IMF Country Reports 21/200

Republic of Tajikistan: 2019 Article IV Consultation-Press Release and Staff Report

INTERNATIONAL MONETARY FUND

IMF Country Report No. 21/200

REPUBLIC OF TAJIKISTAN

2019 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

September 2021

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2019 Article IV consultation with the Republic of Tajikistan, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its January 13, 2020 consideration of the staff report that concluded the Article IV consultation with the Republic of Tajikistan.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 13, 2020 following discussions that ended on October 5, 2019 with the officials of the Republic of Tajikistan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 26, 2019.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 20/x
FOR IMMEDIATE RELEASE
[January 13, 2020]

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2019 Article IV Consultation with the Republic of Tajikistan

On January 13, 2020, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with the Republic of Tajikistan.

Reported economic activity has been strong in 2018-19. Inflation has picked up in the past year due to base effects and food price inflation in partner countries but remained within the National Bank of Tajikistan's (NBT) target range. Weak remittances and exports and strong imports have contributed to a deterioration of the external current account. The real effective exchange rate has appreciated, and foreign exchange shortages have emerged. Fiscal policy has been expansionary with the overall 2019 deficit projected to reach 3.8 percent of GDP. Public and publicly guaranteed debt has been stable as the deficit has been financed from the proceeds of the 2017 Eurobond. Reforms to place the loss-making energy sector on a sound financial footing are underway. Nonetheless, debt vulnerabilities are rising on account of non-guaranteed borrowing by state-owned enterprises (SOE). The financial sector is recovering from the 2015-16 crisis, with a decline in nonperforming loans and improved profitability. The authorities have taken steps to strengthen bank supervision and regulation. However, two formerly-systemic banks remain insolvent and further reforms are needed to restore public confidence in banks.

The fiscal deficit is expected to remain high over the medium-term owing to the large Roghun hydro-power construction project, putting debt on an unsustainable path. Together with limited exchange rate flexibility, the fiscal deficit is expected to contribute to a weak external position, with the current account deficit over 5 percent of GDP. In a weak global environment, these factors are expected to weigh on confidence and growth is projected to moderate to 4 percent over the medium term. Inflation is expected to remain moderate.

Downside risks stem from potential cost overruns or difficulties in implementing large infrastructure projects would pose sizable fiscal risks. Delays in structural reforms, particularly

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

to improve the governance of banks or state-owned enterprises, could result in additional fiscal liabilities. Slower-than-expected growth in emerging markets would reduce remittances, loans, and FDI and put further pressure on the external position and growth. Tajikistan's risk of external debt distress remains high, suggesting heightened fiscal vulnerabilities to adverse shocks.

Executive Board Assessment[2]

Executive Directors commended the authorities for the solid growth performance, poverty reduction, and improvements to bank supervision and regulation, as well as progress in further developing the monetary and macroprudential frameworks. Noting that continued large external and fiscal deficits create a challenging macroeconomic outlook over the medium term, Directors emphasized the importance of protecting macroeconomic stability and supporting sustainable growth. They encouraged further fiscal consolidation, greater exchange rate flexibility, measures to strengthen the financial sector, and structural reforms to improve the business environment and governance framework.

Directors encouraged fiscal consolidation measures to put debt on a downward trend, including broadening the tax base and gradually phasing out tax incentives. On public investment, they called for greater prioritization and improvements in efficiency to create fiscal space for important infrastructure projects. Targeted social assistance should be stepped up to protect vulnerable groups. Directors urged the authorities to avoid non-concessional borrowing and implement a comprehensive debt management strategy, with IMF technical assistance, to manage risks from large infrastructure projects and SOEs. Fiscal risks from the largest SOEs should be further mitigated through passage of the SOE law in line with IMF recommendations.

