



REPUBLIC OF TAJIKISTAN

July 1, 2013

STAFF REPORT FOR THE 2013 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Middle East and Central Asia Department
(In Consultation with Other Departments)

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RELATIONS WITH THE FUND

(As of March 31, 2013)

Membership Status

Joined April 27, 1993; Article VIII

General Resources Account

| | SDR Million | Percent Quota |
|---------------------------|-------------|---------------|
| Quota | 87.00 | 100.00 |
| Fund Holdings of Currency | 87.00 | 100.00 |
| Reserve position in Fund | 0.00 | 0.00 |

SDR Department

| | SDR Million | Percent Allocation |
|---------------------------|-------------|--------------------|
| Net Cumulative allocation | 82.08 | 100 |
| Holdings | 69.75 | 84.97 |

Outstanding Purchases and Loans

| | SDR Million | Percent of Quota |
|------------------|-------------|------------------|
| ECF Arrangements | 104.40 | 120.00 |

Latest Financial Arrangements

| Type | Approval Date | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|------------------|---------------|-----------------|----------------------------------|-------------------------------|
| ECF ¹ | Apr. 21, 2009 | May 09, 2012 | 104.40 | 104.40 |
| ECF | Dec. 11, 2002 | Feb.10, 2006 | 65.00 | 65.00 |
| EFF | Jun. 24, 1998 | Dec.24, 2001 | 100.30 | 78.28 |

Projected Payments to the Fund²

| | 2013 | 2014 | Forthcoming 2015 | 2016 | 2017 |
|------------------|-------------|-------------|---------------------|--------------|--------------|
| Principal | | 2.61 | 7.83 | 14.36 | 18.27 |
| Charges/Interest | 0.01 | 0.01 | 0.26 | 0.23 | 0.19 |
| Total | 0.01 | 2.62 | 8.09 | 14.59 | 18.47 |

¹ Formerly PRGF.

² When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

Not applicable

Implementation of Multilateral Debt Relief Initiative (MDRI):

| | |
|---|-------|
| MDRI-eligible debt (SDR Million) ³ | 69.31 |
| Financed by: MDRI Trust | 69.31 |
| Remaining HIPC resources | -- |

Debt Relief by Facility (SDR Million)

| <u>Delivery Date</u> | <u>GRA</u> | Eligible Debt | |
|----------------------|------------|----------------------|--------------|
| | | <u>PRGT</u> | <u>Total</u> |
| January, 2006 | N/A | 69.31 | 69.31 |

Safeguards Assessment

The 2009 update assessment of the NBT noted considerable safeguard risks in key functions such as accounting, NIR compilation, the control environment, and the NBT's organizational structure. Independent governance mechanisms were largely absent, in particular for overseeing audit mechanisms, and the internal audit function was weak. Subsequently, an NBT reform action plan was drawn up, and since 2009 several measures have been implemented, including six-monthly reviews of NIR data by an external auditor and the addition of non-executive members to the Board of Directors.

Audited financial statements are published on the NBT website, albeit with some delays. These delays, combined with limited capacity in the accounting area, can raise the risk of inadvertent misreporting. The internal audit of core functions was outsourced, while the NBT is strengthening its internal audit capacity through on-the-job training and technical assistance.

The 2011 safeguards staff visit concluded that increased transparency and oversight of key operations, notably large scale support of local banks, is needed to help safeguard IMF resources.

³ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief

Exchange Rate Arrangements

Tajikistan's de jure exchange rate is managed floating. Since September 2011, the de facto exchange rate regime is classified as stabilized. The official exchange rate is based on all interbank transactions in foreign exchange. It is calculated and announced daily.

With effect from December 9, 2004, the Republic of Tajikistan accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement. The Republic of Tajikistan maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions, except for exchange restrictions maintained for security reasons that have been notified to the Fund pursuant to Executive Board decision No. 144–(52/51)Fund.

