



REPORT

on needs assessment for enhancing the legal and institutional framework for governance of state-owned enterprises under the Ministry of Industry and New Technologies of the Republic of Tajikistan

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Acronyms

MINT – Ministry of Industry and New Technologies of Tajikistan
SCISPM – State Committee on Investments and State Property Management of Tajikistan
OSCE – Organization for Security and Cooperation in Europe
OECD – Organization for Economic Cooperation and Development
SEI – State Educational Institution
SOIE – State Owned Industrial Enterprise
ACS – Automated Control System
SUE – State Unitary Enterprise
SSI – State Scientific Institution
RI – Research Institute
OJSC – Open Joint Stock Company
NLA – Normative Legal Act
SOE – State-Owned Enterprise ¹
RT – Republic of Tajikistan
SB – Supervisory Board
BD – Board of Directors²
WB – World Bank

¹ For the purposes of this Report, the concept of “state-owned enterprise” and “state-owned industrial enterprise” include any enterprise where the state owns a 100% share or has a majority share (51% or more).

² For the purposes hereof, the concept of “board of directors” and “supervisory board” are considered synonymous.

Executive summary

Under the scope of this Project, an analysis of the existing legal base, institutional framework and management practices of state-owned enterprises under the Ministry of Industry and New Technologies of Tajikistan, as well as international best international practice has been performed in order to identify further way of reforms and actions needed to ensure more effective control and governance of state-owned enterprises in field of industry, increasing the efficiency of their activities and improving legal regulation.

The analysis included the review of various legal and regulatory acts of Tajikistan in the field of industry and SOEs' governance. Additionally, within the framework of the Project, Principles/Guidelines on corporate governance of state-owned enterprises of OECD and World Bank (WB) have been taken into account.

The analysis has revealed that the existing legal and institutional framework for governance of state-owned enterprises, in particular industrial enterprises, requires further improvement, with a view to best practice, positive experience of other countries and strategic development goals adopted at the state level, namely the industrial and innovative development of the national economy of Tajikistan with further transition from an agrarian-industrial to an industrial-agrarian economy.

The performed analysis has showed that some laws in the field of corporate governance, industry and new technologies, which were adopted more than 10 years ago, require revision and adaptation, since they do not reflect the current conditions and needs of the national economy and industry, in particular the Law of RT "On State-Owned Enterprises" (2004), Law of RT "On Joint Stock Companies" (2007), Law of RT "On Technology Park" (2010), Law of RT "On Innovation Activities" (2012). Based on information of the Ministry of Industry and New Technologies of Tajikistan, a draft new Law of Tajikistan "On the Technology Park" has been developed and is pending consideration and agreement by other state authorities of Tajikistan.

The comparative analysis has revealed that the regulations of some state authorities, in particular the Ministry of Industry and New Technologies of Tajikistan, Ministry of Finance of Tajikistan and State Committee on Investments and State Property Management of Tajikistan require revision and improvement in order to clearly determine their competence, exclude duplication of powers and consider the changes in the legislation of Tajikistan that took place in the recent 5-7 years in the sphere of industry, finance and state property management.

The analysis has determined that the legislation of Tajikistan lacks clear criteria for assessing the performance and effectiveness of management of state-owned enterprises. In practice, often a formal criterion is applied, namely, the share of profits paid to the state budget is assessed. At the same time, the effectiveness of implementation of the set plans, goals and objectives, including the efficiency of the use of state property by a state-owned enterprise, is not properly taken into account.

The analysis has also showed that the mechanism and forms for performance reporting of state-owned industrial enterprises (monthly/quarterly/annual performance reports) require further improvement with a view to international standards.

At the legislative level, a number of important documents still have to be developed and adopted to improve the corporate governance of state-owned enterprises and thereby increase their efficiency. In particular, the procedures for remuneration of members of the supervisory boards, CEOs and their senior management of state-owned enterprises have to be established, since there is no clear criteria for their selection and appointment, as well as for evaluating their performance, the procedures for forming a reserve of managerial personnel and maintaining a register of candidates for the position of CEO, deputy CEO, member of a supervisory board of a state-owned enterprise have to be defined.

Also, it is advisable to develop and approve standard forms of charter and other corporate documents for state-owned enterprises, considering their legal form (JSC, SUE, LLC) and best international practice, which will establish uniformity and improve their activities.

The analysis has revealed that the current legislation of Tajikistan, as well as the charters of SUEs which were provided for review, do not contain a requirement for mandatory internal control and risk management in SOEs operating in the form of SUEs. In addition, they do not contemplate the requirement to conduct an independent audit of financial statements and the mandatory publication of annual financial statements confirmed by an independent auditor.

Accordingly, it is advisable to revise the current legislation of Tajikistan in order to establish requirements for mandatory internal control and risk management, external audit, disclosure of information and publication of reports, ensuring public access to them using web communications.

1. Legal base, institutional framework and reforms in the field of SOEs management

Currently, an extensive legal base has been developed and is in force in Tajikistan, which regulates the issues of control and management of state-owned industrial enterprises, such as various legislative acts, including codes, laws and secondary legislation. The list of main legal acts and other documents regulating governance issues in state-owned enterprises in Tajikistan includes:

- Civil Code of Tajikistan (Part I);
- Constitutional Law of Tajikistan “On the Government of the Republic of Tajikistan”;
- Law of Tajikistan “On State-owned enterprises”;
- Law of Tajikistan “On Joint Stock Companies”;
- Law of Tajikistan “On Limited Liability Companies”;
- Law of Tajikistan “On Insolvency (Bankruptcy)”;
- Law of Tajikistan “On State Industrial Policy”;
- Law of Tajikistan “On Internal Audit in Public Sector Organizations”;
- Law of Tajikistan “On Innovation Activities”;
- Law of Tajikistan “On Technology Park”;
- Law of Tajikistan “On Protection of Competition”;
- Law of Tajikistan “On Industrial Safety of Hazardous Production Facilities”;
- Regulations of the National Council for the Development of Industry under the Government of Tajikistan;
- Regulations of the Ministry of Industry and New Technologies of Tajikistan;
- Regulations of the Ministry of Finance of Tajikistan;
- Regulations of the State Committee on Investments and State Property Management of Tajikistan;
- Regulations of the Service on State Supervision of Safe Conduct of Works in the Industry and Mining under the Government of Tajikistan;
- Regulations of the Service of State Supervision over the Use of State Property of Tajikistan;
- Procedures for Establishment and Liquidation of Internal Audit Unit in Public Sector Organizations;
- List of Open Joint-Stock Companies Where a Special Right (“golden share”) Applies;
- Various programs, concepts and strategies for development of the national economy, industry and particular sectors of economy.

Therefore, the institutional framework for managing and controlling the activities of state-owned enterprises operating in the industrial sector includes the following state bodies:

- the Government of Tajikistan;
- the Ministry of Finance of Tajikistan;
- the Ministry of Industry and New Technologies of Tajikistan;
- the State Committee on Investments and State Property Management of Tajikistan;
- the Service of State Supervision over the Use of State Property of Tajikistan;
- Other state authorities involved in governance of state-owned enterprises or having control or supervisory powers in relation to them.

It is worth noting that the reforms of the legislation of Tajikistan in the field of industry and governance of state-owned enterprises over the past 5-7 years included:

- adoption of new laws aimed at the development of regulation in the industry, in particular the Law of Tajikistan “On Oil and Gas” (2015), the Law of Tajikistan “On State Industrial Policy” (2017), the Law of Tajikistan “On Protection of Competition” (2017);
- making amendments and additions to existing laws and regulations, including the Law of Tajikistan “On State-Owned Enterprises” (in 2020), the Law of Tajikistan “On Insolvency (Bankruptcy)” (in 2019), the Law of Tajikistan “On Internal Audit in Public Sector Organizations” (in 2016 and 2020), Law of Tajikistan “On Industrial Safety of Hazardous Production Facilities” (in 2020);
- approval of the National Development Strategy of the Republic of Tajikistan for the period up to 2030 (in 2016) and the Strategy for the Development of Industry of the Republic of Tajikistan for the period up to 2030 (in 2018);
- approval of the Template Regulations for the Supervisory Board of a State-owned Enterprise (in 2020);
- approval of the List of state-owned enterprises where supervisory boards should be created, and the list of state-owned enterprises where supervisory boards and CEOs should be created and appointed by the Government of Tajikistan (in 2020);
- approval of the Procedures for Establishment and Liquidation of Internal Audit Unit in Public Sector Organizations (in 2021),
- making amendments and additions to the regulations of state authorities, in particular to the Regulations of the Ministry of Industry and New Technologies of Tajikistan (in 2016, 2017, and 2020), Regulations of the State Committee on Investments and State Property Management of Tajikistan (in 2017, and 2018) and the Regulations of the Service on State Supervision of Safe Conduct of Works in the Industry and Mining under the Government of Tajikistan (in 2019, and 2021);
- approval of a new edition and / or making amendments to the charters and regulations of the supervisory boards of large state-owned industrial enterprises, such as OJSC “Tajik Aluminum Company”, OJSC “Tajiktransgaz”, OJSC “Sementi Tojik” (in 2015 and 2019).

According to the current legislation of Tajikistan, state-owned enterprises are normally established in the form of SUE and OJSC, less commonly they are established in the form of LLC. In general, the regulation of activities of state-owned enterprises at the legislative level has a unified (uniform) character, in terms of establishment (registration), licensing, reorganization and liquidation, including bankruptcy (insolvency) and protection of competition.

At the same time, specific restrictions, requirements and rules applicable to state-owned enterprises may differ depending on their organizational and legal form. Therefore, for example, SUEs are restricted in activities that they may conduct, to the list of activities indicated in their charters.

In turn, OJSCs are required to publish annual financial statements, confirmed by an independent auditor, and other information provided for by the legislation of Tajikistan, while such a requirement is not established by the legislation of Tajikistan in relation to state-owned enterprises operating in the form of SUE and LLC.

In addition, specific rules apply to OJSCs and LLCs regarding the work of supreme management bodies, in particular the procedure for holding meetings of shareholders (participants), establishing a quorum, voting and making decisions, a “golden share” rule (in OJSCs), etc. while in SUEs there are basically no such rules.

Taking into account the process of state property privatization, the trend towards corporatization of state-owned enterprises, the intentions of the state to develop the securities market and, in general, the need to attract private investments into the national economy, it is advisable to consider revising the current legislation of Tajikistan that regulates the activities of both joint-stock companies and LLC, so that it meets modern requirements and best international practice to a greater extent and complies with the level of development of corporate legislation of foreign countries.

In addition, a number of laws regulating governance of state-owned enterprises, industry and new technologies, were adopted more than 10 years ago, and require revision and adaptation, since they do not reflect the current conditions and needs of the national economy and industry, in particular the Law of Tajikistan “On State-Owned Enterprises” (2004), Law of Tajikistan “On Technology Park” (2010), Law of Tajikistan “On Innovation Activities” (2012).

