Abstract

Tajikistan is country in transition from centrally planned to market economy. Since 1991, after Tajikistan became independent state, economic and political reforms took place. What kind of measures undertook to improve public service providing? Does decentralisation process used as a tool for public services efficient and effectiveness improving? What is current situation with assignment of responsibilities and how sufficiently they supplied with funding sources? We will try to find answers on these questions in our research of intergovernmental fiscal relationships in Tajikistan. In kind of etalon we will use European Charter of local self-government and theoretical rules for expenditure and revenue delineation among different levels of government. However, blind following to theoretical rules and principles without considering of current specific conditions very rare lead to good results. So we tried to take into account all Tajikistan circumstances and make realistic conclusions in our evaluation, using results of ADB, WB and IMF studies.

INTERGOVERNMENTAL FISCAL RELATIONSHIPS IN TAJIKISTAN ANALYSIS

Issue of decentralization became more topical because of continuous discussions of state mechanism effectiveness and questions of public servicing. Discussion of responsibilities' delegation from central government either to private sector (through privatization) or to local governments (through decentralization) to increase effectiveness of their implementation appears among government officials and those who research public management. Here we will try to examine current system of intergovernmental fiscal relationships in Tajikistan.

Local government in Tajikistan has retained a historic multi-level system where local government units (territorial units) are considered as branches of the national Government. Having the unitary system the structure of the governing followed the basic hierarchy of the republic: oblasts and districts, with jamoats as local self-governing bodies. Jamoats are further subdivided into neighborhoods governed by local mahallas, but mahallas are not a formal part of state administration. There are 359 jamoats with average population from 5 to 25 thousands persons.

The Constitution of Republic of Tajikistan, Constitutional Law On State Administration at the Local Level, Self-Governing Bodies in Villages and

Settlements Law, and Public finance Law legally support local government and local self-government. Local governments (at all levels) consist of an executive body called a hukumat and a representative body - Councils - called a Majlisi. Leader, who is appointed (and dismissed) by the President, heads the hukumat. These leaders are the local representatives of the President and implement executive power on matters within their territorial and legal jurisdiction. Therefore Majlis' role as representative body from population and their power to approve candidate to lead the Majlis, which offered by President, are nominal. This leads to numerous problems, such as not transparent elections, absent of motivation to be accountable to population, weak control over expenditures, and illegal use of budget resources, lack of information on local budgets implementation.

In pointed laws local governments' rights and responsibilities outlined. Local Oblast and Region (Regions of Republican Subordination) Councils constitutionally empowered to: (i) approve the district budget, hear and approve the report of the Chairman on its implementation, (ii) determine the social and economic development strategy of the area in line with higher-level frameworks (such as Poverty reduction Strategy Paper), (iii) determine local taxes and fees in accordance with higher laws (such as Tax Code), and (iv) determine the regulation and terms of use for communal properties in accordance with the higher legal framework (communal utility infrastructure still owned by Central Government).

The next level is the jamoat, which is self-governing and to undertake activities in a given jamoat area receive allocations from oblast / region hukumats. Its activities are mentioned in the *Law on Self-Governing Bodies in Villages and Settlements* and the *Law on State Administration at the Local Level*, a constitutional law that also regulates local government at the oblast and district levels. Jamoats are responsible for: (i) Approving of the Activity Programme and Expenditure Budget of Jamoat, Local Sanitation Improving Action Plans;(ii) Definition of the main working directions of the Jamoat Chief and his Deputies,

listening theirs reports; (iii) On the voluntary basis accumulating of finance sources from the public, enterprises, any form of the property organizations to social infrastructure development on it's territory; (iv) Organization of the cash expenditure controlling; (v) Consideration of the question of the creation on it's territory small enterprises, manufacturers, handicraft workshops; (vi) Considering the question of it's territory borders changing and preparing documents to the Government.The leader of the jamoat takes decisions that are confirmed by the council. The leader's authorities include (i) managing land and its use, (ii) proposing social and economic programs and to work for the improvement of living conditions, (iii) controlling cash expenditures, (iv) establishing working groups and cooperatives, and (v) maintaining public and social order and welfare.

The distribution of revenues and expenditures by region reflects the annual national budget process, which is designed to equalize the fiscal capacity of each region in line with fiscal needs to support approximately equivalent service levels. Funds allocated to jamoats and mahallas are minimal, and these local government bodies rely on voluntary community efforts, allocations from charity fund and have not right to borrow from the market. The last has at least two reasons: missing of such point in legislation, and undeveloped banking system. The fact of allocation resources from oblast / region budget to local self-government bodies to implement theirs activity speaks about lack of any fiscal autonomy and existing of notorious "unfunded mandate".

At local level two different administrative structures apply. Some public services are provided through local branches of the national Government (Procuracy, courts) or through centrally-managed national services (specialized healthcare and university-level services) or other nationally-managed arrangements (customs services at border points). Local personnel responsible for these services form departments in the local hukumat, but the head of such departments is

appointed directly by the appropriate national agency. The local council cannot vary the budgets for these departments of the local hukumat.

