delivering hands-on training on the FAD's Fiscal Risks Toolkit. The mission also reviewed the progress of other reform targets aimed at improving SOE transparency, performance, and corporate governance.

## Summary of Findings

**Tajikistan has achieved progress over the past decade in SOE financial oversight and fiscal risks management.** Recent reforms included adoption of the Medium-Term Fiscal Risk Management Program for 2023-2027 and expansion of the Ministry of Finance's financial monitoring from 27 SOEs to 77 entities with state participation starting from 2024. The Ministry of Finance regularly assesses SOE-related fiscal risks and publishes annual Fiscal Risks Statement, which focuses on SOE performance, profitability, liabilities, and budget allocations.

**The mission noted significant amount of SOE arrears, which require further analysis.** A significant level of arrears has built up between SOEs with state banks and state budget. These unsettled accounts impact performance within the energy sector and in other sectors.

**SOE financial data is processed manually, hindering the Ministry of Finance effectiveness in assessing SOEs financial performance and fiscal risks.** SOEs submit their scanned financial statements, it requires manual data entry by the SOE Monitoring Division, which is time-consuming and error prone. Similarly, data collection on SOEs budget support, loans, and guarantees issued, is not automated inside the Ministry of Finance, slowing data processing and impacting timeliness of financial analysis and fiscal risks assessment.

**Improvements have been made in financial reporting, audit, and transparency of SOEs, work is ongoing to improve SOE corporate governance.** Financial reporting under the International Financial Reporting Standards is mandated for the largest SOEs, but the quality of financial statements varies. Independent audits are also required but not consistently enforced, with some SOEs not being audited. To improve SOE corporate governance, new regulations have been drafted on SOE board composition and selection process, which should enable the appointment of independent board members through competitive selection.

## Summary of Recommendations

**Despite recent progress, further efforts are needed to raise SOE efficiency, improve performance, and strengthen fiscal risk management, requiring a stronger role for the SOE Monitoring Division.**

To enhance the Ministry of Finance capacity in analyzing SOE performance and providing the government with quality input for informed decision making, the SOE Monitoring Division's institutional role and mandate should be strengthened by elevating it to department status, reporting directly to the Deputy Finance Minister. A stronger institutional role within the Ministry of Finance supported by digital solutions will provide the necessary authority for effective SOE oversight and expanding the Fiscal Risks Statement coverage.

**The Ministry of Finance needs to improve the use of SOE data and the quality of SOE fiscal risks analysis, including through digital solutions.** Utilizing analytical tools like the IMF FAD SOE Health Check Tool<sup>1</sup> for the 27 largest SOEs will establish a robust analytical foundation. Other instruments of the IMF Fiscal Risks Toolkit could be considered for deeper analysis of high-risk strategic SOEs. Quick gains can be achieved by requiring SOEs to electronically submit their unaudited financial statements in Word or Excel files to supplement the existing manual submissions. It will be essential to ensure a digital information flow between the SOE Monitoring Division and the Ministry of Finance's Financial Reporting Depository Service Center, once its operational. In addition, a detailed verification and reconciliation of SOE arrears, starting with the 27 largest SOEs, would help understand linkages and estimate potential fiscal costs.

**Legislative requirements for SOE financial reporting disclosure and independent audits should be enforced.** Prioritizing the 27 largest SOEs, the Ministry of Finance should enforce regular independent audits and disclosure of audited financial statements with complete set of notes. This will improve fiscal risk analysis and SOE performance evaluation, and increase SOE transparency.

**The authorities could publish the list of entities with state shareholding above 10 percent, and consider additional analysis to further streamline state ownership.** The mission noted that the list prepared by the Tax Committee appears as the most complete registry of all companies partially or fully owned by the government. Once published, the list could be used to further analyze these companies with key financial metrics and design measures to further streamline state ownership. This exercise could also inform development of an SOE Ownership Policy—a crucial step for creating a leaner and more effective SOE sector.

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<sup>1</sup> [FAD Fiscal Risks Toolkit - SOE Health Check Tool](#)