Thus, the current legal base governing the state-owned industrial enterprises, as well as the abovementioned reforms in this area, indicate the consistent development of the legal and institutional framework and the need to identify further steps necessary to improve them. The analysis of such needs assessment for enhancing the legal and institutional framework for governance of state-owned industrial enterprises under the Ministry of Industry and New Technologies of Tajikistan is given below.

2. Mandate of the Ministry of Industry and New Technologies of Tajikistan in the field of SOEs management

In accordance with the Regulations of the Ministry of Industry and New Technologies of Tajikistan³, this Ministry is vested with the following functions and powers in the field of governance of state-owned enterprises:

- management, coordination and control of activities of industrial enterprises and organizations, regardless of the form of ownership and departmental subordination;
- development and adoption of normative legal acts on the issues falling within the established scope of activity of the MINT and subordinate enterprises and institutions;
- technical supervision over industrial facilities under construction and expert evaluation of new implemented technologies;
- methodological guidance and coordination of activities of industrial enterprises and other organizations to protect state interests and ensure the safety of industrial facilities;
- participation in the prescribed manner in the process of corporatization and privatization of state property, formation of the securities market, implementation of legislation on bankruptcy issues;
- performing works on computerization, maintenance and protection of database of the industry sector and registry of information on industrial entities, organization of information support for the industry sector;
- coordination and control over the implementation of annual plans for the development of mining operations of enterprises licensed to the development of minerals, coal and commonly occurring mineral resources;
- control and supervision over the compliance by legal entities and individuals with the established standards, norms and rules for the development of mineral deposits and commonly occurring mineral resources.

In order to fulfill its functions and powers, the Ministry of Industry and New Technologies of Tajikistan has the right to request and receive in accordance with the established procedure the information which is necessary for making decisions on issues within its competence.

In addition, according to the Regulations of the Ministry of Industry and New Technologies of Tajikistan, the following functions and powers are vested directly to the Minister of this state authority:

- in accordance with the established procedure, appointment and dismissal of CEOs of enterprises and institutions, the share of which belongs to the state and their operational management is entrusted to the Ministry;
- agreement in the prescribed manner and approval of charters of enterprises and institutions subordinate to the MINT;
- approval of annual work plans and forecast indicators for activities of enterprises and institutions subordinate to the MINT, as well as reports on their performance;
- making proposals to the Government of Tajikistan for appointment and dismissal of CEOs of enterprises and institutions subordinate to the MINT;

³ Approved by the Resolution of the Government of Tajikistan dated 3 March 2014, №147 (as amended).

- appointment and dismissal upon the recommendation of CEO of enterprises and institutions subordinate to the Ministry, their deputies and heads of leading departments;
- issuing orders having regulatory character, and as well as orders of non-regulatory nature on operational and other current issues to organize the activities of the MINT.

The analysis of the Regulations of the Ministry of Finance of Tajikistan⁴ has shown that the said Ministry is vested with the following functions and powers in the field of governance of state-owned enterprises:

- carrying out regular monitoring of financial and economic activities of large state-owned enterprises, as per the list approved by the Government of Tajikistan;
- receiving from large state-owned enterprises, the list of which is determined by the Government of Tajikistan, financial plans for upcoming year and their reports on financial and economic activities and a report on their external audit;
- consideration and approval of financial plans of large state-owned enterprises, the list of which is determined by the Government of Tajikistan;
- in case of necessity, making a proposal to amend financial plans of large state-owned enterprises, the list of which is determined by the Government of Tajikistan.

During the analysis, no legal acts have been identified that establish a list of large state-owned enterprises in respect of which the Ministry of Finance of Tajikistan has the right to monitor, coordinate and control their financial and economic activities and financial plans. Accordingly, considering that the Ministry of Industry and New Technologies of Tajikistan has similar powers in relation to state-owned industrial enterprises subordinate to the MINT, there is a possibility for duplication of the powers of these two ministries to control financial and economic activities and financial plans of state-owned industrial enterprises.

The powers of the Service of State Supervision over the Use of State Property of Tajikistan, in accordance with its Regulation⁵, include:

- supervision and control over the safety and efficient use of state property assigned to state-owned enterprises and institutions, as well as transferred in the prescribed manner to other legal entities and individuals;
- control over the execution of state property rent agreement and timely charging rent payments;
- with the consent of the SCISPM and in accordance with the current procedure, transfer of state property for rent and control over its effective use;
- with the consent of the SCISPM, analysis and control of the correctness of accrual and payment of dividends, as well as other funds on shares of joint-stock companies, in the authorized capital of which there are shares pertaining to the state;
- in accordance with the current legislation and within the established powers, inspection of economic entities on the safety and use of state property;
- upon detection of facts of illegal use of state property, suspension of its use until the settlement of relevant documents;

⁴ Approved by the Resolution of the Government of Tajikistan dated 2 April 2015, №187.

⁵ Approved by the Resolution of the Government of Tajikistan dated 3 March 2007, №106.

- issuance of mandatory legal and reasonable instructions to the audited economic entities to eliminate the identified violations.

It appears that, in order to manage and control state-owned industrial enterprises and their property more effectively, it is reasonable to give the Ministry of Industry and New Technologies of Tajikistan the authority to agree on the commercial terms of rent agreements (including amendments and additions to them) in respect of the property of enterprises and organizations subordinate to the MINT.

According to the Regulations of the State Committee on Investments and State Property Management of the Republic of Tajikistan⁶ (“SCISPM”), this Committee is vested with the following functions and powers:

- implementation of the state policy to prevent the insolvency of state-owned enterprises and the implementation of bankruptcy legislation;
- on behalf of the state, exercising the powers of a shareholder (stockholder) in joint-stock companies that have a state-owned stocks (shares);
- managing the activity on restructuring, reorganization and liquidation of enterprises and other state organizations;
- analysis of the financial and economic standing of enterprises where the state owns shares;
- participation in the management of state property (state shares) through the authorized representatives in the boards of directors, governing bodies, meetings of shareholders of joint-stock companies;
- performing the function of protecting the interests of the state as an owner;
- coordination of restructuring processes at enterprises, covering all types of enterprise activities, contributing to cost reduction, elimination of unprofitable activities and creation of an effective management mechanism;
- management of state-owned shares in joint ventures established with the attraction of domestic and foreign investments and direct participation through their representatives in the boards of directors (supervisory board) and general meetings of shareholders;
- introduction of a corporate governance system aimed at radically increasing the role of shareholders, supervisory boards and other internal management bodies in joint-stock companies with a state-owned share, increasing the responsibility of the executive bodies of enterprises and other organizations for the results of their activities;
- in accordance with the established procedure, obtaining information from management bodies, legal entities and individuals which is necessary for making decisions on issues within its competence;
- in accordance with the established procedure, submitting proposals on behalf of the state for candidates for election to the management bodies of joint-stock companies with a state-owned share, appointing and dismissing them;
- making decisions on voluntary liquidation or reorganization of insolvent state-owned enterprises;

⁶ Approved by the Resolution of the Government of Tajikistan dated 28 December 2006, №590 (as amended).

- appointment of representatives to boards of directors (supervisory boards) and general meeting of shareholders to manage state-owned shares and participation interests in joint-stock companies and joint ventures in accordance with applicable law;
- approval of normative and legal acts within the limits of its powers to regulate the management of state property, liquidation, bankruptcy of insolvent enterprises;
- appointment and dismissal of CEOs of joint-stock companies, all shares of which are owned by the state, unless otherwise provided by the normative and legal acts of Tajikistan;
- submission of proposals for appointment and dismissal of CEOs of joint-stock companies, which are within the competence of the Government of the Republic of Tajikistan.

The comparative analysis of powers and authorities of the SCISPM and MINT in terms of managing state-owned enterprises allows us to conclude that they are significantly similar. Considering that in the system of the Ministry of Industry and New Technologies of Tajikistan there are enterprises (joint-stock companies) with a 100% share or with a majority share of the state, it can be assumed that they are subject to dual management and control, on the one hand by the SCISPM, which exercises the powers of the founder (shareholder, participant), on the other hand, by the Ministry of Industry and New Technologies of Tajikistan as an authorized body, under which these enterprises operate.

As an example, OJSC “Korkhonai Kimiyovi” can be named where the state, represented by the SCISPM, owns 60% shares, but this enterprise is included into the system of the Ministry of Industry and New Technologies of Tajikistan and, accordingly, it should be under its governance and control. On the one part, this situation leads to duplication of powers, and on the other part, it does not allow the Ministry of Industry and New Technologies of Tajikistan to effectively manage and control the activities of its subordinate enterprise, since it does not have the ability to appoint its representatives to the board of directors (supervisory board), and participate in general meetings of shareholders, as well as otherwise govern and control their activities.

At the same time, the analysis has shown that some regulatory functions of the Ministry of Industry and New Technologies of Tajikistan are assigned to enterprises subordinate to the MINT. Thus, the system of the Ministry of Industry and New Technologies of Tajikistan includes SUE “Angishti Tojik” and coal mining enterprises, regardless of the form of their ownership. Concurrently, within the Ministry of Industry and New Technologies of Tajikistan, there is a department of coal industry which implements the unified state policy and legal regulation in the coal industry. The competence of the above department includes management, coordination and control of activities of coal mining enterprises.

An analysis of the provisions of the Charter of SUE “Angishti Tojik” has shown that this enterprise also exercises departmental control over the enterprises operating in the coal industry, together with the MINT it controls over the compliance with the conditions of the issued licenses for subsoil use, industry rules, instructions, regulations and requirements, sets volumes of production, sales and reserves of coal for such enterprises, monitors their financial and economic activities, provides relevant reports and information to the Ministry of Industry and New Technologies of Tajikistan. This provision is generally consistent with the Law of Tajikistan “On State-Owned Enterprises”, according to which one of the main tasks of a state-owned enterprise

is to carry out activities in function areas of the state, however, it can negatively affect the competition conditions, as it puts other coal mining enterprises, including private enterprises, in an unequal position as compared to SUE “Angishti Tojik”.

Therefore, the analysis has revealed that the Regulations of the Ministry of Industry and New Technologies of Tajikistan, the Ministry of Finance of Tajikistan and the State Committee on Investments and State Property Management of Tajikistan require revision and improvement in order to clearly delimitate their competencies and eliminate duplication of powers.

In addition, the analysis has shown that, along with SUE “Angishti Tojik”, some other state-owned enterprises under the Ministry of Industry and New Technologies of Tajikistan are entrusted with the implementation of a part of controlling functions of the MINT in the field of radioactive waste management (SUE “Fuluzoti nodiri Tojikiston”), mining sector (SUE “Madan”), food industry (SUE “Galla”), etc. Besides the negative effect on the competition conditions, this can also lead to the diversion of significant time, labor and material resources of these enterprises from their main production activities and, consequently, negatively affect their economic performance.