Other services are provided through local governments (sanitation, primary health care, primary education, and veterinary services), but under the functional direction of a national service ministry (Ministry of Health, Ministry of Education, Ministry of Agriculture). The local leader appoints the head of these departments in the local hukumat. Usually the relationship is top-down, organized by service line. However, local elected councils have authority to vary the budget allocation set by the next higher level and reassign funds amongst this group of services.

Cities and districts prepare their budgets based on Ministry of Finance directions for inputs and cost estimates rather than on prioritized tasks to be accomplished. Oblasts hold hearings on budgets, at which time both available revenue and expenditure ceilings can be arbitrarily changed. At the national level this review arrangement occurs a second time. Local governments can set certain tax rates within limits defined and approved by the Ministry of Finance.

At the sub-national budget level, limited reallocation of expenditure is possible in non-staff costs. Accounts are managed manually. Payments are made largely in cash. Jamoats obtain grants from the oblast budget, or from economic activities and voluntary contributions from enterprises or individuals. These funds are kept in a separate local account and are spent by local agreement. The jamoat expenditure consultation process can be well managed, and may be considered for documentation and adaptation.

Most crushing problem for local governments is the high level of poverty faced by most of their citizens. With a still evolving formal market economy, there are few opportunities for improving livelihoods. Many citizens remain critically dependent on international humanitarian assistance, because local governments do not have adequate power and resources to provide even the most basic of services.

The current overhead costs of maintaining financial management and control capacities for the hukumats of an oblast and the several districts within each oblast are questionable, given the lack of expertise and funds, as most service delivery is currently carried out at the district level, the merging of some districts to produce larger economic units might be more effective than maintaining oblasts and districts as they currently operate.

So Tajikistan has to have a long way to well organized and effective decentralization and there are still many serious problems (poverty, lack of expertise and resources, top-bottom decision making, etc.) which have to be resolved and which on current stage hold back this process. However not just listed problems slow down the decentralization: high centralized government system, where demarcation of responsibilities even at one level (we are not even speak about demarcation between levels) runs with huge pain. This links with frighten of some authorities, political parties to loose power and financial resources, which direct on funding of special responsibilities. Therefore duplication of responsibilities and low quality of services are usual phenomena. Although it is obvious, that in case of clear vertical and horizontal delineation of the responsibilities, quality of public services would be significantly higher.

Public finance Law adopted in 2002 defines expenditure and revenue assignments of local budgets and expenditure (ref. Table 1) and revenue assignments finances jointly in the republican and local budgets. The second part of the joint assignment area is adjusted jointly every year in the main finance law (state budget).

Social welfare responsibilities should be financed by both republican and local budgets. Subnational governments are responsible for full ensuring of housing and public utilities. Construction of the roads and maintenance of the roads of local meaning assign to local governments, but market infrastructure development financed by join local and republican budgets. The resources ensuring

the national defence are exclusively financed by the Republican budget. (Article 16 of the Law). That strictly fit expenditure assignment rules.

Table 1. Expenditure assignment in 2003

	Public Administration	National Defence	Law and order	Education	Healltheare	Social welfare	Housing and communal utilities	Public cultural events	Oil and energy complex	Agriculture	Industry	Transportation and communication	Other economic issues	And other
Share of local budgets in State Budget	22%	6%	6%	82%	75%	28%	92%	24%	0%	7%	4%	34%	0%	4%
Share of Republican budget in State Budget	78%	94%	94%	18%	25%	72%	8%	76%	100%	93%	96%	66%	100%	96%

Borrowing by subnational governments from the sources except the republican budget (revenues from republican budget as budget debt) was not foreseen in the law on Public finances. Currently, the only source of borrowing for local governments is from the next higher level, which severely constrains their borrowing capacity and their ability to establish a credit rating. There is no any Subnational Development Fund yet in Tajikistan. But there are many development programmes among foreign aid projects, which are targeting local development (capacity building, support of local initiatives, creation of funds from the sources of micro-finance funds), however, none of them design as Fund for long term capital infrastructure investments. Bankruptcy laws have yet to apply to local governments. As it now stands, short term borrowing for repair of infrastructure by local governments is risky because of the potential for bankruptcy. One interpretation of the existing law is that local governments are administrative branches of the national Government. That would imply that the national Government could be held responsible for the debts of local governments. It will,

however, first require legal clarification of the status of local government. The certification process for local bond issues should be established so that local governments and contractors are bonded.

To not to be baseless in our statement about "existing of unfunded mandate" not just at Jamoat level and at oblast and region levels, it is necessary to evaluate revenue assignment system.