Directors emphasized the need for greater exchange rate flexibility to facilitate adjustment to shocks, help preserve external buffers, and support growth. Removing the exchange restriction and improving the transparency and functioning of the FX market should also be priorities, with due attention to dollarization and inflation considerations. Directors encouraged further efforts to strengthen the monetary policy framework and transmission. They considered that the National Bank of Tajikistan's (NBT) planned transition to inflation targeting remains an appropriate medium-term goal and would be supported by enhancements to exchange rate flexibility and the NBT's financial position and independence. As inflationary pressures have risen in recent months, Directors considered that tighter monetary policy might be needed to mitigate possible second-round effects.

Directors emphasized that, despite the reduction in NPLs and improved profitability of banks, more is needed to restore financial stability and boost confidence in the banking sector. In this regard, an important priority to be considered is the liquidation of two

---

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

formerly-systemic insolvent banks and payout of insured depositors. Directors also highlighted the importance of continued efforts to strengthen bank governance and supervision, and implementation of AML/CFT policies to mitigate pressures on correspondent banking relationships and boost financial integrity.

Directors encouraged sustained and strong implementation of structural reforms to improve the business environment and foster higher and more job-rich growth in the medium term. They underscored the importance of undertaking measures to improve the governance of core economic institutions and SOEs and to enhance the rule of law and anti-corruption policies to boost investment and inclusive growth. Improvements in the quality and timeliness of economic data would strengthen economic analysis and policy making.

Table 1. Selected Economic Indicators, 2017–22

(Quota: SDR 174 million)

(Population: 9.1 million; 2018)

(Per capita GDP: US$827; 2018)

(Poverty rate: 29 percent; 2017)

(Main exports: mineral products, aluminum, cotton; 2018)

	2017	2018	2019	2020	2021	2022
			Est.		Proj.	
National accounts	(Annual Percent Change, unless otherwise indicated)					
Real GDP	7.1	7.3	5.5	4.7	4.5	4.5
Headline CPI inflation (end-of-period)	6.7	5.4	7.4	6.8	6.7	6.5
General government finances	(Percent of GDP, unless otherwise indicated)					
Revenue and grants	29.7	29.1	26.7	27.2	27.2	27.1
Tax revenue	21.6	21.3	20.1	20.2	20.2	20.2
Expenditure and net lending	35.6	31.9	30.4	31.5	31.5	31.4
Current	17.0	17.2	17.7	17.9	17.9	17.7
Capital	18.6	14.6	12.8	13.5	13.6	13.7
Overall balance (excl. PIP and stat. discrepancy)	-3.4	1.6	0.5	1.5	1.5	1.5
Overall balance (incl. PIP and stat. discrepancy)	-6.0	-2.8	-3.8	-4.3	-4.3	-4.3
Total public and publicly-guaranteed debt	50.4	47.9	45.2	46.4	47.5	48.9
Monetary sector						
Broad money (12-month percent change)	21.9	5.1	13.5	12.1	11.8	11.4
Reserve money (12-month percent change)	21.0	7.0	12.1	11.7	11.6	11.1
Credit to private sector (12-month percent change)	-20.2	1.3	7.8	9.3	9.6	9.8
Refinancing rate (in percent, eop/ latest value)	16.0	14.8	...	...	...	...
External sector						
Current account balance	2.2	-5.0	-4.5	-5.2	-5.3	-5.3
Trade balance (goods)	-21.2	-25.1	-23.0	-23.3	-23.0	-22.8
FDI (net)	0.9	3.3	3.0	2.4	2.1	1.8
Total public and publicly guaranteed external debt	40.6	38.7	36.8	38.7	40.6	42.7
Memorandum items:						
Nominal GDP (in millions of somoni)	61,093	68,844	77,351	86,130	95,593	105,622
Average exchange rate (somoni per U.S. dollar)	8.55	9.15	...	...	...	...

Sources: Data provided by the Tajikistan authorities, and Fund staff estimates.

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

December 26, 2019

KEY ISSUES

Context. Reported economic activity has been strong in 2018-19 and inflation has picked up. The monetary framework is being strengthened. The external position has deteriorated. The fiscal deficit has widened as revenues have declined. Reforms to place the loss-making energy sector on a sound financial footing are underway. The authorities' development strategy relies on large infrastructure projects— Roghun dam and other large SOE-implemented projects — that need sizable external financing. The financial sector is recovering from the 2015-16 crisis, with a decline in nonperforming loans and improved profitability. The authorities are making efforts to strengthen bank supervision and regulation. However, two formerly-systemic banks remain insolvent and further reforms are needed to restore public confidence in banks.