With this in mind, in order to increase the efficiency of economic activities of these enterprises, it is advisable to exclude the exercise by them of the controlling functions of the MINT, and create a separate service under the Ministry of Industry and New Technologies of Tajikistan which will be entrusted with the performance of controlling functions of the MINT in the above-mentioned areas.

Also, according to the information received from the Ministry of Industry and New Technologies of Tajikistan, a subsidiary was established under SUE “Fuluzoti nodiri Tojikiston” to which all functions and tasks in the field of radioactive waste management have been assigned. From this perspective, in general, to increase control in the field of radioactive waste management and implementation of projects in this area, it seems appropriate in the future to create a separate specialized center for radioactive waste management under the Ministry of Industry and New Technologies of Tajikistan and develop a medium- and long-term state program for radioactive waste management in the Republic of Tajikistan (until 2025 and beyond).

Similarly, the analysis of the Regulations of the Ministry of Industry and New Technologies of Tajikistan and the system of enterprises subordinated to it has shown that in order for the Ministry to exercise more effectively the management and supervision powers of state-owned industrial enterprises and increase the efficiency of their activities, it is advisable to revise the structure of the central office of the MINT, and create a separate department for development and promotion of national industrial policy within the MINT, divide the machinery, defense industry and chemistry department into three separate departments (department for development of defense industry complex, machinery department and chemical industry department). Also, it is advisable to consider a possibility for creating cluster (holding) industries in the chemical industry, machinery, metallurgy, light and food industries based on enterprises included in the system of this Ministry, this will allow combining the existing capacities of enterprises, restore well-established production chains and set up the production of industrial products. For this purpose, it is advisable first to transform all SUEs into joint-stock companies.

In addition, according to the Ministry of Industry and New Technologies of Tajikistan, to ensure more efficient accounting, control (monitoring) and production management, it is necessary to introduce an automated control system (ACS) in the MINT itself and at industrial enterprises, which will increase the efficiency of their activities. It should be noted that the ACS is a set of methods and technical means that ensure optimal operation of the enterprise based on the use of automated methods for managing various technological processes using modern software, equipment and means of collecting and processing information. ACS can be used in many types of industrial production to solve the problems of managing multi-component technological facilities, what many industrial enterprises are today. At the same time, ACS can be implemented both for managing a separate technological process or production, and for managing an entire enterprise or organization, or the industry as a whole.

The analysis has shown that according to the Law of Tajikistan “On Inspections of Activities of Economic Entities”, the Ministry of Industry and New Technologies of Tajikistan is not an inspection body, and it does not have the authority to conduct inspections of activities of industrial enterprises. However, such powers, in our opinion, would allow the MINT to more effectively control and manage subordinate industrial enterprises, timely identify and eliminate shortcomings in their activities. Accordingly, it is advisable to revise the Regulations of the Ministry of Industry and New Technologies of Tajikistan in this regard and amend the Law of Tajikistan “On Inspections of Activities of Economic Entities”, giving the MINT the authority to conduct inspections of industrial enterprises.

In addition, the analysis has revealed that the system of the Ministry of Industry and New Technologies of Tajikistan includes a number of scientific and educational institutions, in particular the Tajik Technological University, the Mining and Metallurgical Institute of Tajikistan, SEI “Institute of Tourism, Entrepreneurship and Service”, SI “Design Center for the Development of New Industrial Technologies”, etc., the control of which is carried out by only one division (unit) of scientific and educational institutions of the Ministry of Industry and New Technologies of Tajikistan with a total number of staff only 3 (three) persons, which, in our opinion, is not sufficient and indicates the need for further development and strengthening of the technical capacity of this division (unit) and the potential of its employees.

Also, the system of the Ministry of Industry and New Technologies of Tajikistan includes the SSI “Scientific Research Institute of Industry” and the SSI “State Research Institute “Gizo”, with a total number of employees equal to 60 persons, and whose activities, according to the Ministry of Industry and New Technologies of Tajikistan, requires further improvement. In this regard, in order to strengthen the scientific potential, optimize and increase the efficiency of their activities, it is advisable to consider the possibility of combining these institutes into one research institute (RI) so that all the scientific researches necessary for the industry sector is carried out within the framework of one RI.

3. Supervisory boards of SOEs: appointment procedure, competence, remuneration and performance assessment

According to the Law of Tajikistan “On State-Owned Enterprises”, one of the governing bodies of a state-owned enterprise is a supervisory board, which exercises general management of the activities of a state-owned enterprise, with the exception of resolving issues that fall within the competence of the founder / shareholder of a state-owned enterprise or assigned to the CEO of the enterprise. The provisions on competence of the supervisory board must be established in the charter of the state-owned enterprise. This requirement is provided for in Art. 7 of the Law of the Republic of Tajikistan “On State-Owned Enterprises” and Art. 14 of the Law of Tajikistan “On Joint-Stock Companies”.

The Government of Tajikistan, by its Resolution dated December 31, 2020, №710, approved a list of state-owned enterprises in which supervisory boards should be created. According to this resolution, the State Committee on Investments and State Property Management of Tajikistan and local executive bodies of state power were instructed to create supervisory boards, in agreement with the relevant ministries and agencies, within one month in state-owned enterprises listed the resolution, in particular in the following enterprises subordinate to the Ministry of Industry and New Technologies of Tajikistan: SUE “Korgohi mashinasozi”, SUE “Sadaf”, SUE “Fuluzoti nodiri Tojikiston”, SUE “Nuri Khovar”. However, according to the provided information, at the time of this analysis no supervisory boards were established in the said enterprises.

In addition, by the Resolution of the Government of Tajikistan dated July 30, 2020, №432, the Model Regulations of the Supervisory Board of a State-Owned Enterprise (“Model Regulations of the SB”) were approved.

The legislation of Tajikistan regulating state-owned enterprises and joint-stock companies establishes the following competencies of the supervisory board:

- 1) Art. 11(2) of the Law of Tajikistan “On State-Owned Enterprises”:
 - determination of priority areas of activity of a state-owned enterprise;
 - approval of annual budget, operating, non-operating expenses and a plan of financial and economic activities of a state-owned enterprise in agreement with the authorized state body in the field of finance;
 - approval of major transactions amounting to 30 percent or more of state-owned enterprise balance sheet assets, determined on the basis of accounting data as of the last reporting date, with the exception of property transactions requiring the consent of the founder;
 - approval of annual reports and annual financial statements of a state-owned enterprise;
 - approval of the auditor of a state-owned enterprise and determination of the amount of payment for audit services;
 - consideration and evaluation of report of state-owned enterprise of CEO;
 - approval of distribution of profits remaining at the disposal of a state-owned enterprise after making non-tax payments to the budget by the agreement of the founder or authorized state body;
 - consideration of other issues provided for by law and the charter of a state-owned enterprise.

- 2) Art. 65 Law of the Republic of Tajikistan “On Joint-Stock Companies”:
- determination of priority activities of a joint-stock company;
 - convocation of annual and extraordinary General meetings of shareholders;
 - approval of the agenda of General meetings of shareholders;
 - fulfillment of certain actions in connection with preparation and holding General meetings of shareholders;
 - adoption of annual budget and business plan of a joint-stock company;
 - formation of executive body of a joint-stock company and early termination of its powers if it falls within the competence of Board of Directors (Supervisory Board) according to the charter of a joint-stock company;
 - determination of the size of official pay rates and payment terms of work and awarding of members of executive body (a person solely performing the functions of executive body);
 - approval of major deals in the cases provided by the said Law;
 - determination of information on a joint-stock company or its activity which constitutes internal, commercial or other secrets protected by the law, and also an order of its disclosure by a joint-stock company to the third parties;
 - placement by a joint-stock company of stocks, bonds and other issued securities in the cases provided by the said Law;
 - acquisition of issued securities in the cases provided by the said Law;
 - acquisition of stocks placed by a joint-stock company, bonds and other securities in the cases provided by the said Law;
 - making recommendations on the size of dividends on shares and the order of their payment;
 - determination of the price (money value) of property, the price of placement and the redemption of securities in the cases provided by the said Law;
 - preliminary approval of annual reports, annual accounting records, including reports on profit and loss reports (profits and losses accounts) of a joint-stock company, and also profit distribution and losses of a joint-stock company following a financial year;
 - making recommendations about the amount of remuneration and compensation payable to members to audit committee (auditor) of a joint-stock company and determination of the amount of fees of the auditor;
 - creation of branches and opening of representative offices of joint-stock company;
 - the statement of a registry holder of joint-stock company and terms of the contract with it, and also agreement cancelation with it;
 - formation of temporary sole executive body of a joint-stock company (a director, CEO) before holding extraordinary General meeting of shareholders if formation of executive bodies is referred by the charter of society to the competence of General meeting of shareholder;
 - if necessary, creation of committees for resolution of specific issues at its own expense and at the expense of other employees of a joint-stock company;
 - other issues provided by the said Law and the charter of a joint-stock company.

As noted above, the legislation of Tajikistan applicable to state-owned enterprises, provides for such competencies of the supervisory board as determining priority areas for the activities of a

state-owned enterprise; approval of annual budget and business plan, operating, non-operating expenses and plan of financial and economic activities of a state-owned enterprise. These competencies are established in the charters and regulations of the board of directors of state-owned enterprises -operating in the form of joint-stock companies that are the subject of study for the purposes of this analysis, namely OJSC “Sementi Tojik”, OJSC “Tajiktransgaz”, OJSC “Tajik Aluminum Company”.

One of the areas closely related to corporate strategy is risk control policy. It is understood that such policy defines the types and degrees of risks to be tolerated in a state-owned enterprise, and is applied as a basis for risk management at an enterprise.

The analysis of the charters and regulations of the supervisory boards of the above-mentioned state-owned enterprises has shown that they assigned to the supervisory boards the competence to approve regulations on risk management. Thus, it is deemed that the said joint-stock companies have approved and applied risk management policies (regulations).

Meanwhile, the charters of other state-owned enterprises that were reviewed (in particular, SUE “Fuluzoti nodiri Tojikiston” and SUE “Angishti Tojik”) do not contain provisions on the management and monitoring of risks in enterprises.

The main role of the board of directors is to supervise the management, ensuring that its actions are in the best interests of the enterprise and its owners. According to the World Bank Survey “Corporate Governance of State-Owned Enterprises in Europe and Central Asia” (WB, 2020), effective board of directors of SUE should perform several key functions:

- Determination or approval, monitoring and analysis of corporate strategy;
- Determination of relevant performance indicators and identification of key risks;
- Monitoring of disclosure and communication processes to ensure that financial statements fairly reflect the affairs of the state-owned enterprise and reflect the risks incurred; and
- Evaluation and monitoring of the effectiveness of management of a state-owned enterprise.