In accordance with new tax code introduced in 2005 there are three taxes assigned to the local level of the government. They are as follows: real-estate tax, tax from the vehicles owners, and retail sales tax. Besides these there are fourteen taxes, revenues form which share between central and local budgets. Before in the list of local taxes were personal real-estate and property tax, retail sales tax and tax for public transportation maintenance. This is a structure of local budgets' revenue during three years.

Table 2. Local Budgets Revenue Structure (mln. USD)

Budget revenue	2001		2002		2003	
	mln. USD	% from Total	mln. USD	% from Total	mln. USD	% from Total
Tax Revenue	**42,41**	*66%*	**44,67**	*43%*	**55,82**	*66%*
Local Taxes	8,35	*13%*	8,17	*8%*	13,83	*16%*
Shared Taxes	34,06	*53%*	36,50	*35%*	41,99	*50%*
Non-Tax Revenue	**2,38**	*4%*	**3,48**	*3%*	**4,12**	*5%*
Revenue from Assets	-	*0%*	-	*0%*	-	*0%*
Remainders on the accounts for expenditure covering	**2,74**	*4%*	**3,28**	*3%*	**4,14**	*5%*
Grants	**15,47**	*24%*	**16,37**	*16%*	**18,38**	*22%*
Remainders on the accounts besides those for expenditure covering	**0,87**	*1%*	**36,49**	*35%*	**1,66**	*2%*
Total	**63,87**	*100%*	**104,30**	*100%*	**84,12**	*100%*

*Source: Ministry of Finance of RT*

Table 3. Republican Budget Revenue Structure (mln. USD)

Budget revenue	2001		2002		2003	
	mln. USD	% from Total	mln. USD	% from Total	mln. USD	% from Total
Tax Revenue	87,89	99%	111,23	96%	151,00	83%
Non-tax Revenue	0,94	1%	1,71	1%	25,72	14%
Revenue from Assets	0,00	0%	0,00	0%	0,00	0%
Grants	0,00	0%	3,27	3%	4,77	3%
Total	88,84	100%	116,21	100%	181,49	100%

Source: Ministry of Finance of RT

The share of local budgets in state budget is always lower then half, as you can see it from diagram (fig. 1), and tendency to increasing is not observed.

	2001	2002	2003
Local budgets	41%	47%	32%
Republican budget	59%	53%	68%
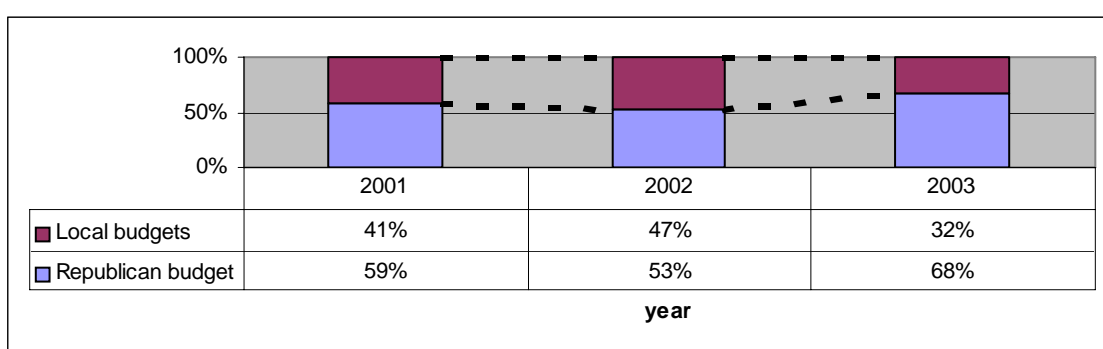
**Figure 1. Share of republican and local budget in state budget**

Although neither individual income tax, nor juridical persons income tax assigned to local level, yet to state, the analysis of the revenue assignments in 2001-2003 discovers that main taxes, playing stabilizing role, such as individual income tax, income tax and real estate tax on enterprises, are assigned to local level.

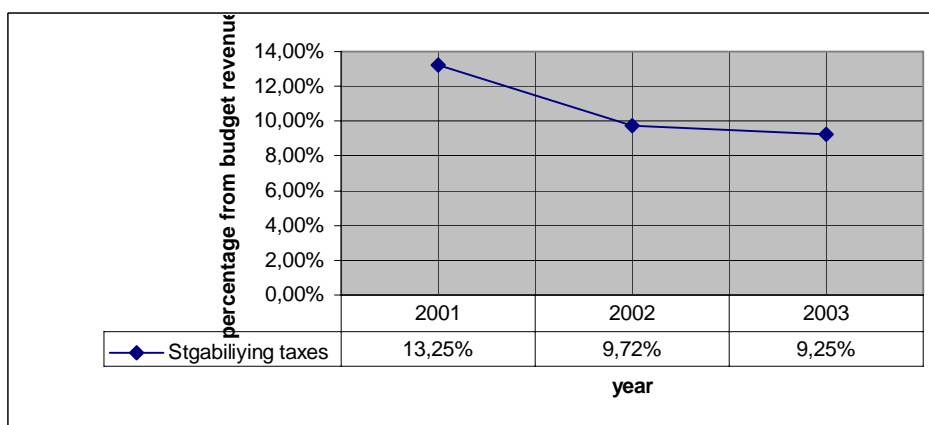**Table 4. Distribution of stabilizing taxes among budget levels (mln. USD)**