Outlook. The macroeconomic outlook is challenging under current policies and amid a weak global environment. Limited exchange rate flexibility and high government spending are expected to result in continued large external and fiscal deficits, putting debt on an unsustainable path. Risks are to the downside.

Key recommendations. Tajikistan needs to protect macroeconomic stability by allowing greater exchange rate flexibility to facilitate external adjustment, while fiscal consolidation through tax reforms and prioritization of spending is needed to put debt on a sustainable path. Greater oversight and transparency of SOEs can help mitigate fiscal risks from this source. A stronger monetary policy framework and toolkit would strengthen monetary transmission to manage inflationary pressures better. Liquidation of the two insolvent banks and payout of insured depositors would boost depositor confidence. Strong supervision and implementation of the improved regulatory and supervisory frameworks across all banks would support development of stable and healthy financial sector. These measures need to be supported by improvements in governance and the business environment and reductions in vulnerabilities to corruption to generate sustainable and inclusive growth.

Approved By
Juha Kähkönen

The staff team comprised Ms. Khandelwal (head), Messrs. Al Riyami, Mirzayev, Talishli (all MCD), Ms. Kao (LEG), and Mr. Molin (MCM). The mission was assisted by Messrs. Chiniev and Sobolev (Resident Representative), and Mses. Kamarova and Menlasheva (Dushanbe office). Discussions were held in Dushanbe September 23-October 4, 2019. The mission met with the First Deputy Prime Minister, the Minister of Finance, the Chairman of the National Bank of Tajikistan, the Minister of Energy, the Minister of Economic Development and Trade, the Minister of Industry and New Technologies, other senior officials, parliamentarians, and representatives of IFIs, banks, the private sector, and civil society.

CONTENTS

TABLES

ANNEXES

BACKGROUND

1. **Tajikistan has made considerable progress in reducing poverty in recent decades**. The poverty rate has declined from over 80 percent in 2000 to near 29 percent in 2017. Despite this progress, unemployment remains high. Tajikistan ranks 129 of 188 countries on the Human Development Index.

2. **The banking sector is recovering after the 2015-16 crisis, but deep-seated problems remain**. Remittances (mostly from Russia) declined sharply from over 40 percent of GDP in 2013 to 27 percent of GDP in 2016. This decline put pressure on the external position and resulted in a large currency depreciation, facilitating external adjustment. However, nonperforming loans (NPLs) increased sharply and several banks failed, in part due to high dollarization, inadequate credit risk management, excessive related-party lending, and weak governance. The NBT has since taken steps to strengthen its supervisory and bank resolution frameworks and NPLs have declined. However, two large banks (AIB and TSB) remain unviable and insolvent despite massive bailouts, leaving depositors with limited access to their deposits. Further reforms are needed to restore public confidence in banks, including by reducing NPLs, improving bank governance, and reducing concentrated exposures to loss-making state-owned enterprises (SOEs).

3. **Tajikistan's development strategy relies on large infrastructure projects**. The Roghun dam is projected to be completed at a total cost of USD 3.9 billion (48 percent of 2019 GDP) over the next decade and could help meet growing domestic energy demand and boost electricity exports. However, there is uncertainty over construction costs and power purchase agreements for exports. Other large projects that are underway in the SOE sector include construction of the Turkmenistan-China gas pipeline (included in the Belt and Road Initiative) and modernization of the TALCO aluminum plant.

4. **Public investment is high and inefficient, while debt vulnerabilities are rising**. Public investment relative to GDP is the highest in the Caucasus and Central Asia, while its efficiency is below the average for the region (Figure 1). Meanwhile, owing to large infrastructure projects, costly bank bail-outs, and currency depreciation, total public and publicly-guaranteed debt has increased rapidly between 2014 and 2017. Non-guaranteed debt of SOEs is also rising.