FSAP Participation

Tajikistan participated in the Financial Sector Assessment Program during 2007–08, and the FSSA report has been published at <http://www.imf.org/external/country/TJK/index.htm>.

Article IV Consultation

The 2011 Article IV consultation with Tajikistan was concluded on May 11, 2011.

Resident Representative

Mr. Aisen, Resident Representative of the Fund, started his assignment in Dushanbe in July 2010.

Technical Assistance

The following list summarizes the technical assistance provided by the Fund to Tajikistan since 2004.

TAJIKISTAN: TECHNICAL ASSISTANCE, 2004–13

| Fund. Dept. | Area of Assistance | Mission Dates |
|-------------|---|-------------------|
| LEG | Tax Legislation | January 2004 |
| STA | Data ROSC | April 2004 |
| LEG | Tax Legislation | May 2004 |
| FAD | Revenue Administration Reform | July 2004 |
| STA | General Data Dissemination System (GDDS) | October 2004 |
| FAD | Poverty and Social Impact Analysis | December 2004 |
| FAD | Public Financial Management | June 2005 |
| FAD | Tax Policy Administration | August 2005 |
| LEG | AML/CFT | 2006 |
| MFD | Strengthening the Monetary Policy Framework and Liquidity Management | May 2006 |
| FAD | Fiscal ROSC | August 2006 |
| STA | Report on Monetary and Financial Statistics National Accounts and Price Statistics (Regional Advisor) | June 2006 |
| FAD | Public Financial Management (Budget Classification) | May 2007 |
| MFD | NBT Recapitalization Strategy | Oct/Dec 2009 |
| FAD | Tax Policy and Administration | Feb/July 2010 |
| FAD | Public Financial Management Reforms | June 2010 |
| MFD | NBT Recapitalization Strategy | September 2010 |
| LEG | NBT Law | October 2010 |
| FAD | Public Financial Management (Regional Advisor) | November 2010 |
| MFD | Improving Accounting Controls at NBT | January 2011 |
| MFD | BOP | March 2011 |
| MFD | NBT Internal Audit | April 2011 |
| FAD | Tax Policy Review | May 2011 |
| MFD | Improving Accounting Controls at NBT | February 2012 |
| FAD | Financial Monitoring of SOEs | March 2012 |
| FAD | Tax Policy Review | April 2012 |
| STA | Monetary and Financial Statistics | April 2012 |
| STA | National Accounts Statistics | May 2012 |
| FAD | Tax Administration | June/Aug/Oct 2012 |
| MFD | Improving Accounting Controls at NBT | November 2012 |
| STA | Monetary and Financial Statistics | November 2012 |
| STA | BOP | December 2012 |
| MFD | Improving Accounting Controls at NBT | February 2013 |
| FAD | Tax Administration | March 2013 |
| MFD | Banking Supervision | March 2013 |

RELATIONS WITH THE WORLD BANK

(As of March 31, 2013)

JMAP Implementation Table

| Title | Products | Provisional Timing of Missions | Expected Delivery Date |
|--|--|---|--|
| A. Mutual Information on Relevant Work Programs | | | |
| Bank Work Program in next 12 months | <ul style="list-style-type: none"> Public Expenditure Review (phase 1) Public Expenditure Review (phase 2) | Ongoing | June 2013 (phase 1) June 2014 (phase 2) |
| | Governance | Supporting demand-side governance–Governance Partnership Facility funded by DFID–Bank executed TF 2011–13 | October 2013 |
| | PFM modernization project | Supervision missions April 2013 October 2013 | Project closing August 2014 |
| | Tax modernization project | Supervision missions May 2013 November 2013 | Project closing December 2017 |
| | Private Sector Competitiveness project. | Supervision missions May 2013 November 2013 | Project closing December 2016 |
| | Rural Investment Climate Study (with DFID TF) | April 2013 | May 2013 |
| | Financial Sector Dialogue <ul style="list-style-type: none"> Strengthening Banking Regulations Payment System Modernization (FIRST TF) | May 2013 | June 2014 |
| | Agriculture Land Registration & Cadastre System for Sustainable Agriculture Project | Supervision missions September 2013 March 2014 | Project closing March 2015 |
| | Water Dushanbe water supply project | Supervision missions | Project closing December 2015 |
| | Infrastructure Municipal Infrastructure | Supervision missions | Project closing |

