

effective, accountable, responsible PFM system is established, capable of providing the principal public services efficiently, effectively, fairly and equitably.

The objectives of the Strategy are:

- To improve the planning and execution of the state budget, including increasing the transparency, completeness and reliability of the budget.
- To bring the budget in line with state policy.
- To improve control over budget revenues and expenditures.
- To ensure the timeliness of accounting and financial reporting.
- To improve internal and external audit procedures.

Implementation of the Strategy is translated into three Action Plans: [AP 2017-2019](#) (Dec 2016), [AP 2020-2022](#) (June 2020) and [AP 2023-2025](#) (Jan 2023).

The implementation of the PFM Action Plans has been monitored by the Finance Ministry. [The latest 2022 annual report](#) is publicly available on the MoF's site.

According to the report, out of 136 tasks put forward for the AP 2020-22, 110 tasks or 81% have been fully performed and 26 tasks or 19% are in the process and/or moved to the 2023 fiscal year:

Pillar 1: Improvement of the budget planning

Improvement of forecasting of budget revenues (8 actions, 7 fulfilled, 1 partially fulfilled: digital Form STI-161 to report on state social security is not yet fully operational).

Improvement of budget forecasting (8 actions, 6 fulfilled with 2 outstanding sub-indicators: (i) digitalisation of budget process; and (ii) integration of IFMIS module on programme budget target reporting).

Improving public investment (2 actions, both in the process of being completed: (i) amendment to update PIP legislation and integration of PIP in the central treasury system; (ii) improvement of procedures to pay membership fees to IOs).

Conducting training events (1 action, fulfilled).

Ensuring completeness and transparency of the budget (all 5 actions fulfilled).

Pillar 2: Improvement of the budget execution

Improving the cost control system for budget execution (3 actions, 2 fulfilled, 1 partially fulfilled, namely the digitalisation of control system in “Kazna.4” is pending).

Improving cash management (1 action, partially completed as training is still ongoing).

Improving public debt management system (1 action, partially completed: 1 sub-indicator out of 7 to be finalised by the end of 2023, namely implementation of the Public Debt Management and Financial Analysis System (DMFAS) as purchase of equipment is underway).

Improving management of wage bill of the public sector (1 action, partially completed: 2 sub-indicators out of 5 are still pending, namely (i) staff reduction in the President office and (ii) development of digital module “HR” for ‘E-Kyzmat’ system).

Improving management policies and procedures related to public procurement (all 4 actions completed).

Improving revenue control systems for budget execution (1 action completed).

Pillar 3: Improvement of accounting and reporting standards, internal and external audit and control.

Accounting (1 action, fulfilled).

Improving internal audit and control procedures (2 actions, 1 fulfilled, 1 partially fulfilled as its 2 sub-indicators out of 4 are still pending: (i) approval of regulation on internal financial control; and (ii) digitalisation of internal audit ‘SmartAudit’).

Improving external audit and control procedures (2 actions, 1 fulfilled, 1 partially fulfilled, namely a draft law on Accounts Chamber is pending approval).

Pillar 4: Improving the activities of the Department of Precious Metals under MoF

Improving Precious Metals Department (5 actions, 3 fulfilled, 2 partially fulfilled: (i) Labs are still to be equipped; (ii) Accreditation of technical expertise is pending).

Summary Appraisal PFM Progress and Reforms

The Kyrgyz Republic needs to create fiscal space for priority spending on infrastructure, human capital, and social protection. Tax revenue can be raised by reducing tax exemptions, incentives, and preferential tax regimes, strengthening the taxation of e-commerce, raising excise on tobacco and petroleum, which are low by international standards, and adjusting other specific excise to inflation. Tax administration can be strengthened further by continuing to improve e-filing, taxpayer registration, risk-based auditing and expanding the use of cash registers.