5. **Reforms for Barki Tojik (BT), the state-owned energy company, are ongoing**. BT accounts for over 80 percent of SOE losses with significant arrears to creditors and suppliers.[1] To improve performance and governance, the authorities have started unbundling its operations into power generation, transmission, and distribution. Annual electricity tariff increases of about 17 percent since 2016 (with the latest increase effective September 1, 2019) have improved its financial situation and reduced energy subsidies to residential consumers. A new electricity tariff

[1] Based on data from the SOE monitoring department BT arrears to creditors and suppliers are estimated at 6½ percent of GDP.

methodology has been approved to enable future tariff increases till full cost recovery is attained. Despite these reforms, BT and the large SOE sector remains a source of fiscal risks and further measures are needed[2].

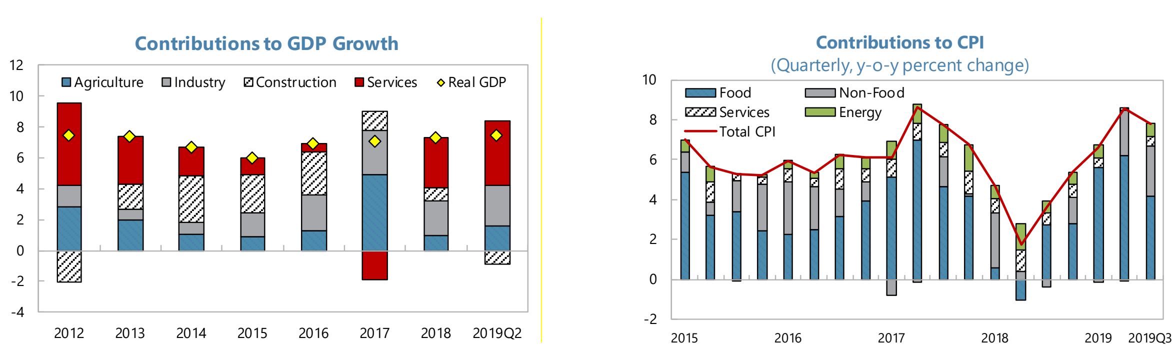
6. **Improvements in governance more broadly would help attract investment and promote growth.** Weaknesses in banks' governance adversely impact their ability to channel private savings to the most productive uses. SOEs governance weaknesses lead to anticompetitive practices, inefficient use of public resources, and fiscal risks. Stronger governance of the economic institutions would reduce vulnerabilities to corruption, improve the investment climate, and help remove barriers to growth.

7. **Tajikistan's record in implementing past Fund advice is mixed (Annex I)**. Despite progress achieved, implementation of Fund's recommendations in some key areas is still incomplete.

MACRO-FINANCIAL DEVELOPMENTS IN 2018-19

8. **Strong economic activity has been accompanied by moderate inflation**. Reported real GDP grew over 7 percent in 2018 and 2019H1 supported by agriculture, industry, and services.[3] After a significant dip in early-2018 due to cheaper food imports, inflation picked up to 7.3 percent in October 2019 largely due to base effects, food price inflation in partner countries, and currency depreciation in the parallel market. Inflation remains within the NBT's target range of 7±2 percent.[4]

Tajikistan: Real Sector Developments



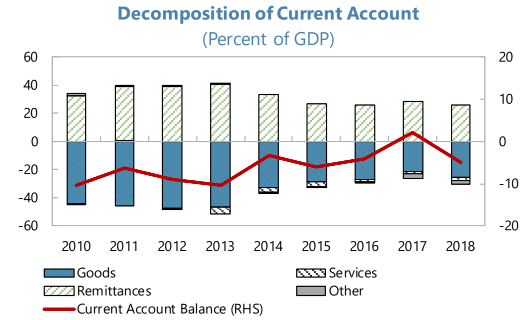
Sources: National authorities and IMF staff estimates

[2] See *Selected Issues Paper,* "Fiscal Risks from State-Owned Enterprises and Reforms in Tajikistan".