Types of stabilizing tax	2001		2002		2003	
	Repub. budget	Local budgets	Repub. budget	Local budgets	Repub. budget	Local budgets
Individual Income tax	2,34	11,46	1,34	12,56	1,22	15,45
% from total amount of the tax in the state budget	*17%*	*83%*	*10%*	*90%*	*7%*	*93%*
Corporate income tax	0,94	5,12	0,58	6,96	3,41	4,50
% from total amount of the tax in the state budget	*15%*	*85%*	*8%*	*92%*	*43%*	*57%*
Share of stabilizing taxes in total amount of state budget revenue, %	*2,19%*	*11,06%*	*0,87%*	*8,85%*	*1,74%*	*7,51%*

This is completely contrary stabilisation logic, the task, which should be executed by State though fiscal policy. And if to analyze the tendency of stabilizing tax amount in GDP (fig. 2) we could discover that the tendency is decreasing. So is it necessary to change tax policy, as the share of these taxes in state budget also will be decreased (fig. 3) and lead to its vulnerability. In general the link between GDP growth and stabilizing taxes collection growth, the index of correlation equal to 0.38 speaks about it.

	2001	2002	2003
Individual IT	1,31	1,16	1,07
Corporate IT	0,58	0,63	0,51
Total	1,89	1,8	1,58
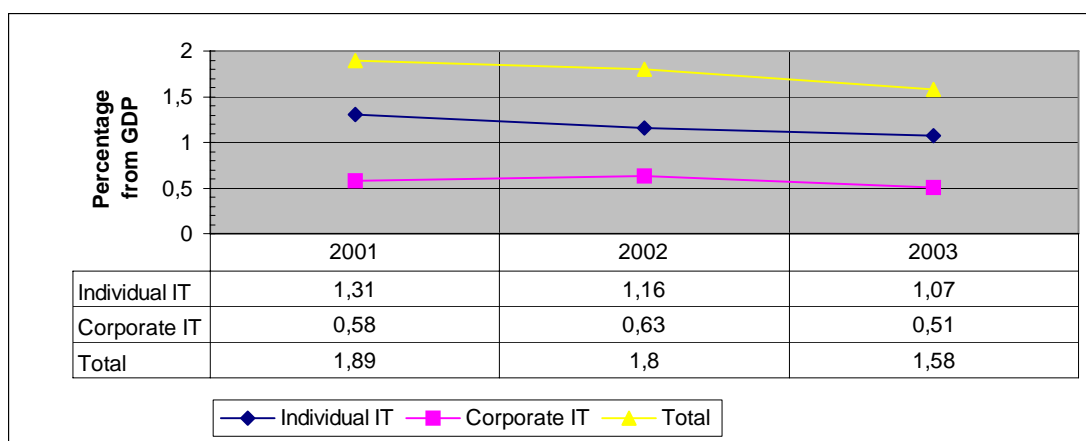
Figure 2. Stabilizing taxes revenue and GDP

	2001	2002	2003
Stgabiliying taxes	13,25%	9,72%	9,25%

Figure 3. Share of stabilizing taxes in state budget revenue

At the same time bigger share from these taxes collected in most developed region, such as Dushanbe and Tursunzade, and several cities assigned to republican budget. May be this fact we could consider as conformity of the financial policy to redistribution principle. Indirect taxes, value added tax from custom operations 100% assigned to republican budget. Considering that most of consumer goods and industrial goods imported outside and then sold countrywide levied with custom
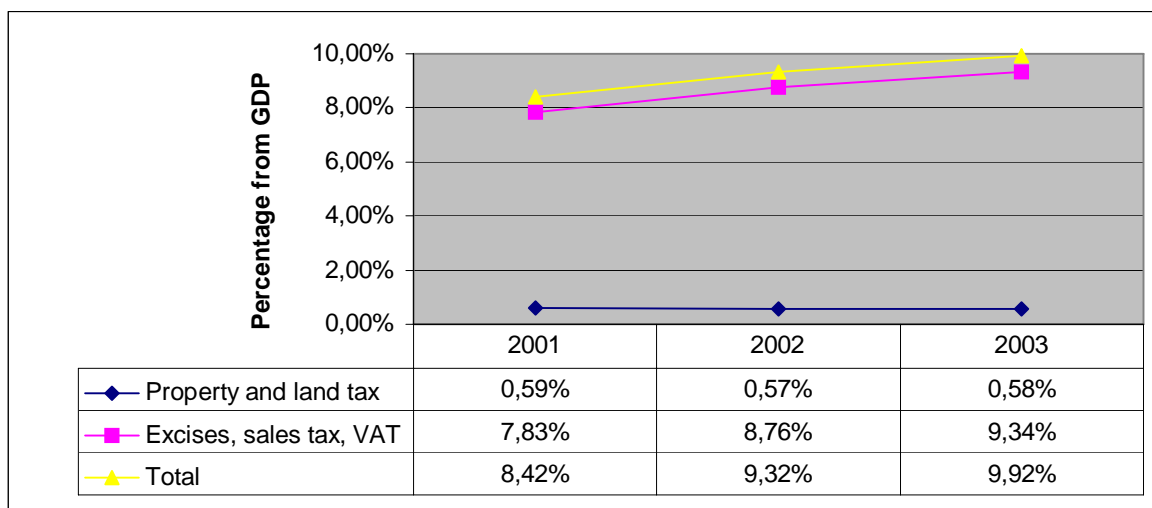
taxes and VAT the republican budget receives huge revenue (ref. Table 4). In real value state annual budget is equal approximately 200 mln. USD and has to ensure financing of main types of services. However analysis of annual budget implementation report shows that only 17% of it directs to health, education, social welfare and housing sectors – obviously it is not enough.

