TAJIKISTAN

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS   INCOME GROUP: LOW INCOME   LOCAL CURRENCY: SOMONI (TJS)

POPULATION AND GEOGRAPHY

Area: 141 380 km²
Population: 8.920 million inhabitants (2017), an increase of 2.2% per year (2010-2015)
Density: 64.3 inhabitants / km²
Urban population: 27 % of national population
Urban population growth: 2.6% (2017 vs 2016)
Capital city: Dushanbe (9.5% of national population)

ECONOMIC DATA

GDP: 28.5 billion (current PPP international dollars), i.e. 3 195 dollars per inhabitant (2017)
Real GDP growth: 7.6% (2017 vs 2016)
Unemployment rate: 10.9% (2017)
Foreign direct investment, net inflows (FDI): 107.3 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 30.7 (2016)
HDI: 0.650 (medium), rank 127 (2017)
Poverty rate: 4.8% (2015)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

According to the Constitution, adopted in 1994, Tajikistan is a republican unitary state with a presidential form of government. The National Parliament (*Majlisi Oli*) consists of two chambers, the lower chamber called the the Assembly of Representatives (*Majlisi namoyandagon*) and the upper chamber (*Majlisi Milli Majlisi Oli*). The lower chamber is composed of 33 members serving a five years' term, of which 25 are elected by the regional delegations including the centrally-governed cities and the capital city, and the eight remaining members are elected by the President. The upper-chamber is composed on 63 members of which 41 are elected via direct general elections and 22 via the proportional party list system with a five percent threshold for seat allocation. The latest legislative elections were held in 2015. The president is the head of state and government; and the same incumbent has held on to the post since 1992. By law, former presidents of the Republic are life-long members of the lower chamber.

After the end of the civil war (1992-1994), the Constitution (Chapter V to VI) established an asymmetric decentralized system of government within a unitary system, to check and balance the interests of regional elites. The imperative of national stability has marked institutional reforms and increased the centralization of governance. As a result, it may be argued that subnational governments are deconcentrated bodies rather than decentralized governments with adequate autonomy and under a legal framework protecting their prerogatives. The national multi-level governance framework operates under the concept of 'dual subordination'. This implies that, at subnational level, chairpersons and administrative bodies representing both the national government and elected subnational bodies might operate under dual allegiance: the national republic and/or local regional interest. This has direct impact on the territorial organization of the country. Relations between the national government, local state governments and local self-governments are regulated by specific legislation on the System of State Government, on Local State Governments, on the Status of the Republic of Tajikistan Capital City, on the Autonomous Gorno-Badakhshan Region and on the Mountain Regions. Both the locally-based representative bodies of the national government and the local self-government bodies serve a five-year term.

TERRITORIAL ORGANISATION

2016	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	369 local self-government bodies (*Jamoats*)	7 city (*shahr*) and 45 rural district (*dehot*) of regional subordination and 4 cities and 9 district of national subordination [equivalent to *nohiya* or rayons level]	2 regions' local state government of national subordination (*vilojati*) 1 Autonomous region 1 Capital city	
	Average municipal size: 19 000 inhabitants			
	369	65	4	438

OVERALL DESCRIPTION. The system of subnational governments in Tajikistan is asymmetric and can be grouped into three categories: local state governments of national subordination, local state governments of regional subordination and local self-governments. Under the 1995 Constitutional Law on Procedure of Administrative-Territorial Organization of the Republic of Tajikistan, the country is divided into two regions (*vilojati*), the Gorno-Badakhshan Autonomous region (Pamir Mountains) and the capital city of Dushanbe. All three are subdivided into seven cities (*shahr*) and 45 rural districts (*dehot*). In addition, 13 cities and districts are under direct national subordination, without intermediation of state governments. The first level of local self-government bodies (*Jamoat*), is either urban or rural, is defined in the Tajikistan Constitution of 1994 (Chapter VI) and the Law on Local Self-Government Bodies adopted in 2009.

STATE GOVERNMENTS have representative bodies elected by the citizens for a five-year term. Local state governments of regional subordination (*vilojati*) appoint the chairperson of the local executive body. These are in turn divided into 7 cities (*shahr*) and 45 districts (*dehot*) of regional subordination. Moreover, the Local state governments of national subordination are headed by chairpersons of executive bodies (*rais*) appointed by the central government. In size, they might be considered an intermediate level (PEFA 2017) while they have the same political significance as regions.