| | | | |
|--|--|--|---|
| | Development project | April 2013 September 2013 | December 2015 |
| | Energy <ul style="list-style-type: none"> • Energy Loss Reduction Project • Power supply options study • Addressing Energy Deprivation study | Supervision missions April 2013 September 2013 ongoing ongoing | Closing date December 2014 September 2013 October 2013 |
| | Social safety nets <ul style="list-style-type: none"> • SSN strengthening project | Supervision missions September 2013 March 2014 | Closing date December 2015 |
| | Health <ul style="list-style-type: none"> • Protecting access to Maternal and Neonatal Health Services (TA) | Supervision missions March 2013 | Closing date May 2013 |
| | Education <ul style="list-style-type: none"> • Education Modernization Project | | Closing date July 2013 |
| | Migration <ul style="list-style-type: none"> • IDF grant for strengthening results-based M&E for better migration management | May 2013 | Closing date May 2014 |
| | Statistics <ul style="list-style-type: none"> • Support for NDSS implementation • Support for poverty analysis (TF) | Concept stage | Closing date for Poverty Analysis TF March 2015 |
| Fund work program in next 12 months | <ul style="list-style-type: none"> • Staff Visit on 2014 budget • 2014 Article IV Discussions <u>TA</u> <ul style="list-style-type: none"> • Tax administration • PFM • Central Bank Accounting • Banking Supervision • Monetary and BOP statistics | September 2013 March/April 2014 Over the year by various departments and regional advisors | June 2013–June 2014 for all. |
| B. Requests for work program inputs | | | |
| Fund request to Bank | Follow-up on Barki Tajik restructuring <ul style="list-style-type: none"> • Electricity tariff adjustments • Roghun feasibility study | | |

| | | | |
|--|--|------------|-----------|
| | <ul style="list-style-type: none"> • Cotton/agriculture sector reforms • Any STATCAP work on NA and inflation statistics • PFM work/PER • Social spending • Financial sector work | | |
| Bank request to Fund | <ul style="list-style-type: none"> • BOP Statistics TA • Financial/Banking sector dialogue. • Discussing data issues and data sharing (e.g. BoP, fiscal, debt, financial sector). • Joint macro-monitoring missions. | | |
| C. Agreement on joint products and missions (as needed) | | | |
| Joint Products in next 12 months | Low Income Debt Sustainability Analysis | March 2014 | June 2014 |
| | | | |

STATISTICAL ISSUES

(As of March 31, 2013)