Now let compare share of stabilizing taxed with share of proprty, value addet, general sales taxes, which are not play stabilizing role and could be assigned to local level or revenue assignments, in republican and local budgets.

Table 5. Distribution of non-stabilizing taxes among budget levels (mln. USD)

Type of tax	2001		2002		2003	
	Repub. budget	Local budgets	Repub. budget	Local budgets	Repub. budget	Local budgets
Property and land taxes	1,32	4,90	1,42	5,34	2,49	6,50
% from total amount of the tax in the state budget	*21%*	*79%*	*21%*	*79%*	*28%*	*72%*
Sales tax, VAT, excises	64,06	18,11	88,01	16,49	120,17	24,99
% from total amount of the tax in the state budget	*78%*	*22%*	*84%*	*16%*	*83%*	*17%*
Share of stabilizing taxes in total amount of state budget revenue, % (ref. Table 3)	2,19%	11,06%	0,87%	8,85%	1,74%	7,51%
Share of non-stabilizing taxes in total amount of state budget revenue, %	43,6%	15,3%	40,6%	9,9%	46,2%	11,9%

As we could see from chart and calculate index of correlation between GDP growth and listed non-stabilizing taxes strong link and simple correlation is observed (index of correlation is equal to 0.99) between these two indicators. Therefore the main reason of GDP growth is increasing of commercial activity. However it doesn't speak about impact into general economic stability, as these taxes couldn't regulate individual and corporate income and just reflect favorable conditions on aluminum and cotton world market.

Figure 4. Property and land tax, excises, sales tax, VAT and GDP

	2001	2002	2003
Property and land tax	0,59%	0,57%	0,58%
Excises, sales tax, VAT	7,83%	8,76%	9,34%
Total	8,42%	9,32%	9,92%
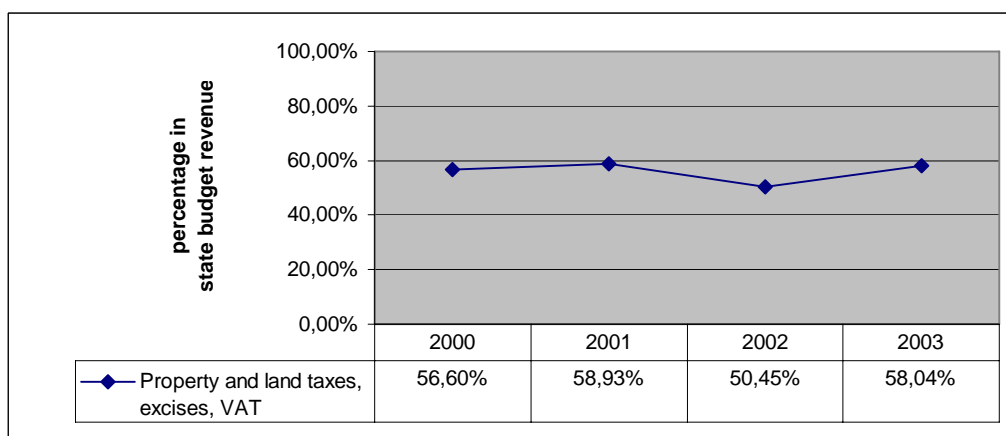
Figure 5. Share of property tax, excises, sales tax, VAT in state budget revenue

	2000	2001	2002	2003
Property and land taxes, excises, VAT	56,60%	58,93%	50,45%	58,04%

Nevertheless the result of conducting fiscal policy and tax reform real GDP grew for last 3 years approximately on 10% each year, state budget revenues increased from 15,1 to 17,2% from GDP. And finally poverty reduced from 83% in 2001 to 68% in 2003.