LOCAL SELF-GOVERNMENTS have elected councils directly by universal suffrage for a five-years term. The chairperson is elected by the council with the approval of the corresponding district or city government. The legal framework grants local self-governments with limited political and administrative autonomy. Furthermore, local self-government bodies are created within rural districts and play the role of deconcentrated territorial body. Local self-government bodies do not have bud-

geting rights. Their spending is reflected in the lines of the relevant district budget. Smaller villages (sub-municipal) are not self-governing. There is no inter-municipal cooperation in Tajikistan. According to this law, local self-government bodies can be elected by the citizens of small towns and villages. The members of local self-governments (from 15 to 40) elect the chair and the main decisions are taken by the council (from 7 to 14 members) which includes the Chair and other deputies.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Most of the competences of subnational governments are "joint responsibilities" of the central and local governments. Responsibilities between local state governments and their subordinate cities/districts (intermediate level) are not provided by the national legislation. Local self-governments' responsibilities are established by the law on Local Self-Government (Article 10 to 13): economics and finances, the rule of law, public order, defense, as well as social protection, community amenities, and municipal services (including maintenance of roads, streets, squares, cultural entities, water supply sources, local markets, cemeteries, waste picking). Besides their own functions, jamoats perform a number of responsibilities delegated by the central government (Article 14): civil status registration, army recruitment, collection of statistical data, tax collection. However, these delegated responsibilities are not adequately funded. Moreover, a number of functions can be delegated to them by regional governments, in accordance with law or on the basis of a contracts.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

|	REGIONS	MUNICIPAL LEVEL
1. General public services	Public buildings and facilities	Own: Public buildings and facilities; Delegated: Marriage; Birth, notary; National statistics; Tax collection
2. Public order and safety	Firefighting services (jointly with the central government); Prevention and liquidation of natural disasters and accidents; Traffic lights and urban traffic signs	Assistance to state government in public order and safety
3. Economic affairs/transports	Regional, city and district roads; Intra- and inter-city transport; Agriculture and rural development	Support to municipal development
4. Environmental protection	Parks and green areas; Waste management; Street cleaning; Sewerage	Street cleaning
5. Housing and community amenities	Construction/renovation of public facilities (jointly with the central government); Public lighting; Urban and land use planning; Urbanism	Distribution of drinking water
6. Health	Hospitals; Primary healthcare (medical centres); Preventive healthcare	
7. Recreation, culture & religion	Regional and local museums; Cultural heritage; Sports; Libraries	Libraries
8. Education	Secondary and higher education; Pre-primary and primary education	
9. Social protection	Elderly and disabled people (benefits and services); Social care for children and youth; Support services for families (jointly with the central government)	Support to state government in reducing unemployment and registering of low-income families

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: consolidated data for the two regions and Autonomous region and data for districts and cities of national subordination.	Ministry of Finance	Availability of fiscal data: **Low**	Quality/reliability of fiscal data : **Low**

GENERAL INTRODUCTION. The Constitution grants local state governments the powers to develop and implement their own budgets and to establish local fees, taxes and duties. While local budgets are adopted locally, in practice revenues and expenditures' amounts are negotiated annually with the Ministry of Finance. Accounts are published yearly but are unaudited (PEFA 2017). Subnational governments' finance is organized by the law on Public Finances of the Republic of Tajikistan (2011) and additional regulations on government functions. The legal framework determining spending responsibilities remains unclear.
There are no taxes assigned to local self-governments, their spending is negotiation with district government and appears as a line in the district budget. The State Treasury plans to open individual accounts for local self-governments to collect their revenues and execute expenditure independently.

■ SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	**261**	**9.2%**	**100%**	
Inc. current expenditure	198	7.0%	75.9%	
Staff expenditure	154	5.4%	59.1%	
Intermediate consumption	40	1.4%	15.3%	
Social expenditure	2	0.1%	0.8%	
Subsidies and current transfers	2	0.1%	0.6%	
Financial charges	0	0.0%	0.0%	
Others	0	0.0%	0.1%	
Incl. capital expenditure	63		24.1%	
Capital transfers	0	0.0%	0.0%	
Direct investment (or GFCF)	63	2.2%	24.1%	

Total expenditure: 28.0%
Staff expenditure: 75.3%
Social benefits: 1.8%
Direct investment: 26.6%
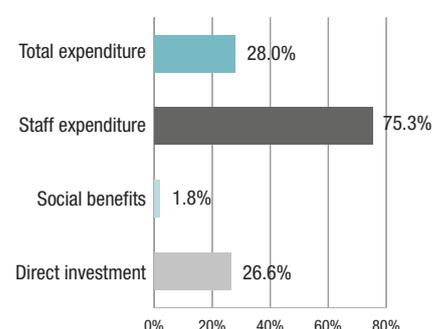
TAJIKISTAN

