

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>Public Financial Management</p> <p>Comprehensive public scrutiny and analysis of the economic and social impacts of large public investments is rare</p>	High	<p>The government formulated the Public Financial Management Strategy 2009–2018 to increase the credibility, policy alignment, and transparency of the country's budget cycle. Recent public financial management reform initiatives include: (i) the creation of internal audit institutions in selected government agencies; (ii) implementation of the budget administrative classification; (iii) redesign of the chart of accounts; (iv) improved macroeconomic forecasting; and (v) monitoring of SOEs. Under the ICRP, the government is implementing a new RIA system that will become effective by 1 January 2017. The new RIA system is expected to include consultations with the public and the business sectors to inform all about the potential costs and risks of new regulatory proposals before they are approved, and create opportunities for the public to provide feedback. This will improve the quality of decision-making and reduce unnecessary regulatory costs, thus ensuring that regulatory decisions benefit the public. RIA will help avoid enactment of regulations that can be captured by specific interest groups.</p>
<p>Quasi-fiscal activities of SOEs have largely remained outside the purview of the central budget</p>		<p>In 2011, the Ministry of Finance established a department to monitor the financial performance of SOEs. In 2012 the department estimated the magnitude of quasi-fiscal activities for 24 select SOEs at about 3% of GDP. The government is currently undertaking steps to restructure the two key SOEs—TALCO and Barki Tojik. ADB technical assistance is supporting restructuring of Barki Tojik.</p>
<p>Efficiency in tax collection is among the lowest in Asia and the Pacific</p>		<p>The World Bank's Tax Administration Reform Project, approved in 2012, is building on previous support from ADB, IFC, and USAID to improve tax administration. The project aims to: (i) reduce the administrative cost of collecting revenue to make the Tax Committee a more efficient institution; (ii) strengthen the effectiveness of the Tax Committee to fight tax evasion and reduce the size of the shadow economy; (iii) reduce contact between tax officials and taxpayers to reduce avenues for corruption and increase voluntary compliance; and (iv) provide good quality taxpayer services that help reduce the compliance burden for taxpayers, thus improving the business environment and competitiveness.</p>
<p>The government has shifted a significant share of its cash to deposits in commercial banks</p>		<p>Development partners led by the IMF have been conducting policy dialogue with the government, advising that government deposits and central bank liquidity support should benefit only banks with strong balance sheets and good collateral.</p>

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The government has not yet established an independent SAI		As noted in the PEFA 2012, a law on creation of a SAI was adopted in 2011 but the organization has still not been created. In 2007, the World Bank signed an agreement with the government to facilitate the creation of this SAI.
Procurement	High	
Serious flaws in the public procurement legislation (e.g., ambiguous provisions on single source procurement and complaints handling) can cause mis-procurement in any sector and result in delays in project implementation		The government is in the process of revising the Public Procurement Law. ADB is reviewing the new draft procurement law and encouraging the government to consider private sector feedback and to ensure that the draft law undergoes anticorruption screening. Under the new CPS, ADB will support capacity building for effective implementation of the new procurement law.
The PPA is heavily involved in managing procurement, which conflicts with its oversight and regulatory functions		Under the new CPS, ADB will support restructuring of the PPA into an effective regulatory agency and promote continued procurement decentralization.
Corruption	High	
Strong perceptions of corruption and expropriation risks discourage businesses from investing in Tajikistan		The ICRP includes measures that promote transparency and reduce opportunities for corruption: (i) a revised RIA system that includes mechanisms to disclose newly proposed legislation, as well as a free, single repository for executive documents; (ii) a coordination mechanism for inspection of businesses; and (iii) improving information about ownership of businesses through the Tax Committee's website. ^a
The current focus of TAFAC on enforcement and audit instead of prevention may lead to an ineffective integrity system		Under the new CPS, and jointly with development partners under the DCC, ADB will support restructuring of TAFAC. ADB will encourage implementation of the recommendations proposed under the Istanbul Action Plan.
Other Risks		
Private investment growth may be constrained by lower remittance inflows due to deterioration of the economic situation in	High	While this risk is very difficult to mitigate, reforms supported under the ICRP should help Tajikistan to diversify its economy, thereby making it more resilient to external shocks.

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major economic partners		
Political pressures from vested interests may constrain policy choices during implementation	Medium	ADB technical assistance supporting ICRP includes funding for communication efforts to gather support for policy reforms from its main beneficiaries. ^b
Resistance to change in government agencies may delay implementation	Medium	ADB technical assistance supporting ICRP includes funding for communication efforts to support change management. ^b
Exchange rate policy may affect business international competitiveness	Low	On 26 October 2015 the government removed the administrative cap on the exchange rate that was imposed on commercial banks.

Overall**High**

ADB = Asian Development Bank, CPS = country partnership strategy, DCC = Donor Coordination Council, ICRP = Investment Climate Reforms Program, IFC = International Finance Corporation, IMF = International Monetary Fund, PEFA = public expenditure and financial accountability, PPA = Public Procurement Agency, RIA = regulatory impact analysis, SAI = supreme audit institution, SOE = state-owned enterprise, TAFCAC = Agency for State Financial Control and Fight against Corruption, USAID = United States Agency for International Development.

^a www.andoz.tj

^b ADB. 2013. *Technical Assistance to Tajikistan for Investment Climate Reforms*. Manila.

Sources: Asian Development Bank; ADB. 2014. *A Comparative Analysis of Tax Administration in Asia and the Pacific*. Manila; Organisation for Economic Cooperation and Development. 2013. *Anti-corruption Reforms in Eastern Europe and Central Asia*. Paris: OECD; The World Bank. *Tajikistan Programmatic Public Expenditure Review*. <http://www.worldbank.org/en/country/tajikistan/publication/tajikistan-programmatic-public-expenditure-review> [accessed on 3 November 2015].