The benefit principle of taxation requires that taxes be based on the level of benefit a taxpayer receives from public services. When a public service is financed exclusively from a benefit tax, it will be produced in such a quantity (and quality) that its costs do not exceed its benefits. The benefit principle can thus ensure that the provision level of public goods will approximate the socially optimal level as much as possible.

Taking as example two local and state taxes – tax from the vehicles owners and highway users tax – we could say that the benefit principle is kept. But it is very difficult to evaluate is current revenue assignment and tax system in general justifiable by the benefit principle, for example if we will take local non-commercial organisation, which provide basic social services, they are levied by the same taxes as commercial organisation, purposes of which – making the profit. In some cases the tax policy completely conflict with benefit principle.

Analyzing how local taxes comply with benefit principle it is expedient to test each tax one by one. Retail sales tax in theory could be good source of local revenue just in case if it is surcharges or standalone tax. In Tajikistan it is standalone local tax, so we could say that in this case Tajikistan keep the rule (especially as regarding GDP theirs share is stable, ref. Fig. 4). Property taxes, such as real-estate and vehicle owners proved to be local tax if property and population are homogeneous and ownership of property is widespread. Most population have privatized their homes, small and medium enterprises in private hands so here Government made right decision assigned these taxes to local level. But as we could see below (next question) not everything is so easy. And as was mention above, vehicle owners tax answers on benefit principle. All revenues collected from this tax toward to the State Road Fund, which expenses do to local roads maintenance, construction and repairing.

What concerns fiscal autonomy, although two characteristics of the fiscal autonomy: Own revenues and subsidiary[1] in taxation, – are kept, there no enough

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[1] "Subsidiary" principle means that responsibility for the provision of services should be at the lowest level of government compatible with the size of "benefit area" associated with those services. Compliance with this principle is important to minimize the tendency to vertical imbalance, which exists because subnational governments have difficulty implementing many taxes, but higher levels of government can implement almost any tax that a lower level of government can implement. The Tax Assignment Problem: Conceptual and Administrative Considerations in Achieving Subnational Fiscal Autonomy by Charles E. McLure, Jr. Hoover Institution, Stanford University, Stanford California © World Bank, 1999

subnational fiscal autonomy. Local governments are limited with revenue sources (by the law on public finances) and it is impossible to have marginal revenues[2].

Concerning Accountability: in accordance with law quarterly reports on budget implementation submitted by ministries and central authorities, and local governments to Ministry of finance. After approving, quarterly report submitted to the Government and local governments to publish them in mass media. Annual budget implementation report is checking by State Financial Control Agency. Deputy Council of the country reviews this report with the budget draft for the next fiscal year.

In accordance with OECD standards we could say that Tajikistan come under D4 category of the level of tax autonomy, because all rates and shares of sub-central taxes defined in Annual Budget Law.

Talking about tax exporting and tax competition it is necessary to say about several conditions. First, the fiscal autonomy of the local governments is spreading on defining the rates of the three local taxes, listed above. Second, industrial objects located in certain places and not equal in all jurisdictions (ref. Diagramms on pic. 6). Third, trade takes biggest part in GDP. Forth, general sales taxes are defined on destination-basis. RST rate could be appointed in diapason from 0 to 3% by subnational governments. Value added tax rate defined in Tax code and is regulating tax, almost hundred percent (except most rich localities) leaved in jurisdiction as its revenue. Proceeding from the existed practice of the taxation and