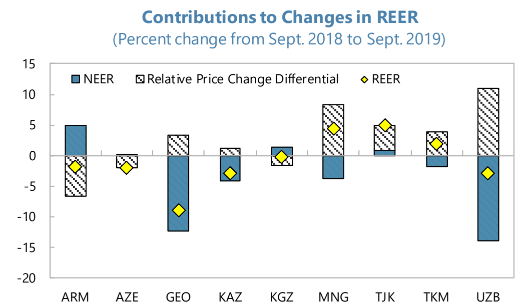
[3] There are weaknesses in national accounts statistics, and the authorities are receiving IMF TA in this area.

[4] Staff analysis suggests that inflation is driven primarily by food price inflation in partner countries, exchange rate movements, and monetary aggregates. Transmission from domestic interest rates is weak.

9. The current account position has deteriorated. Weaker remittances, a small decline in exports, and strong imports owing to increased regional trade and commodity prices contributed to shift the current account surplus in 2017 to a deficit of 5 percent of GDP in 2018 (Figure 2). During 2019H1, the current account deficit (CAD) was estimated at 2.8 percent of full-year GDP, despite a significant increase in gold exports.[5] Gross international reserves (excluding remaining proceeds from a $500 million Eurobond earmarked for Roghun) reached over four months of imports at end-2018 driven by the NBT's domestic gold purchases and remained adequate based on various reserve adequacy metrics.[6]



10. The real effective exchange rate (REER) has appreciated. Movements in EM partner currencies and inflation differentials led to a real appreciation of the official exchange rate. The NBT allowed nominal depreciation of the official exchange rate vis-à-vis the USD in April- July 2018 (6.9 percent) and in August 2019 (2.7 percent). Otherwise, amid limited FX interventions the official market exchange rate was kept stable resulting in FX shortages and a parallel market. Banks were asked to allocate scarce FX for priority imports.[7] Some banks reported that their customers faced delays in obtaining FX and that private businesses incurred external payment arrears.



11. Fiscal policy has been expansionary, with the overall fiscal deficit estimated to reach 3¾ percent of GDP in 2019. Preliminary Q1-Q3 data suggest that tax revenues have declined significantly as a share of GDP (relative to 2018) owing to a moratorium on tax inspections and advance tax payments, the ban on unprocessed mineral exports, and exemptions on imports of raw materials and poultry and fisheries.[8] Current expenditures have increased. The revenue shortfall has been offset by a restraint on capital expenditures, with the 2019 fiscal deficit likely to reach about 3¾ percent of GDP, in line with available financing. Public and publicly-guaranteed debt as a share of GDP has declined (Figure 3), although vulnerabilities from

[5] A ban on the exports of unprocessed minerals was implemented in June 2019 to boost domestic processing industries but lifted in September.

[6] The NBT buys gold from domestic mining companies and the MoF, which is converted into reserves.

[7] The NBT had recommended banks to allocate scarce FX for priority imports in February 2018. This was revoked in October 2019. Also see paragraphs 21-23.

[8] Albeit overall non-tax revenues have performed well in 2019Q1-Q3, revenues from penalties and fines have underperformed significantly relative to 2018, leading to a projected shortfall in non-tax revenues in 2019.

non-guaranteed SOE debt are rising.[9] Arrears on domestic debt to the NBT at end-2018 reached 3.6 percent of GDP. Tajikistan's Eurobond-EMBIG spreads have widened.