| Assessment of Data Adequacy for Surveillance | |
|---|---|
| <p>General: Data provision has some shortcomings in the areas of national accounts, price statistics, and monetary statistics, but is broadly adequate for surveillance.</p> | |
| <p>National accounts and price statistics: There are significant deficiencies in the statistical techniques for national accounts and price statistics, most notably in procedures to estimate the informal economy, and the techniques for imputation, replacement, quality adjustment, and introduction of new products in the price indices. Technical assistance from the World Bank and the Fund has recently focused on the quarterly calculations of GDP by expenditure and sectors, a framework for reconciling the two approaches, and the improvement of accuracy of the annual estimates. As regards price statistics, the most important general issue is the further implementation of the system of prices and volumes, instead of presently used comparable volumes.</p> | |
| <p>Government finance statistics: Government finance statistics (GFS) are based on cash transactions as recommended in the 1986 Manual on Government Finance Statistics. In 2010, the authorities introduced an administrative classification of the budget. With the help of a regional advisor, the authorities are currently working on a GFSM 2001- based budget classification, with plans to migrate to the new classification as of beginning 2014.</p> | |
| <p>Monetary and financial statistics: The safeguard assessment in 2011 concluded that the NBT improved its process for compiling monetary data, although certain controls are still absent. The process is now more automated and data compilation files are mapped to the accounting data. Formal reconciliations of the monetary data to the accounting records or audited financial statements is still missing. STA provided technical assistance in the area of MFS to the NBT in 2002, 2006, and 2012 with the main objective to improve the quality of statistics. It is expected that the NBT will adopt monetary statistics submission standards and send revised data for monetary aggregates for publication in IFS, as agreed with STA and in line with IMF TA recommendations in the second half of 2013.</p> | |
| <p>Balance of payments: Improvements are needed in the following areas: improvement of goods export/import statistics based on customs regimes; development of estimation models for travel and remittances on a gross basis; and reclassification of government guaranteed debt to non-government sectors. The compilation of statistics of private external debt, which was initiated by the NBT earlier, was suspended.</p> | |
| Data Standards and Quality | |
| <p>Tajikistan began participating in the General Data Dissemination System (GDDS) on November 17, 2004. Metadata is updated regularly. The authorities have indicated their interest in graduating from the GDDS to the Fund's Special Data Dissemination Standard (SDDS). They have appointed a national SDDS coordinator and requested technical assistance for this purpose.</p> | <p>A Data ROSC was published on March 30, 2005.</p> |
| Reporting to STA | |
| <p>Country page in the International Financial Statistics (IFS) has been published since February 2003.</p> | |

TAJIKISTAN: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

(As of March, 2013)

| | Date of latest observation | Date received | Frequency of data ⁶ | Frequency of reporting ⁶ | Frequency of publication ⁶ | Memo Items: | |
|---|----------------------------|---------------|--------------------------------|-------------------------------------|---------------------------------------|--|--|
| | | | | | | Data Quality – Methodological soundness ⁷ | Data Quality Accuracy and reliability ⁸ |
| Exchange Rates | 03/25/2013 | 03/29/13 | D | W | W | | |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹ | 03/25/13 | 03/29/13 | D | W | W | | |
| Reserve/Base Money | 03/18/13 | 03/29/13 | W | M | W | O, O, LO, O | LO, O, O, O, NO |
| Broad Money | 01/31/13 | 03/16/13 | M | M | M | | |
| Central Bank Balance Sheet | 03/18/13 | 03/29/13 | W | M | W | | |
| Consolidated Balance Sheet of the Banking System | 01/31/13 | 03/15/13 | M | M | M | | |
| Interest Rates ² | Feb 2013 | 03/29/13 | M | M | V | | |
| Consumer Price Index | Feb 2013 | 03/28/13 | M | M | M | LO, LO, LNO, O | LO, LO, LO, O, O |
| Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴ | Jan 2013 | 03/20/13 | M | M | M | LO, LO, O, O | O, O, O, LO, LO |
| Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government | Jan 2013 | 03/20/13 | M | M | M | | |
| Stocks of Central Government and Central Government-Guaranteed Debt ⁵ | Q4/2012 | 02/19/13 | Q | Q | V | | |
| External Current Account Balance | Q4 2012 | 03/30/13 | Q | Q | V | LNO, LNO, O, O | LO, O, O, O, O |
| Exports and Imports of Goods and Services | Q4 2012 | 03/30/13 | Q | Q | V | | |
| GDP/GNP | Feb 2013 | 03/28/2013 | M/A | M | V | O, LNO, LNO, LNO | LO, LO, LNO, O, O |
| Gross External Debt | Q4 2012 | 03/19/13 | Q | Q | V | | |

¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.³ Foreign, domestic bank, and domestic nonbank financing.⁴ The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.⁵ Including currency and maturity composition.⁶ Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).⁷ Reflects the assessment provided in the data ROSC published on April 2005 and based on the findings of the mission that took place during April 2004 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).⁸ Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.