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[2] Marginal revenues. Even if subnational governments have own revenues, they may not be able to affect the amount of revenue they receive. This is true, for example, if the central government shares revenues from certain taxes with subnational governments. In such a case, the own revenues of subnational governments are not marginal revenues. By comparison, if subnational governments legislate and implement their own taxes--or even if they are allowed to impose surcharges on the taxes levied by the central government at rates they choose, they can affect the amount of revenues they receive. This distinction is crucial, because subnational governments must be assigned sources of marginal own revenues - own revenues whose level they can control - if they are to be truly autonomous. Only by choosing to pay higher or lower taxes can residents of subnational jurisdictions choose the level of public services they want. An important prerequisite for the exercise of subnational fiscal autonomy is thus the ability to choose tax rates. The Tax Assignment Problem: Conceptual and Administrative Considerations in Achieving Subnational Fiscal Autonomy by Charles E. McLure, Jr. Hoover Institution, Stanford University, Stanford California © World Bank, 1999
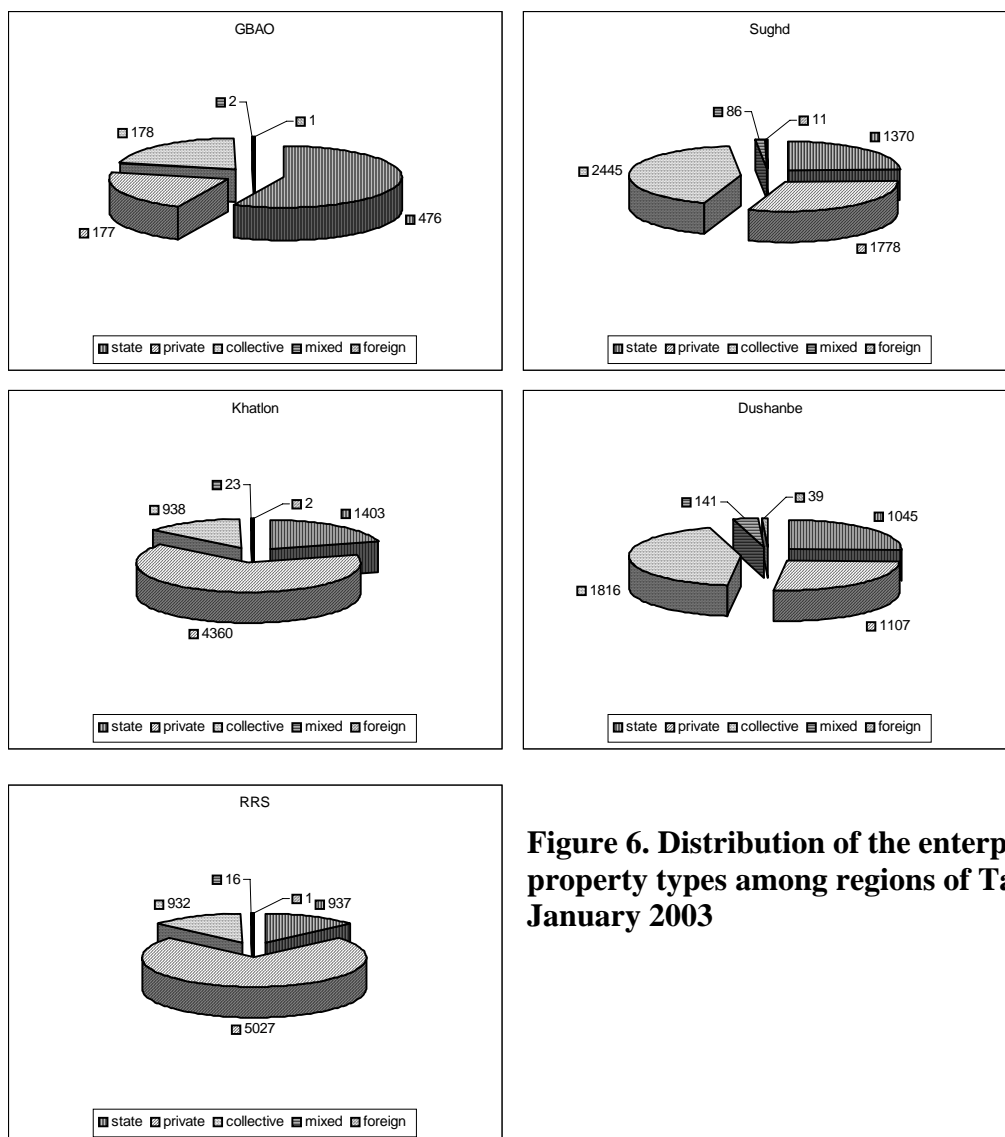
Figure 6. Distribution of the enterprises of different property types among regions of Tajikistan on 1st January 2003

economic conjuncture there is no place for the problems from tax exporting and tax competition, because local market demand is limited and most attractive place for supply is the capital of the country (income level is highest in Dushanbe). Therefore only 35% of the revenue form VAT and 20% from Income tax left in the Jurisdiction of Dushanbe.

It would be interesting also to define the method used in Tajikistan in revenue assignment. To do this we should define:

✓   which level of government chooses the taxes from which subnational governments receive;

✓ which level of government defines the tax base(s);

✓ which level of government sets the tax rate(s); and

✓ which level of government administers the tax(es).

Besides we have to understand what is expected from using of one or another method of revenue assignment. These are: they should provide fiscal autonomy for subnational governments, they should be easy to comply with and administer, they should be fair and neutral, and they must accommodate interjurisdictional redistribution if necessary.

So taking into consideration listed features we could outline four methods, which are using in international practice of revenue assignment: *(1) Independent subnational legislation and administration; (2) subnational surcharges; (3) tax sharing; (4) revenue sharing.*

Base on mentioned above we could say that method of revenue assignment used in Tajikistan is *tax sharing*. All tax rules defined in Tax code, which provides with type of the local taxes, tax base, instructions for the administrations, only tax rate in limited range is the subject for changing by subnational government.