Tajikistan: Fiscal Outturn, 2018-19 1/

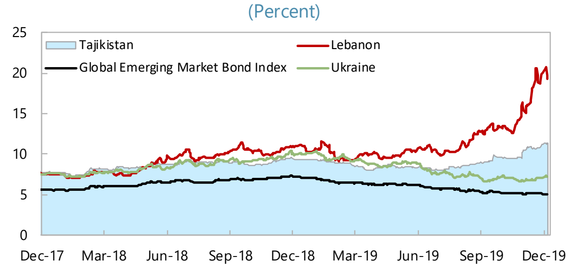
	2018 Q1-Q3	2018	2019 Q1-Q3	2019
	Est.		Prel.	Proj.
Total revenues and grants	26.6	29.1	26.0	26.7
Total revenues	24.7	26.2	23.8	24.5
Tax revenues	20.8	21.3	19.5	20.1
Non-tax revenues	3.9	4.9	4.3	4.4
Grants	1.9	2.9	2.2	2.2
Total expenditures	30.0	31.8	28.6	30.5
Current expenditures	16.0	17.2	16.5	17.7
Capital expenditures	14	14.6	12.1	12.8
o.w. Roghun	*5.5*	*6.8*	*5.1*	*5.0*
Overall balance	-3.4	-2.8	-2.6	-3.8

Source: National authorities and IMF staff estimates

1/ Annualized in percent of GDP. Data for 2019 Q1-Q3 are preliminary.

Bond Yields for Tajikistan, EMBIG, and Other Sovereigns

(Percent)



Source: Bloomberg

12. A step up in monetary operations was used to rein in growth in monetary aggregates. After the monetary expansion in 2016 due to bank bail-outs, the NBT stepped up CD notes' issuance and growth in reserve money and broad money slowed sharply, albeit it has picked up in recent months. Credit growth, which turned negative in the wake of the 2015-16 financial crisis, has started to recover (Figure 4).

13. Significant efforts have been made to strengthen the monetary framework. While the NBT continues to target monetary aggregates, it has introduced standing facilities and monetary instruments to establish a symmetric interest rate corridor. It has also developed liquidity forecasting capacity and made efforts to streamline monetary operations to move towards inflation targeting (IT) over the medium term.[10]

14. The NBT has taken steps to strengthen banking regulation and supervision and develop the macroprudential policy framework and toolkit. A Financial Stability Department at the NBT as well as an interagency National Financial Stability Council were established to monitor systemic risk and maintain financial stability. Legislative amendments to the bank resolution framework were adopted in line with IMF recommendations. Additional macroprudential tools to reduce banks' FX risk and dollarization were introduced (e.g., a liquidity coverage requirement, larger risk weights for loans in FX, higher reserve requirements for FX deposits, and a ban on FX mortgages to unhedged customers). A framework for macroprudential stress-testing is being developed. A draft Financial Stability Report (FSR) is unpublished. Regulations and guidelines have been prepared with World Bank (WB) and IMF technical

[9] Staff estimates of public and publicly-guaranteed debt are based on official data. These estimates exclude the non-guaranteed borrowing by Tajiktransgaz for the construction of the Turkmenistan-China gas pipeline ($300 million). Projections also exclude the expected (in 2020Q1) non-guaranteed SOE commercial borrowing for TALCO modernization ($545 million). Altogether, the excluded liabilities are estimated at over 10 percent of 2019 GDP.

[10] These were IMF recommendations.

assistance on stress testing of banks, management of liquidity risk, interest rate risk, and operational risk, and consolidated supervision.

15. NPLs and bank profitability have improved. The NBT has introduced annual on-site inspections and higher provisioning requirements. Licensing requirements for banks' external auditors have been tightened. The NBT monitors banks with high NPLs, which declined from 36.5 percent at end-2017 but remained high at 31.5 percent (end-September 2019).[11] Profitability also improved—return on assets increased from 0.5 percent to 2.3 percent over the same period (Figure 5).

16. The NBT's financial position remains weak. The last safeguards assessment was completed in 2009. The NBT financial statements continue to be audited in accordance with international standards. However, the NBT's financial position remains weak with negative equity of TJS 6.2 billion (nearly 9 percent of GDP) at end-2018.