Thus, in our opinion, in order to build an effective risk management system and mitigate probable consequences of such risks in state-owned enterprises, as well as to constantly improve the procedures and methods of risk management and reduce losses at an enterprise in the event of adverse risks for the enterprise, we consider it expedient for state-owned enterprises (mainly enterprises established in the form of SUEs) to approve the provisions (policies) on risk management or adopt the risk management practice used in other state-owned enterprises (joint stock companies), if any. The authority to approve the risk management policy should be assigned to the supervisory board of a state-owned enterprise, if there is no such board, then to the executive body of the state-owned enterprise.

The issue of granting legal autonomy to the supervisory board when appointing and dismissing the executive body of a state-owned enterprise, determining the amount of remuneration for the executive body of a state-owned enterprise is also an important element of corporate governance.

According to the Law of Tajikistan “On State-Owned Enterprises”, the authority to appoint and dismiss a CEO of a state-owned enterprise is assigned to the founder of a state-owned enterprise

or an authorized body (i.e., the State Committee on Investments and State Property Management of the Republic of Tajikistan). At that, the CEO of a state-owned enterprise remains to be accountable to the founder and the supervisory board.

The size of official salaries of CEO of a state-owned enterprise, deputies of CEO and a chief accountant, the system of their reward and other remuneration are also established by the owner (founder).

Thus, according to the Model Regulation of the SB, the supervisory board is authorized to make a proposal on the appointment and termination of the powers of the executive body and determine the terms of the employment contract with the executive body.

Thus, the Law of Tajikistan “On State-Owned Enterprises” (applicable to state unitary enterprises and treasury enterprises) does not empower the supervisory board to appoint and dismiss the CEO of a state-owned enterprise.

Meanwhile, the Law of Tajikistan “On Joint-Stock Companies” provides more legal autonomy to the supervisory board on this issue. So, by virtue of Art. 65 of the said Law, the authority to appoint and dismiss a CEO is assigned to the shareholders or, if it is provided for by the charter, to the supervisory board. Also, the competence of the supervisory board of a joint-stock company includes determining the size of official salaries and the conditions for remuneration and reward of a CEO (general director) of the company.

It should be noted that review of internal documents of some business entities subordinate to the Ministry of Industry and New Technologies of Tajikistan, has revealed some inconsistencies regarding this competence.

According to paragraph 26 of the Regulations of the Supervisory Board of OJSC “Sementi Tojik”, approved by the Resolution of the Government of Tajikistan dated 29 October 2015, № 616, the formation of the executive body of the Company and the early termination of its powers are within the competence of the Supervisory Board of the Company. At the same time, according to the Charter of OJSC “Sementi Tojik”, approved by the Resolution of the Government of Tajikistan dated 02 December 2008, № 603 (as amended on 29 October 2015), this authority is assigned to the exclusive competence of the General Meeting of Shareholders (paragraph 23, clause 9.2). Similar contradictory provisions are noted in the Charter of OJSC “Tajiktransgaz” (paragraph 6, clause 9.2.), approved by the Resolution of the Government of Tajikistan dated 29 April 2009, № 256 (as amended on 16 September 2015), and the Regulation of the Supervisory Board of OJSC “Tajiktransgaz” (paragraph 4, clause 26), approved by the Resolution of the Government of Tajikistan dated 16 September 2015, № 568.

In other words, the existing inconsistencies in the internal documents of the mentioned state-owned enterprises which are joint-stock companies does not allow determining by which body the CEO of the enterprise is appointed and dismissed - by the shareholder or the board of directors.

It should be noted that in accordance with the OECD Guidelines on Corporate Governance in State-Owned Enterprises from 2015, *one of the key functions of the Supervisory Board of a state-owned enterprise is the appointment and dismissal of the CEO of the enterprise*. It is also noted that without these powers, it would be difficult for the supervisory board of a state-owned enterprise to fully exercise its monitoring function and assume responsibility for the results of the enterprise’s performance.

In addition, there is a practice in some countries to consult with the ownership entity and supervisory board on the appointment of the CEO of the enterprise. Regardless of the procedure, appointments should be based on professional criteria.⁷

Another important issue is the process and practice of appointing and selecting members of the supervisory board and assessing the degree of structuring, clarity and transparency of existing processes, as well as the degree of certainty of qualification criteria for members of the supervisory board.

In accordance with the Law of Tajikistan “On State-Owned Enterprises”, a number of members of the supervisory board cannot be less than 5 (five) persons. The said Law provides that the selection procedure of members of the supervisory board, holding meetings of the supervisory board, terminating the competence of members of the supervisory board are determined by the Model Regulations of the SB.

According to the Model Regulation of the SB, only an individual can be a member of the supervisory board. At the same time, the CEO or employee of a state-owned enterprise cannot be simultaneously a member of the supervisory board of this state-owned enterprise.

It should be noted that the Model Regulations of the SB establishes an exhaustive list of state authorities whose representatives may become a member of the supervisory board. Thus, the supervisory board of an enterprise belonging to the republican property includes representatives of the Ministry of Justice of Tajikistan, the Ministry of Finance of Tajikistan, the Ministry of Economic Development and Trade of Tajikistan, the State Committee on Investments and State Property Management of Tajikistan, the Tax Committee under the Government of Tajikistan and central sectoral bodies of the enterprise. The supervisory board of an enterprise belonging to communal property includes representatives of the local executive body of state power, local bodies of justice, finance, economic development and trade, as well as local sectoral bodies of the enterprise.

It should be noted that in countries applying best international practice, there is a tendency to diversify the composition of the supervisory board of state-owned enterprises. In accordance with the World Bank Guidelines “Corporate Governance of State-Owned Enterprises: A Toolkit” (World Bank, 2014), supervisory board of a state-owned enterprise composed mainly of government representatives can lead to a weakening of the autonomy in the decision-making process and the responsibility of board members, as a result, negatively affect activity of the enterprise as a whole. *For these reasons, many countries are taking steps to limit the appointment of government representatives in the supervisory board and, where they are appointed, to ensure that they meet the necessary qualifications and have the same obligations and roles as any other board member. In particular, the following practices apply:*

- *Prohibiting ministers and other political appointees from serving on boards, as is the case in many Organization for Economic Co-operation and Development (OECD) and non-OECD countries.*

⁷ 2015 OECD Guidelines on Corporate Governance in State-Owned Enterprises, p. 60.

- *Restricting the number of government representatives on boards while increasing the share of private sector members. In India, for example, SOEs are permitted to have a maximum of two government representatives on the board, usually civil servants from the relevant ministry.*
- *Prohibiting government officials who have a regulatory role from serving on boards.*
- *The appointment should be made to a board where no conflict of interest will arise.*
- *The appointment should be made on the basis of the relevant skills.*
- *The appointee to the Supervisory Board should share the same rights, liabilities and responsibilities as other directors.*
- *The appointee should be responsible for maintaining the same skills and governance competencies as other directors.*

A similar view is reflected in the OECD Guidelines on Corporate Governance in State-Owned Enterprises from 2015. They state that a central prerequisite in empowering supervisory board of SOE is to structure them so that they can effectively exercise objective and independent judgement, be in a position to monitor senior management and take strategic decisions. All supervisory board members should be nominated through a transparent process and it should be clear that it is their duty to act in the best interests of the enterprise as a whole. Supervisory boards of SOEs should also be protected from unlawful and direct political interference.

The main thing for strengthening the objectivity of the board of directors of an enterprise is to nominate a sufficient number of competent board members capable of independent judgment, with appropriate competence and experience, and it would be advisable to invite them from the private sector. This will help make the boards more business-oriented, especially in state-owned enterprises operating in competitive markets.

The WB Guidelines also place great emphasis on the appointment of independent members of the supervisory board to bring objective viewpoints and better governance skills to the boards to enhance the board willingness and ability to represent other stakeholders' interests, and bring new perspectives on strategic directions and market approaches.

An independent member of the supervisory board must not be:

- employed by the company or its related parties, in the past five years;
- a consultant to the company or its related parties;
- affiliated with a significant customer or supplier of the company;
- affiliated with a nonprofit organization that receives significant funding from the company or its related parties;
- a family member of the head of the company.⁸

In many countries, the inclusion of independent directors in the composition of the supervisory board is a prerequisite. For example, in Australia, Sweden, Korea, India, Malaysia, the great majority of members of the supervisory boards of state-owned enterprises are independent directors.

⁸ World Bank (WB) Guidelines "Corporate Governance of State-Owned Enterprises: A Toolkit" (World Bank, 2014), p. 167.

Taking into account the abovementioned recommendations of international organizations, as well as taking into account the best international practice of the world, it is advisable to consider the option of attracting representatives of the private sector to the supervisory boards of state-owned enterprises that meet the selection criteria.

4. CEO and other senior management of SOEs: selection and appointment procedure, competence, remuneration and performance assessment

The current legislation of Tajikistan applicable to state-owned enterprises provides for a different procedure for appointing CEO and other senior management in state-owned enterprises, depending on their organizational and legal form (SUE, OJSC, LLC).

In accordance with the Law of Tajikistan “On State-Owned Enterprises”, the founder (i.e. the Government of Tajikistan) or an authorized body appoints CEO of SUE. At the same time, a list of state-owned enterprises has been approved, where CEOs are appointed exclusively by the Government of Tajikistan, but among them there is no state-owned industrial enterprise.⁹

According to the Law of Tajikistan “On Joint-Stock Companies”, the appointment of CEO (director, general director) of a joint-stock company falls within the competence of the general meeting of shareholders (sole shareholder), if the charter of the joint-stock company does not assign this issue to the competence of the board of directors (supervisory board).

In turn, the Law of Tajikistan “On Limited Liability Companies” establishes that the appointment of CEO (director) falls within the exclusive competence of the general meeting of participants (sole participant), and this issue cannot be assigned for resolving to the board of directors (supervisory board) of the LLC.

In practice, CEO is appointed, as a rule, by the Government of Tajikistan or a body authorized by it, which acts on behalf of the founder. Appointment of CEO of SOE by the supervisory board is not practiced, which also gives an evidence of a formal role of the supervisory boards in management of state-owned enterprises.

In accordance with the above-mentioned Laws, the appointment of other senior management of a state-owned enterprise (deputy directors, chief accountants and other officials) is within the competence of CEO. At the same time, in accordance with the said Laws, the charter of a state-owned enterprise or its internal documents may provide for a condition on the appointment of such persons directly by the owner (founder) and / or a body authorized by the owner (founder) or in concurrence with the owner (founder).