UNITARY COUNTRY

EXPENDITURE. SNG expenditure represents a share of 28% of total expenditure in Tajikistan, approximately 261 dollars PPP per capita. Per-capita expenditure varies considerably across SNGs. It is mostly concentrated in the capital city of Dushanbe, the autonomous republic of Gorno-Badakhshan (Pamir) and the city of Rogun, where a hydro-electric plant is under construction. The asymmetric structure of SNG in Tajikistan, moreover, makes comparison with other countries in the region harder.
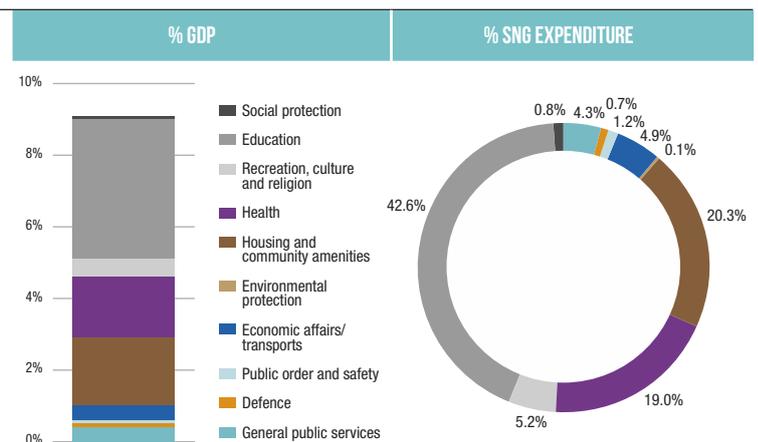
Both regional and local governments enjoy little spending autonomy. Based on the Constitution and the de facto dual subordination, subnational tiers tend to compete over spending powers. With regard to recurrent expenditures, the central government defines wage rates of government employees and the number of local public servants in each public institution. As a result, staff expenditure represents nearly 60% of SNG current expenditure, leaving limited funding for the purchase of goods and services. This is explained by the fact that most labor-intensive functions (healthcare and education) are performed by subnational governments.

In addition, capital expenditures have to be approved by the central government, so that specific funds are assigned to local budgets. Over the last three years the share of subnational governments' expenditure in total public expenditure has reduced from 30% to 28%. This is mainly due to significant investments by the central government in the construction of hydro-electric power plants of national relevance.

DIRECT INVESTMENT. All SNG investments are made from own funds assigned to them by the central government. The central government makes most direct investments in local social infrastructure (i.e., schools, hospitals,) and economic infrastructure (i.e., roads, irrigation systems and other public facilities). This is subject to negotiations between central governmental bodies and local authorities without clear criteria. Dushanbe has the largest percentage of population living in multi-family apartment buildings. The city is therefore investing heavily in communal services (water supply, sewerage, power lines). Moreover, as a capital city, it also invests in roads construction and maintenance, as well as in public recreation facilities. Dushanbe's capital expenditure is 27 times higher than the average of other regional governments. It should be noted that Dushanbe's 'own funds' for investment purposes also seem to be the subject of negotiations with the central government, as its revenues are collected from the shared national taxes which are established every year by the central government.

◼ SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

The level of general public services expenditure seems to be very low compared to that of other Eurasian countries. As mentioned, SNGs account for the bulk of education and health expenditures, which represent 68% and 82% of total public spending in corresponding categories, respectively. These expenditures include both compensation of employees and operational costs of relevant institutions. In comparison, most of other SNGs in Eurasian countries have limited, if any, responsibilities in these sectors. In 2010, the central government introduced per capita expenditures on secondary education. However, these funds are not transferred to local governments as earmarked transfers and are eventually reallocated to other necessities. Together with housing and community amenities (81% of public spending) these correspond to the main items of expenditure in SNG budgets. The capital city of Dushanbe spends about 80% of its budget on housing. This is primarily due to the fact that Dushanbe's budgetary revenues are significantly higher than those of other local state governments. This allows budget funds to be directed towards less important types of expenditures than those of social sectors. Moreover, the composition of Dushanbe's expenditures shows that housing and community amenities' expenditure cannot be explained only by the urban focus of the city government's tasks (construction, repair and demolition of the housing stock, subsidies to communal services providers, etc.). Almost a third of Dushanbe's expenditure is devoted to gardening and watering of green spaces (i.e., functions that other local governments cannot afford due to budget constraints). Culture and recreation (5.2%) and economic affairs and transport (4.9%) do not account for a significant share of SNG expenditures. This is partly due to the fact that wages of some SNG divisions (first of all of financial institutions) are paid directly by the central government.