No changes regarding approach done during economical reforms in Tajikistan. The power of the subnational government to define tax rates exists since the Soviet time. Even more, the local enterprises income tax's rate was also under decisions of the local authority that now is under national jurisdiction, this was cancelled after new tax code adopting in 1998. The analysis of current situation shows that in given conditions (low GDP, lack and low level of the expertise for tax managing, budget deficit) existed approach of the revenue assignment is appropriate. Further development will show and lead for the changing of this aspect of the finance policy.

Individual income tax, SME tax, paid by simplify system, entrails of the earth' users tax and VAT (as it imposed on each step of production) are lead to serious

horizontal disparities. Private sector more or less developed in the districts with available production inputs and high level of consumption (to minimise transportation expenses). On the other hand there are more remote districts with low private business activity in Tajikistan (93% of the territory is high mountainous not appropriate for agriculture activity – traditional sector of the economy) and so there is inappropriate level of tax revenue and public services are on the lowest level.

While not traditional areas of the private sector will be developed, such as tourism, intellectual services, folklore arts, the existed tax assignment approach will lead to worse horizontal disparity. Fortunately government is working under developing policy, which should motivate entrepreneurs to enter on these new markets. And many aid projects run in most poor areas and their assistant party covered expenses on basic social services.

Share of local budgets in state budget is equal to 30-40%, this speaks about high vertical disbalance. One reason led to this situation is high-centralized budget process as it was mentioned in the beginning of the article.

The legislation of Tajikistan defines the state budget expenditures based upon minimal social standards of budget insurance and the basic requirement of public services. However, in accordance with Poverty Reduction Strategy Paper improvements in the social sectors must be undertaken. For example, in the health sector a per capita financing mechanism for basic health must be developed. In the education sector a review of the financing and tax code should be established on a local level to provide a graduated method of taxing the population. As it now stands, school fees are uniform, which is burdensome to the poor families, while the children of wealthy parents go to private schools or universities. A review of the methods of financing of public education would permit the increase of teacher salaries, and the distribution of teaching hours per staff member in a more equitable fashion throughout each region.

There were developed specific targets for each sector in Poverty Reduction Programme. All of them direct on increasing of efficiency and effectiveness of provided services:

- The social protection policy priorities aimed at reducing poverty are: improved operational efficiency of the cash compensation scheme, including better targeting; raising the level of benefits; pension reform; and addressing the problems of institutional care.

- The main objectives of the poverty reduction strategy in education are to increase access of the poorest to both primary and secondary schooling and to raise its quality.

- Priorities for health care in the poverty reduction strategy include development of the system of primary health care and improvement of the quality of care as a means of providing greater access for the poor, ensuring affordability of services, strengthening public health services, and improving medical statistics.

Unfortunately, there is no any strategy for housing development in Poverty Reduction Strategy Paper.

There is very low level of public utilities providing in Tajikistan, although there are tariffs defined and citizens are paying them to the budget. It seems that public utilities system should be revised in accordance with current situation. What kind of services have to be include, if water supply, energy, garbage collection are paid separately, heater system was destroyed after Soviet Union collapsed and during citizen war and was not repaired on most territory of the country? It is necessary to conduct feasibility study of advantages and disadvantages of providing these services (public utilities) either by private companies, and therefore revenue from the income taxes from these companies will be more then

this useless law communal tax, or by local governments but in more efficient manner.

One of the reasons for the inefficiency of public services and utilities is the lack of accurate methods for recording rates of consumption. The Ministry of Finance and the Public Service Ministry should design methods of measuring consumptions of services on the basis of aggregate expenditures or on an average cost approach. To improve the delivery of public services and utilities it is important to strengthen the capacity of regional governments and revise methods of assessing expenditures based upon local needs and local rates of consumption.

The whole system in Tajikistan is very specific, and this is true for the system of revenue assignments as well. At first sight it seems to be very centralized, however, considering the specific circumstances the Poverty Reduction Program seems to be a very effective an efficient program for handling the most crucial problems of the country. With other words, decentralization is not good everywhere and every time. Social protection, education and health care are very complex sectors that require both local and central government participation. This is a highly debated area in the literature, and different countries have very different models for treating it. The public utilities sector is a completely different case, in that area some local autonomy is highly recommended.

To engineer devolution in more empowering ways Tajikistan as with strong traditional civil structures at the lowest levels of government can use these and its resource limitations. Improvements in the budget process are already under way via tax policy and budget reform projects, but it is important to ensure that the budget process is both more predictable and more focused on service results. To do this, intergovernmental transfer amounts must be more fixed and more closely tied to devolution of service delivery. Additionally, consultations with local citizens about expenditure priorities are a gap that needs to be filled.

Decentralization process requires not immediate change of current system, but step by step its development. So if as starting point we will take public satisfaction with public services, first of all it is necessary to conduct information campaign with communities on self-government issue (economical and social sides of it); also it is necessary to prepare experts to work in local authorities; further work consists in legal proof of political and fiscal autonomy of local self-government authorities. The last one most of all requires involving of experts.

List of Tables:

List of illustrations:

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