The legislation of Tajikistan applicable to state-owned enterprises does not provide for any criteria for selecting candidates for position of CEO and deputy CEO of a state-owned enterprise and qualification requirements to them. The charter of a state-owned enterprise or its internal documents might establish such criteria and qualification requirements.

At the same time, the legislation of Tajikistan establishes qualification requirements for chief accountants of state-owned enterprises. According to the Template job description of a chief accountant¹⁰, persons having a higher economic education and at least 5 years of work

⁹ Resolution of the Government of Tajikistan dated 31 December 2020, № 710.

¹⁰ Approved by the Resolution of the Government of Tajikistan dated 30 May 2015, № 359.

experience in the similar position are to be appointed to the position of chief accountant of state-owned enterprises and joint-stock companies, where the state holds over a half of equity capital.

The analysis has shown that the current legislation of Tajikistan does not provide for a clear, understandable and transparent procedure for the selection and appointment of candidates to the position of CEO of a state-owned enterprise. Accordingly, in the absence of clear criteria for the selection and appointment of CEO and other senior management staff of SOEs, it is impossible to assess whether certain executives of SOEs qualify for their positions, while the effectiveness of SOEs activities directly depends on the competence and qualifications of CEOs and other senior officials of SOEs. In this regard, it is advisable to develop and implement appropriate criteria based on which it would be possible to select and appoint CEO of state-owned enterprises.

An analysis of the charters of state-owned enterprises provided for review, in particular OJSC “Korkhonai Kimiyovi”, SUE “Fuluzoti nodiri Tojikiston”, SUE “Angishti Tojik”, SUE “Korgokhi mashinasozi”, also showed that they do not contain provisions establishing criteria for the selection of CEOs and other senior management staff, qualification requirements to them, the procedure for reward and assessment of their activities.

It should be noted that the Academy of Public Administration under the President of the Republic of Tajikistan was established in Tajikistan in 2020, on the basis of the Institute of Public Administration under the President of the Republic of Tajikistan, which Academy is an institution of higher professional and postgraduate education that implements the curriculum, researches, and internships for specialists in the field of public administration and the state order for vocational training, retraining, advanced training and internships for civil servants in Tajikistan.

In accordance with the Charter of the Academy of Public Administration under the President of Tajikistan¹¹, it was established to carry out scientific, scientific-methodological, educational, analytical and research activities in the field of public administration and public service and performs, in particular, the following tasks:

- vocational training, retraining, advanced training and internship for civil servants;
- development of proposals and recommendations for improving the system of public administration, civil service and other issues related thereto.

With this in mind, it is advisable to organize trainings and advanced trainings and retraining courses for CEOs and other senior management of SOEs in order to improve their knowledge and skills in the field of SOE management. Such trainings and courses could also be held for members of SOEs’ supervisory boards.

According to the said Laws, the competence of CEO in state-owned enterprise includes managing the day-to-day activities of SOE and resolving issues that are not within the exclusive competence of the highest governance body (i.e. the owner (founder), shareholders, and participants) and the supervisory board. The competence of CEOs in state-owned enterprises may vary depending on their organizational and legal form (SUE, OJSC, LLC), as well as the provisions of charters. An

¹¹ Approved by the Decree of the President of Tajikistan dated 29 February 2020, №1463.

analysis of the legislation of Tajikistan has shown that the competence of CEO in a state-owned enterprise includes all current issues of the enterprise, as well as issues of hiring and dismissing employees, while decisions on certain issues (major transactions, property transactions, investments, etc.) are made in coordination with higher management bodies (owner, supervisory board).

In matters of remuneration and reward, the Law of Tajikistan “On State-Owned Enterprises” provides that the owner establishes the size of official salaries of CEO in SUE, deputy CEO and chief accountant, the system of bonuses and other remuneration.

In turn, the Law of Tajikistan “On Joint-Stock Companies” provides that the supervisory board determine the size of official salaries and the remuneration and reward conditions for CEO of a joint - stock company. The said Law does not regulate the issue of determining official salaries and conditions for remuneration and reward of other senior management. Accordingly, depending on the provisions of a charter or other internal documents of the joint - stock company, CEO of the joint-stock company can resolve this issue independently or in agreement with other management bodies of the joint-stock company, taking into account the requirements of the legislation of Tajikistan.

The Law of Tajikistan “On Limited Liability Companies” also does not regulate the issue of remuneration and reward for CEO and other executives of the company. It seems that this issue should be regulated by labor contracts concluded with these persons.

It should be noted that the legislation of Tajikistan does not provide for any special incentive mechanism for CEOs and other senior management staff of state-owned enterprises for high performance. Accordingly, it can be concluded that this issue is subject to regulation by a state-owned enterprise itself in accordance with its charter or internal documents, or within the framework of labor contracts. In this regard, it is advisable to develop and approve the criteria and conditions for remuneration of CEOs and other senior management of state-owned enterprises, which will increase the transparency and efficiency of their activities.

The analysis has shown that the applicable legislation of Tajikistan does not establish clear requirements and criteria for assessment of the performance of CEOs and other senior management of state-owned enterprises. Despite the fact that the above-mentioned Laws provide for the powers of higher management bodies (the owner, supervisory board) to review reports of CEOs of state-owned enterprises on their activities, these powers are often carried out formally, and the efficiency of state-owned enterprises is evaluated only in terms of the share of profit paid to the state budget, while the effectiveness of implementation by the state-owned enterprises of the set plans, goals and objectives, including efficiency of the use of state property, is not duly assessed.

5. Internal control and audit, risk management in SOIEs

The analysis of the Law of Tajikistan “On State-Owned Enterprises” has shown that it contains only general provision that approval of state-owned enterprise’ auditor and determination of the fee payment amount are within the competence of the supervisory board of a state-owned enterprise. The said Law does not contain any provision regarding internal control and risk management in state-owned enterprises. Only the charters and regulations of supervisory boards of certain state-owned enterprises provide that the competence of the supervisory boards include approval of regulations on risk management.

In turn, the Law of Tajikistan “On Joint-Stock Companies” establishes that the general meeting of shareholders approves the auditor of a joint - stock company and the amount of his remuneration, as proposed by the supervisory board. At the same time, the said Law provides for that a controlling body which is an audit commission (auditor) may be appointed in a joint-stock company in accordance with its charter to exercise control over financial and economic activities of a joint-stock company. Members of the audit commission or the auditor of a joint-stock company cannot simultaneously be a member of the board of directors (supervisory board) of the joint-stock company, as well as hold other positions in the management bodies of the joint-stock company.

Competence of the audit commission (auditor) includes verification (audit) of financial and economic activities of the joint-stock company based on the results of activities during the year, as well as at any time on its (his) initiative, by decision of the general meeting of shareholders, the board of directors (supervisory board) or on the initiative of a shareholder (shareholders) owning in the aggregate at least 10 percent of the voting shares of the joint-stock company. The Law of Tajikistan “On Joint-Stock Companies” provides for that the audit commission (auditor), following the results of an audit of financial and economic activities of a joint stock company, prepare a report and, in case if any violation or risk is revealed, has the right to demand convocation of an extraordinary general meeting of shareholders. However, the said Law does not contain any provision regarding risk management in a joint stock company. It seems that this issue is subject to regulation by a charter or internal documents of a joint-stock company.

The Law of Tajikistan “On Limited Liability Companies” contains provisions similar to the provisions of the Law of Tajikistan “On Joint-Stock Companies” in terms of approval of the auditor and determination of his remuneration by the general meeting of participants of the company, as well as the possibility of appointment of an audit commission (auditor) in the company. These issues are referred to the exclusive competence of the general meeting of participants in the company. At the same time, the said Law provides for detailed provisions governing the activities of the audit commission (auditor). Thus, it stipulates the mandatory appointment of an audit commission (auditor) in case if the company has more than fifteen participants. In addition, the said Law clearly establishes a list of persons who may be appointed as members of the audit commission (auditor) and persons who may not be members. The said Law provides that the audit commission (auditor) of the company is obliged to audit annual reports and balance sheets of the company. Also, the audit commission (auditor) is entitled to have access to all documentation related to the company’s activities and to require from members of the board of directors (supervisory board), sole executive body of the company, members of collective

executive body, and also employees of the company to give necessary explanations in verbal or written form. It seems appropriate to include similar provisions into the Law of Tajikistan “On Joint-Stock Companies”. In addition, the Law of Tajikistan “On Limited Liability Companies”, as well as the Law of Tajikistan “On Joint-Stock Companies”, does not contain provisions on risk management in the company, and refers it to the charter or internal documents of the company.

It should be noted that issues of internal control and risk management in state-owned enterprises are partially regulated by the Law of Tajikistan “On Internal Audit in Public Sector Organizations”. In accordance with the above-mentioned Law, internal audit is an independent and objective activity to audit, evaluate and consult management and other bodies, which is carried out to give an objective and independent opinion on the activities and results of risk management, the quality and effectiveness of financial management and control system, compliance with the legislation and plans of the enterprise (organization, institution), as well as providing consulting assistance by giving recommendations, conclusions, opinions, trainings and explanations to improve the risk management and control of risk.

Internal audit is divided into the following types: system audit, compliance audit with the legislation of Tajikistan, financial audit, audit of performance and information technology audit. The objectives of the internal audit are:

- identification and evaluation of risks in public sector organizations;
- assessment of adequacy and effectiveness of financial management and control systems in terms of identification, assessment and risk management by CEO of an enterprise (organization, institution), compliance with the legislation of Tajikistan, fulfillment of contractual and non-contractual obligations, reliability and comprehensiveness of socially significant information, usefulness, efficiency and cost-effectiveness, ensuring safety of assets and documentation, fulfillment of tasks and achievement of goals;
- development of recommendations for improving the activities of public sector organizations, as well as monitoring their proper implementation.

At the same time, only citizens of the Republic of Tajikistan who have a higher economic or legal education, work experience of at least three years, and meet relevant qualification criteria established by normative and legal acts of Tajikistan may be appointed to the position of an internal auditor.

Internal auditors have the right to receive and check all the necessary documentation and information, as well as request clarifications from officials, as required for the audit. The said Law obliges CEOs of enterprises (organizations, institutions) to provide internal auditors with access to all documents and information necessary for audit and monitoring the financial management and control system. The Law provides that CEO of an enterprise (organization, institution) is responsible for ensuring the activities of internal auditors and for proper performance of their duties. Thus, the duties of CEO include:

- approval of annual and long-term plan of audits, as well as plan of trainings to improve the skills of internal auditors;
- approval of current operational action plan for mandatory and timely implementation of recommendations indicated in the audit report;

- making decisions on mandatory and timely implementation of auditor’s recommendations;
- review of annual analytical report on internal audit;
- provision of information to relevant authorities on violations identified;
- providing logistical and financial resources for implementation of annual and long-term audit plan.