% GDP

% SNG EXPENDITURE

Legend:
- Social protection
- Education
- Recreation, culture and religion
- Health
- Housing and community amenities
- Environmental protection
- Economic affairs/transports
- Public order and safety
- Defence
- General public services

% SNG Expenditure: 0.8%, 4.3%, 0.7%, 1.2%, 4.9%, 0.1%, 20.3%, 19.0%, 5.2%, 42.6%

◼ SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	**257**	**9.1%**	**34.9%**	
Tax revenue	208	7.3%	35.5%	
Grants and subsidies	43	1.5%		
Tariffs and fees	6	0.2%		
Property income	0	0.0%		
Other revenues	0	0.0%		

% SNG Revenue: Tax revenue 81.0%, Grants and subsidies 16.7%, Tariffs and fees 2.4%, Property income 0.0%, Other Revenues 0.0%

OVERALL DESCRIPTION. Local state government's revenues are established by the Tax Code and the annual State Budget Acts. Tax revenues are the main source of revenue for subnational governments (over 80%). Conversely, non-tax revenues represent only 2.4% of SNG revenue. On average, grants and subsidies do not represent a significant portion of SNG revenue (16.7%). In 2017, a presidential decree was issued that assigned 50% of property tax and certain non-tax revenues to local self-governments, although this decree has not been enforced yet.

The current system of revenue allocation among the different levels of government makes SNG tax revenues unpredictable. Tax collection is centralized and carried out by the National Tax Committee, while the collection of property taxes from individuals and taxes from small businesses in rural areas is delegated to local self-governments. The revenue actually collected generally does not achieve set targets (especially on CIT and VAT taxes), thereby all SNGs are expected to reduce their expenditures or request additional subsidies from the central government. Should the revenues exceed the target, SNG would be requested by law to transfer 20% of the surplus to the central government.

According to the budgetary balance rules, no subnational government can have a current budgetary deficit. SNGs may forecast a total deficit not exceeding 2% of their tax and non-tax revenues. They may use it only for investment purposes.

TAX REVENUE. Local state governments collect two types of local taxes: real estate taxes (land tax and property tax), and tax on vehicles. All property taxes are collected at the regional level, representing an approximate 334 dollars per capita. However, they cannot set either the base or the rate of local taxes. Local taxes represent less than 10% of SNGs' total tax revenues. The remaining amount corresponds to the regional share of national taxes, including PIT, CIT, VAT, excise taxes, taxes on natural resources, small business tax and state duties and fines. PIT represents the single larger share of SNG tax revenue (52%) approximately 610 dollars PPP per capita. These figures must be read keeping in mind the asymmetries of territorial organization. In fact, the allocation of regional shares of national taxes appears to be the result of negotiations between central and local governments, since they differ from one SNG to another (and from one year to another for the same SNG). The central government is considering establishing shared tax rates as part of a three-year regional economic development agreement. These shares would be established and amended each year by the State Budget Act. Over the past three years, the central government has concentrated tax revenues in the central budget and reduced the regional share of national taxes.

GRANTS AND SUBSIDIES. The central government has recently set the objective of reducing subsidies to regions. For now, the legal framework (Law on Public Finance) provides SNG with two categories of grants: general purpose grants and earmarked grants. It was not possible to identify detailed data.

General purpose grants are allocated to local state and local self-governments without any formal procedure. For each SNG the grant appears to be the difference between "negotiated expenditures" and "negotiated revenues" (in accordance with previously "negotiated" tax transfer). Transfers from the central government to subnational governments are not determined by transparent mechanisms and there is no clearly defined allocation criteria.

Earmarked grants only started to be used in 2017. These grants are aimed to provide funding for salaries of civil servants and employees of government institutions. There are no grants for investment purposes.

Moreover, a number of international donors provide grants directly to SNGs. These are in-kind subsidies, not loans, and replace investments in equipment and construction. The value of these subsidies is not shown in budget reports.

OTHER REVENUES. Local state governments have the right to let their properties and receive rents. This non-tax revenue constitutes only a small share of SNG revenues (2.4%). Moreover, state and local governments are entitled to charge for services provided to citizens. However, there is no clear regulation on the list of paid services and their prices. Revenues from paid services are the property of the institution providing the service. Officially, the amount of these revenues represents a small share of local revenues. In practice, most of these revenues are still not officially registered. SNGs also collect fees for driving licenses, for the registration of motor vehicles, agricultural vehicles and inland waterway vessels; annual fees for driving licenses; fees for registration and sale of real estate; and fees for placing outdoor advertising.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt				
Financial debt*				

* Currency and deposits, loans and bonds

FISCAL RULES.

DEBT. Regarding the borrowing framework, subnational governments cannot subscribe loans (Article 5 of the Law on State and State Guaranteed Borrowing).