According to the Law of Tajikistan “On Internal Audit in Public Sector Organizations”, CEO of an enterprise (organization, institution) having no structural unit of internal audit is responsible for taking the necessary measures for conducting such audit by the authorized body - the Ministry of Finance of Tajikistan. The duties of CEO in the enterprise (organization, institution) that does not have a structural unit of internal audit include:

- contributing to the creation of necessary conditions for internal audit;
- providing employees of the authorized body with the requested information, as required for audit;
- taking part in the risk assessment;
- approval of operational action plans and making necessary decisions on proper and timely implementation of recommendations provided in the audit report.

According to the Law, internal audit units are accountable to CEO of an enterprise (organization, institution) and must be independent from any other units. In order to ensure independence, the head of internal audit unit and all internal auditors may not be vested with executive or managerial powers, functions or responsibilities, except for those related to fulfillment of internal audit functions, and may not participate in the day-to-day activities of the enterprise (organization, institutions). To avoid conflicts of interest, the internal auditor is prohibited from conducting the audit:

- if he/she has personal or property interests in that part of the object where the audit is carried out;
- if he/she has worked in that part of the internal audit object where internal audit is carried out during the audited period or during the last twelve months;
- other conditions affecting the objectivity and impartiality of the internal auditor, as set out in the relevant standards of internal auditors.

According to the Law of Tajikistan “On Internal Audit in Public Sector Organizations”, internal audit units are created at enterprises, in organizations and institutions owned by the state and financed from the state budget. Accordingly, the said Law does not apply to state-owned enterprises (SUEs) that operate on a commercial basis (cover costs from their own incomes), without funding from the state budget.

At the same time, the analysis has shown that this Law establishes sufficiently detailed provisions governing the establishment and operation of internal audit units, including internal control and risk management. With this in mind, and also taking into account the fact that the sectoral law regulating the activities of state-owned enterprises - the Law of the Republic of Tajikistan “On State-Owned Enterprises”, does not contain provisions on internal control and risk management, it is advisable to extend the Law of Tajikistan “On Internal Audit in Public Sector Organizations” as well as to state-owned enterprises (SUEs, OJSCs, LLCs).

6. Transparency of SOEs' activities: disclosure and reporting requirement

The Law of Tajikistan “On State-Owned Enterprises” does not establish any requirements for transparency of activities of the SOEs and disclosure of information, as well as reporting requirements. However, the above-mentioned Law stipulates that the relationship between an enterprise and the founder or an authorized body, the management of enterprise and employees should be governed by the Charter of the SE.

According to the Regulation on the Ministry of Industry and New Technologies of Tajikistan (“Regulations”), the Minister approves annual work plan and forecast indicators for the activities of enterprises and institutions subordinate to the MINT, as well as their performance reports. Accordingly, these enterprises and institutions must annually submit reports on the performed activities, which the Minister subsequently approves. However, the Regulations do not establish specific requirements for transparency and disclosure of information, as well as reporting.

According to the information provided by the Ministry of Industry and New Technologies of Tajikistan, the mechanism and forms of production reporting of state-owned industrial enterprises require improvement (monthly / quarterly / annual reports on production activities) in accordance with international standards.

The Law of Tajikistan “On Joint-Stock Companies” establishes the following requirements regarding transparency and disclosure of information, as well as reporting:

- a joint-stock company is obliged to provide shareholders with access to corporate, financial and accounting documents of the company, including accounting documents and financial statements, reports of independent appraisers, lists of affiliated persons of the company, annual reports and other documents stipulated by law;
- a joint-stock company is obliged to transfer the abovementioned information to the shareholders of the company within 7 days from the date of relevant request, as well as provide them with copies of these documents;
- an open joint-stock company is obliged to disclose annual report of the company, annual accounting statements (after audit and confirmation of data by an auditor), prospectus of issue of shares of the company, notification on holding of the general meeting of shareholders in accordance with the procedure established by the above-mentioned Law;
- the said Law establishes a mandatory requirement for an audit in order to verify and confirm annual financial statements (annual report and accounting statements) by an auditor who is not connected by property interests with the company or shareholders of the company.

The analysis of charters of SUE “Fuluzoti nodiri Tojikiston”, SUE “Angishti Tojik”, OJSC “Korkhonai Kimiyovi”, State Educational Institution “Technological University of Tajikistan” has shown that they do not stipulate any transparency, disclosure and reporting requirements.

The Law of Tajikistan “On State-Owned Enterprises” provides for a mandatory requirement to define in the charter the relationship between a state-owned enterprise and the founder or an authorized body. According to charters of SUE “Fuluzoti nodiri Tojikiston” and SUE “Angishti Tojik”, the Ministry of Industry and New Technologies of Tajikistan is the authorized body for these state-owned enterprises. Moreover, these enterprises are included into the system of the MINT according to its Regulations. In addition, the Regulations establish that the Ministry of Industry and New Technologies of Tajikistan carries out governance, coordination and control of

the activities of SOEs, regardless of the form of ownership and departmental subordination. However, charters of these state-owned enterprises do not specify the relationship or the procedure for cooperation with the Ministry of Industry and New Technologies of Tajikistan. It should be noted that reporting on activities (information about activities) is the basis for the management, coordination and supervision of industrial activities.

Based on the foregoing, in accordance with the requirements of the legislation of Tajikistan, it is recommended to make appropriate changes to charters of the above-mentioned SOEs regarding the procedure for cooperation with the Ministry of Industry and New Technologies of Tajikistan. In addition, in order to carry out the functions of the Ministry of Industry and New Technologies of Tajikistan related to governance, coordination and control of state-owned enterprises in the industry sector, it is advisable to amend the charters of the above state-owned enterprises, indicating:

- frequency of reporting the information on the activities of the enterprise;
- volume and type of information on activities to be provided (financial and accounting statements, information on completed and ongoing transactions of enterprises);
- ways and methods of presenting information about activities;
- methods for checking and confirming the transparency and reliability of the provided information on activities;
- frequency of inspection of SOEs in order to coordinate and control.

It has been found out during the analysis that according to charter of OJSC “Korkhonai Kimiyovi”, the shareholders thereof are employees (40%) and the State Committee on Investments and State Property Management of Tajikistan (60%). It can be concluded that this company is accountable to two state authorities, which may lead to duplication of powers, taking into account that this company is included into the system of the Ministry of Industry and New Technologies of Tajikistan.

It is worth noting that the OECD has developed a set of Corporate Governance Guidelines for State-Owned Enterprises (the “Guidelines”), which also include transparency, disclosure and reporting issues. In particular, the Guidelines stipulate the following requirements:

- *SOIEs should report material financial and non-financial information on the enterprise in line with high quality internationally recognized standards of corporate disclosure, and including areas of significant concern for the state as an owner and the public. This includes in particular SOIE activities that are carried out in the public interest. With due regard to enterprise capacity and size, examples of such information include:*
 - *a clear statement to the public of enterprise objectives and their fulfilment (for fully-owned SOIEs this would include any mandate elaborated by the state ownership entity);*
 - *enterprise financial and operating results, including where relevant the costs and funding arrangements pertaining to public policy objectives;*
 - *the governance, ownership and voting structure of the enterprise, including the content of any corporate governance code or policy and implementation processes;*
 - *the remuneration of board members and key executives;*
 - *board member qualifications, selection process, including board diversity policies, roles on other company boards and whether they are considered as independent by the SOIE board;*

- *any material foreseeable risk factors and measures taken to manage such risks;*
- *any financial assistance, including guarantees, received from the state and commitments made on behalf of the SOIE, including contractual commitments and liabilities arising from public-private partnerships;*
- *any material transactions with the state and other related entities;*
- *any relevant issues relating to employees and other stakeholders.*
- *SOEs' annual financial statements should be subject to an independent external audit based on high-quality standards. Specific state control procedures do not substitute for an independent external audit.*
- *The state (ownership entity)/authorized body should develop consistent reporting on SUEs and publish annually an aggregate report. Good practice calls for the use of web-based communications to facilitate access by the public.*

When drafting legal acts, charters and other internal documents of SOEs it is necessary to consider the above recommendations in order to harmonize them with international standards.

Key findings

Based on the performed analysis of the legislation of Tajikistan, as well as internal acts of the Ministry of Industry and New Technologies of Tajikistan and the current charters, regulations and other internal documents of certain SOEs subordinate to the MINT, the following key findings have been made:

1. The current legislation of Tajikistan regulating the activities of joint-stock companies, needs to be revised in order to better meet modern requirements and correspond in terms of development to the corporate legislation of foreign countries.
2. A number of laws governing the management of state-owned enterprises, industry and new technologies adopted more than 10 years ago require revision and adaptation to the current conditions and needs of the national economy and industry, in particular the Law of Tajikistan “On State-Owned Enterprises” (2004), Law of Tajikistan “On Technology Park” (2010), Law of Tajikistan “On Innovation Activities” (2012).
3. The Regulations of the Ministry of Industry and New Technologies of Tajikistan, the Ministry of Finance of Tajikistan and the State Committee on Investments and State Property Management of Tajikistan require revision and improvement to clearly delineate their competencies, eliminate duplication of powers and take into account changes in the legislation of Tajikistan in the field of industry, finance and management of state property which took place over the past 5-7 years.
4. The procedures for remuneration of members of supervisory boards of state-owned enterprises, CEOs and their deputies are not established at the legislative level, there are no clear criteria for their selection and appointment to a post, the procedure for forming a reserve of managerial personnel and maintaining a register of potential candidates for the position of CEO, deputy CEO, member of supervisory board of a state-owned enterprise is not defined.
5. The legislation of Tajikistan lacks clear criteria for evaluating the effectiveness of the operation and governance of a state-owned enterprise. Also, the legislation of Tajikistan does not regulate in any way the conditions for reward of CEOs and other senior management of state-owned enterprises for high performance. In this regard, it is advisable to develop and approve the criteria and conditions for remuneration for the activities of CEOs and other senior management in state-owned enterprises, which will increase the transparency and efficiency of their activities.
6. The analysis has shown that SUE “Angishti Tojik” is entrusted with the implementation of departmental control over the enterprises of the coal industry. This is generally in line with the Law of Tajikistan “On State-Owned Enterprises”, but may adversely affect the competition conditions, as it puts other coal mining enterprises, including private ones, in an unequal position as compared to SUE “Angishti Tojik”. It is therefore advisable to review the practice of transferring part of the controlling functions of the Ministry of Industry and New Technologies to enterprises operating under the MINT in order to protect competition.
7. The corporate documents of state-owned enterprises provided for review, in particular the charters and regulations, contain inconsistencies and discrepancies, which indicates the need to bring them in line with the current legislation of Tajikistan. In this regard, it is advisable to develop and approve standard forms of charter and other corporate

- documents of state-owned enterprises, taking into account their organizational and legal form (OJSC, SUE, LLC) and best international practice, which will establish uniformity and improve their activities.
8. The current legislation of Tajikistan does not provide for a possibility for appointing independent experts as members of supervisory boards in SOEs. Considering best international practice, it is advisable to consider the possibility of involving private sector representatives who meet the selection criteria in supervisory boards of state-owned enterprises.
 9. The Law of Tajikistan “On State-Owned Enterprises» does not contain provisions on internal control and risk management in state-owned enterprises (SUEs). The corporate documents of some enterprises provided for review contain only a few provisions that supervisory boards are competent to approve regulations on risk management. Thus, the issue remains unresolved at the legislative level.
 10. As compared to the Law of Tajikistan “On Joint-Stock Companies”, the Law of Tajikistan “On Limited Liability Companies” provides more detailed provisions governing the activities of audit commission (auditor), which can be taken into account in the event of a revision of the Law of Tajikistan “On Joint-Stock Companies”.
 11. The Law of the Republic of Tajikistan “On Internal Audit in Public Sector Organizations” establishes sufficiently detailed provisions regulating the procedure for establishment and operation of internal audit units, including issues of internal control and risk management. However, the said Law does not apply to SUEs. Given that the Law of Tajikistan “On State-Owned Enterprises” does not contain provisions on internal control and risk management, it is advisable to extend the Law of Tajikistan “On Internal Audit in Public Sector Organizations” also to state-owned enterprises (SUEs) relating to state property.
 12. The Law of Tajikistan “On State-Owned Enterprises” does not establish any requirements for the transparency of activities of SOEs and disclosure of information, as well as public reporting requirement. Taking into account the best international practice, it is advisable to establish at the legislative level the requirement for mandatory external audit, disclosure and publication of SOEs’ reports, as well as to ensure public access to such information using modern technologies.
 13. The mechanism and forms of production reporting of state-owned industrial enterprises require improvement (monthly / quarterly / annual reports on production activities) in accordance with international standards.
 14. Along with the SUE “Angishti Tojik”, some other SOEs included into the system of the Ministry of Industry and New Technologies of Tajikistan are entrusted with the implementation of some controlling functions of the MINT in the field of radioactive waste management (SUE “Fuluzoti nodiri Tojikiston”), the mining sector (SUE “Madan”), the chemical industry (OJSC “Korkhonai Kimiyovi”) and the food industry (SUE “Galla”). Besides negative impact on the competition conditions, this can also lead to diversion of significant time, labour and material resources of the said enterprises from their main production activities and consequently negatively affect their economic performance. Accordingly, it is advisable to exclude the exercise of controlling functions of the MINT by them, creating a separate service under the Ministry of Industry and New Technologies of Tajikistan, which will be entrusted with the implementation of controlling functions of the MINT in the above-mentioned areas.

15. The analysis has shown that a subsidiary was created under the SUE “Fuluzoti nodiri Tochikiston” which undertook all functions and tasks for radioactive waste management. In view of this, it seems appropriate to establish a separate specialized center for radioactive waste management under the Ministry of Industry and New Technologies of Tajikistan and to develop a state medium and long-term program for radioactive waste management in the Republic of Tajikistan (until 2025 and beyond).
16. According to the Ministry of Industry and New Technologies of Tajikistan, the introduction of an automated control system (ACS) in the MINT and industrial enterprises is required to ensure accounting, control (monitoring) and production management at industrial enterprises which will allow more efficient accounting, control (monitoring) and management of industrial production.
17. The analysis has shown that the structure of the Ministry of Industry and New Technologies of Tajikistan and the system of enterprises subordinate to the MINT require a general revision with the establishment of separate department within the Ministry for development and promotion of national industrial policy, separation of the department of machinery, defense industry and chemistry into three separate departments (for development of the defense industry complex, machinery and chemical industry, respectively), as well as the creation cluster (holding) productions on the basis of enterprises included into the system of the MINT, in the chemical industry, machinery, metallurgy, light and food industry, which will aggregate existing capacities of enterprises, restore lost production chains and establish industrial production.
18. The conducted analysis has shown that for further reforms in the field of governance of state-owned industrial enterprises it is advisable to preliminary carry out transformation of all SUEs into joint-stock companies.
19. The Ministry of Industry and New Technologies of Tajikistan is not considered an inspection body under the Law of Tajikistan “On Inspections of Activities of Economic Entities”, accordingly, the MINT has no authority to carry out inspections of activities of industrial enterprises. However, such powers would enable the MINT to monitor and manage state-owned industrial enterprises more effectively and to identify and eliminate shortcomings in their activities in a timely manner. Accordingly, it is advisable to review the Regulations of the Ministry of Industry and New Technologies of Tajikistan on this issue and amend the Law of Tajikistan “On Inspections of Activities of Economic Entities”, by authorizing the Ministry to carry out inspections in respect of industrial enterprises.
20. The analysis has shown that the system of the Ministry of Industry and New Technologies of RT includes a number of scientific and educational institutions, in particular the Tajik Technological University, the Mining and Metallurgical Institute of Tajikistan, SEI “Institute of Tourism, Entrepreneurship and Service”, SI “Design Center for the Development of New Industrial technologies”, etc., the supervision over the activities of which is carried out by only one division (unit) of scientific and educational institutions of the MINT with a total number of staff only 3 (three) persons, which, in our opinion, is insufficient and indicates the need for further development and strengthening technical and expert potential of this division (unit) of the MINT.
21. According to the performed analysis, the system of the Ministry of Industry and New Technologies of Tajikistan includes SSI “Scientific Research Institute of Industry” and SSI “State Research Institute “Gizo” with a total staff of 60 persons, activities of which, according to the Ministry of Industry and New Technologies of the Republic of Tajikistan,

requires further improvement. In this regard, in order to strengthen the scientific potential, optimize and improve the efficiency of activities, it is advisable to consider the possibility for combining these two institutes into one research institute (RI), so that all scientific researches necessary for the industry is carried out within one research institute.

Considering the above key findings, relevant recommendations are proposed below on actions needed to be taken in a short term (within 6 months) and medium term (within 6-18 months) to ensure more effective control and governance of state-owned industrial enterprises, improve efficiency of their activities and enhance the legal and institutional framework.

Recommendations

Measures needed to enhance the legal and institutional framework for governance of state-owned industrial enterprises operating under the Ministry of Industry and New Technologies of Tajikistan:

s/n	Purpose of reform	Short term actions (within 6 months)	Medium term actions (within 6-18 months)	Comment
1	Improving the legislation of Tajikistan and the institutional framework in the field of SOIE' governance.	<ol style="list-style-type: none"> To revise the Law of Tajikistan "On Joint-Stock Companies", in particular, to incorporate provisions regulating the activities of audit commission (auditor), similar to those contained in the Law of Tajikistan "On Limited Liability Companies"; To review the Regulations of the Ministry of Finance of Tajikistan and the State Committee on Investments and State Property Management of Tajikistan to eliminate duplication of powers of the Ministry of Industry and New Technologies of Tajikistan. 	<ol style="list-style-type: none"> To adopt a new Law of the Republic of Tajikistan "On Technology Park" To develop and adopt a new Law of Tajikistan "On Innovation Activities"; To develop and adopt a new Law of Tajikistan "On State-Owned Enterprises". 	Draft new Law of Tajikistan "On Technology Park" is pending consideration and approval.
2	Increasing the role of the Ministry of Industry and New Technologies of Tajikistan in governance of SOIEs.	<ol style="list-style-type: none"> To develop and approve new Regulations of the Ministry of Industry and New Technologies of Tajikistan, taking into account the changes in the legislation of Tajikistan in the field of industry that took place over the past 5-7 years, to strengthen its role in governance of SOIEs. To revise the structure and number of staff in the central office of the Ministry of Industry and New Technologies of 	<ol style="list-style-type: none"> To develop and approve sample forms of charters and other corporate documents of SOIE, taking into account their organizational and legal form (SUE, OJSC and LLC). To create a separate service under the Ministry of Industry and New Technologies of Tajikistan, which will be entrusted with the implementation of controlling 	

		<p>Tajikistan, with creation of a separate department for development and promotion of national industrial policy, separation of the department of machinery, defense industry and chemistry into three separate departments (for development of the defense industry complex, machinery and chemical industry respectively), strengthening the capacity of the division (unit) of scientific and educational institutions.</p> <p>3. To amend the Law of Tajikistan “On Inspections of Activities of Economic Entities”, by giving the Ministry of Industry and New Technologies of Tajikistan the authority to conduct inspections of industrial enterprises.</p>	<p>functions of the MINT in the established areas of activity.</p> <p>3. Create a separate specialized center for radioactive waste management under the Ministry of Industry and New Technologies of Tajikistan and develop a state program for radioactive waste management in the Republic of Tajikistan for the medium and long term (until 2025 and beyond).</p>	
3	Increasing the role and effectiveness of supervisory boards in SOIE	<p>1. To allow at the legislative level the appointment of independent members to supervisory boards of SOIEs.</p> <p>2. To develop selection criteria (qualification, business, reputation, etc.) for members of supervisory boards of SOIEs;</p> <p>3. To establish and maintain on a regular basis a register of candidates - members of supervisory boards of SOIEs;</p> <p>4. To develop and approve the procedure for assessment of the activities of members of supervisory boards of SOIEs.</p>	<p>1. To involve in supervisory boards of SOIEs independent members from the private sector who meet the selection criteria;</p> <p>2. To develop incentive methods for members of supervisory boards of SOIEs;</p> <p>3. To assess on a regular basis the activities of members of supervisory boards of SOIEs;</p> <p>4. To organize trainings and/or professional development courses (retraining) for members of supervisory boards of SOIEs (for example, at the Academy of Public</p>	

			Administration under the President of Tajikistan).	
4	Improving the efficiency of CEOs and other senior management of SOIEs	<ol style="list-style-type: none"> 1. To develop and approve the selection criteria (qualification, business, reputation, etc.) for CEOs and other senior management of SOIEs; 2. To create and maintain on a regular basis a register of candidates - CEOs and other senior management of SOIEs; 3. To develop and approve the procedure for assessment of the activities of CEOs and other senior management in SOIEs. 	<ol style="list-style-type: none"> 1. To conduct qualification tests for CEOs and other senior management of SOIEs with the reappointment to the position of those of them who meet the selection criteria; 2. To develop the procedure for remuneration of CEOs and other senior management of SOIEs; 3. To assess on a regular basis the activities of CEOs and other senior management of SOIEs; 4. To organize trainings and/or advanced training courses (retraining) for CEOs and other senior management of SOIEs (for example, at the Academy of Public Administration under the President of the Republic of Tajikistan). 	
5	Strengthening internal control and audit, risk management in SOIEs	<ol style="list-style-type: none"> 1. To amend the Law of Tajikistan “On State-Owned Enterprises” by incorporating the provisions establishing the requirement for mandatory internal control and risk management. 2. To amend the Law of Tajikistan “On Internal Audit in Public Sector Organizations”, by extending its provision also to state-owned enterprises (SUEs, OJSCs, LLCs). 	<ol style="list-style-type: none"> 1. To establish at the legislative level a requirement for mandatory independent audit of financial statements of SOIEs (SUEs, LLC) and mandatory publication of annual financial statements, confirmed by an independent auditor, providing public access to such data using web communications. 2. To develop and approve provisions (policies) for risk management in SOIEs. 	

6	Increasing the transparency of SOIEs' activities	<ol style="list-style-type: none"> 1. To amend the Law of Tajikistan "On State-Owned Enterprises" by incorporating the provisions establishing a requirement for mandatory disclosure of information and publication of reports by SOIEs. 	<ol style="list-style-type: none"> 1. Determine a list of essential information that is subject to disclosure by SOIEs, develop and approve reporting forms, including the forms of SOIE's production reporting (monthly / quarterly / annual reports on production activities) in accordance with international standards, providing public access to such data using web communications. 	
7	Improving the efficiency of SOIEs	<ol style="list-style-type: none"> 1. To review charters of SUEs (in particular (SUE "Angishti Tojik", SUE "Fuluzoti nodiri Tojikiston", SUE "Madan", SUE "Galla", etc.), by excluding from them the exercise by SOIEs of controlling functions of the Ministry of Industry and New Technologies of Tajikistan. 2. To consider a possibility for combining of SSI "Scientific Research Institute of Industry" and SSI "Gizo" to strengthen their scientific potential, optimize and improve the efficiency of activities, so that all scientific researches necessary for the industry is carried out within one research institute. 	<ol style="list-style-type: none"> 1. To transform SUEs operating under the Ministry of Industry and New Technologies of Tajikistan into joint-stock companies. 2. To review the system of enterprises subordinate to the Ministry of Industry and New Technologies of Tajikistan, with the creation of cluster (holding) productions in the chemical industry, machinery, metallurgy, light and food industry on their basis. 3. To introduce an automated control system (ACS) in the Ministry of Industry and New Technologies of Tajikistan and industrial enterprises to ensure accounting, control (monitoring) and production management in the industrial sector. 	

Indicative action plan for the reform in the field of SOIEs management¹²

s/n	Action	Content of the reform	Completion term	Responsible authorities	Source of financing	Executor
1	Development and adoption of the Law of the Republic of Tajikistan "On State-Owned Enterprises" in a new edition	To determine the system and competence of the state-owned enterprises' management bodies, taking into account the best international practice, envisaged requirements for mandatory internal control and audit, risk management, and establish requirements for the transparency of the activities of state-owned enterprises and public disclosure of information.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies, Ministry of Finance, State Committee on Investments and State Property Management, other state authorities		
2	Development and adoption of the Law of the Republic of Tajikistan "On Joint-Stock Companies" in a new edition	To determine the system and competence of management bodies of joint-stock companies, taking into account the best practice, establishing by analogy with the Law "On Limited Liability Companies" more detailed provisions regulating the activities of audit commission (auditor), setting the provisions on mandatory risk management in joint-stock companies, shares of which belong to the state, and requirements regarding transparency of activities and disclosure of information.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies, Ministry of Finance, State Committee on Investments and State Property Management, other state authorities		
3	Adoption of the Law of Tajikistan "On Technology Park" in a new edition	To establish modern organizational and legal basis for the development of technology parks in Tajikistan, by determining main tasks and directions of their activities and other related issues.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies, Ministry of Economic Development and Trade		
4	Amendment to the Law of Tajikistan "On Internal Audit in Public Sector Organizations"	To extend the requirements of the Law of Tajikistan "On Internal Audit in Public Sector Organizations" to state-owned industrial enterprises	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies		
5	Amendments to the Law of Tajikistan "On Inspections of Activities of Economic Entities"	To empower the Ministry of Industry and New Technologies of Tajikistan to conduct inspections of industrial enterprises.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies, State Committee on Investments and State Property		

¹² This action plan is indicative (template) and can be changed and modified, as and where necessary. In particular, when approving the action plan, other terms and responsible agencies can be determined. In addition, for each item of the action plan, sources and amounts of funding, as well as immediate executors, are to be determined.

				Management, Ministry of Economic Development and Trade		
6	Development and approval of the Regulations of the Ministry of Industry and New Technologies of the Republic of Tajikistan in a new edition	To improve the Regulations of the Ministry of Industry and New Technologies of Tajikistan, taking into account the latest changes in the legislation of Tajikistan that took place over the past 5-7 years, in particular, review its powers and competence in the field of SOEs management, change the structure and number of staff in the central office of the MINT, create a separate department for development and promotion of national industrial policy, divide the department of machinery, defense industry and chemistry into three separate departments (for development of defense industry complex, machinery and chemical industry respectively), strengthen the division (unit) of scientific and educational institutions.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies, Ministry of Finance, State Committee on Investments and State Property Management		
7	Amendments to the Regulations of the Ministry of Finance of Tajikistan	To eliminate duplication of the powers of the Ministry of Industry and New Technologies of Tajikistan by the Ministry of Finance in terms of control over the activities of large industrial enterprises	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
8	Amendments to the Regulations of the State Committee on Investments and State Property Management of Tajikistan	To eliminate duplication of the powers of the Ministry of Industry and New Technologies of Tajikistan by the State Committee on Investments and State Property Management in terms of control and management of the activities of state-owned industrial enterprises, in particular, to exclude the authority to introduce a corporate governance system, appointment of members of supervisory boards and executive bodies in industrial enterprises, allowing the participation of the Ministry industry and New Technologies of Tajikistan in the management of state property available to state-owned industrial enterprises	within 6 months, unless otherwise specified	Ministry of Justice, State Committee on Investments and State Property Management, Ministry of Industry and New Technologies, Ministry of Finance		

9	Development and approval of criteria for selection of members of supervisory boards, CEOs and other senior management of SOEs	To establish clear criteria for selection of members of supervisory boards, CEOs and other senior management of SOE, taking into account the best international practice	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
10	Development and approval of the procedure for maintaining the register of candidates - members of supervisory boards, CEO and other senior management of SOEs	To determine the form by which the register of candidates - members of the Supervisory Boards, CEOs and other senior management of SOEs should be maintained	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
11	Development and approval of the procedure for assessment of activities of members of supervisory boards, CEOs and other senior management of SOEs	To establish clear criteria for assessment of activities of members of supervisory boards, managers and other senior management of SOEs, taking into account the best international practice	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
12	Development and adoption of the Law of the Republic of Tajikistan "On Innovation Activities" in a new edition	To establish modern organizational and legal basis for the development of innovation activities in Tajikistan, by determining main tasks and directions of such activities and other related issues	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies, Ministry of Economic Development and Trade		
13	Development and approval of standard forms of charters and other corporate documents of SOEs	To create and apply unified (standard) forms of charters and other corporate documents of SOEs	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
14	Development and approval of the procedure for remuneration and reward for members of supervisory boards, CEOs and other senior management of state-owned industrial enterprise	To establish clear criteria for remuneration and reward for members of supervisory boards, CEOs and other senior management of state-owned industrial enterprise, taking into account the best international practice.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
15	Development and approval of a regulation (policy) on risk management in SOEs	To establish comprehensive regulations (policies) on risk management in SOIE, taking into account best international practice	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		
16	Development and approval of a list of essential information that is subject to disclosure by SOEs, and the forms of public reporting by SOEs, including the	To establish an exhaustive list of information to be disclosed by SOEs, create and apply unified forms of public reporting by SOE	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, State Committee on Investments and State Property Management		

	forms of production reporting of SOIEs (monthly / quarterly / annual reports on production activities) in accordance with international standards					
17	Creation under the Ministry of Industry and New Technologies of Tajikistan of a separate service for supervision in the field of coal, chemical and food, industry, and radioactive waste management	To establish a separate service under the Ministry of Industry and New Technologies of Tajikistan which will be entrusted with the implementation of the controlling functions of the MINT in the established areas of activity.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies		
18	Change of the charters of state-owned industrial enterprises (in particular (SUE "Angishti Tojik", SUE "Fuluzoti nodiri Tojikiston", SUE "Madan", SUE "Galla", etc.)	To exclude from the charters of the indicated SUEs the provisions on the exercise by them of the controlling functions of the Ministry of Industry and New Technologies of Tajikistan.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Industry and New Technologies		
19	Establishment of a separate specialized center for radioactive waste management under the Ministry of Industry and New Technologies of the Republic of Tajikistan	To establish a separate specialized center under the Ministry of Industry and New Technologies of Tajikistan, which will be entrusted with the controlling functions of the MINT in the field of radioactive waste management.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies		
20	Development of a state program for radioactive waste management in the Republic of Tajikistan for the medium and long term.	To determine the necessary measures to be taken for effective management of radioactive waste in the Republic of Tajikistan in the medium and long term (until 2025 and beyond).	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies		
21	Combining State Scientific Institution "Scientific Research Institute of Industry" and State Scientific Institution "State Research Institute "Gizo"	To strengthen the scientific potential of the said research institutes, optimize and increase the efficiency of their activities, so that all scientific researches necessary for the industry is carried out within one research institute.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, Ministry of Economic Development and Trade, State Committee on Investments and State Property Management		
22	Transformation of SUEs operating under the Ministry of Industry and New Technologies of Tajikistan into joint-stock companies	To promote further reform of the management system of state-owned industrial enterprises, introduce the principles of corporate governance, create clusters (holdings), etc.	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, Ministry of Economic Development and Trade, State Committee on Investments and State Property Management		
23	Changes in the system of industrial enterprises subordinate to the Ministry of	To create on the basis of industrial enterprises subordinate to the Ministry of Industry and New Technologies of Tajikistan,	within 6 months, unless otherwise specified	Ministry of Justice, Ministry of Finance, Ministry of Industry and New Technologies, Ministry of Economic Development and		

	Industry and New Technologies of Tajikistan	cluster (holding) industries in the chemical industry, machinery, metallurgy, light and food industries.		Trade, State Committee on Investments and State Property Management		
24	Implementation of an automated control system (ACS) within industrial enterprises	To increase the efficiency of industrial enterprises by providing more efficient accounting, control (monitoring) and management of production and the industry as a whole.	within 6 months, unless otherwise specified	Ministry of Industry and New Technologies		

Annexes - Template documents

1. Draft Charter of SUE;
2. Draft Charter of OJSC;
3. Draft Regulations of the Board of Directors of OJSC,
4. Draft Regulations of the Director (general director);
5. Draft Regulations of Internal audit (SUE, OJSC, LLC).

[attached separately]

Normative and legal acts in the field of SOIEs management

[attached separately]