OUTLOOK AND RISKS

17. Under current policies, staff projects a challenging macroeconomic outlook over the medium term due to continued large fiscal and external deficits. In addition to the regular project financing from international partners, the authorities envisage concessional borrowing for 2020-22 at $450 million for Roghun and $350 million for a road project. Beyond 2022, borrowing is likely to be on a mix of concessional and non-concessional terms, aggravating external debt vulnerabilities. Current spending is likely to remain elevated. Owing to limited exchange rate flexibility, the fiscal deficit will contribute to real appreciation and higher imports, putting pressure on the CAD and international reserves.[12] Additionally, gaps in the implementation of reforms to the monetary policy framework and the financial sector will hamper efforts to transition to inflation targeting, reduce dollarization, and deepen the financial sector. Uneven structural reforms would perpetuate the weak business environment. Together, these factors would reduce prospects for investment and inclusive job-creating growth in the near and medium terms. Specifically, over the medium term:

- Growth is projected to moderate to 4 percent supported by government spending and growth in non-tradable sectors.
- The current account deficit remains large (around 5½ percent of GDP), and FDI remains low. International reserves decline to below 3 months of imports.

[11] A significant part of the decline in NPLs is due to the recovery of bad assets by AIB and TSB. Excluding these two banks, NPLs have also declined.

[12] Limited FX availability may help reduce imports but will also create incentives for the underreporting of exports. It will adversely affect external adjustment and growth.

- The fiscal deficit is projected at 4¼ percent of GDP, in line with fiscal plans.[13] Public debt rises over the medium term, creating pressures for debt sustainability.

- The debt sustainability analysis (DSA) suggests that Tajikistan's risk of debt distress will remain high with public and publicly guaranteed debt on an unsustainable path under current policies (See attached DSA).[14]

18. Comprehensive reforms are needed to address macroeconomic imbalances and structural constraints to growth. Macroeconomic adjustment and strong structural reforms (fiscal and external adjustment, SOE and financial sector reforms, and supporting institutional policies) are needed to help ensure external and fiscal sustainability, while boosting prospects for sustainable job-rich growth to about 6 percent over the medium term (see text figure). These policies are explained below.

19. The outlook is subject to significant downside risks (Annex II). Cost overruns or difficulties in marketing the electricity generated by Roghun, and arrears on borrowing (especially from SOEs) would pose sizable fiscal risks, by further limiting external debt service capacity and crowding out growth-enhancing expenditures to weaken long-term growth prospects. Slower-than-expected growth in emerging markets, including Russia and China, would reduce remittances, loans, and FDI and put further pressure on the exchange rate. Delays in implementing structural reforms, particularly to improve governance in banks or SOEs, could result in additional fiscal liabilities. Higher global risk premia could aggravate debt vulnerabilities. On the upside, concluding a power purchase agreement for Roghun energy exports would strengthen fiscal and external sustainability and growth prospects.

20. The authorities consider the staff's baseline scenario to be conservative. They believe that the high reported growth rates of recent years will continue owing to high levels of public investment and industrial policies. Nonetheless, staff and the authorities agree that comprehensive reforms are needed to strengthen prospects for sustainable and inclusive growth.

POLICY DISCUSSIONS

Tajikistan's growth model of reliance on public investment and remittances is not sustainable in an environment of slowing global growth and there is a need to re-orient towards greater private-sector led growth. Staff recommends: (i) greater nominal exchange rate flexibility and fiscal consolidation to ensure external and fiscal sustainability, (ii) a stronger monetary policy framework and transmission to support the transition towards inflation targeting, and (iii) creating a stable and healthy financial sector to enable private-sector growth. These measures need to be supported

[13] The authorities' 2020 proposed budget deficit is 2 percent of GDP but excludes borrowing for Roghun and the road project.

[14] The DSA does not include non-guaranteed SOE debt in the baseline, rather it is included in a stress scenario as a contingent liability.

by improvements in governance and the business environment and reductions in vulnerabilities to corruption to generate sustainable and inclusive growth.

Tajikistan: Comparison of Baseline and Adjustment Scenarios

Source: National authorities and IMF staff estimates.

A. Exchange Rate Policy and Monetary Operations

21. Staff welcomed the recent adjustment in the official exchange rate but emphasized the need for greater exchange rate flexibility to align the REER of the Tajik somoni in line

with fundamentals. The external position is assessed to be weaker than suggested by fundamentals and desirable policies (Annex III). Staff and the authorities agreed that greater exchange rate flexibility would facilitate adjustment to external shocks, help preserve buffers, and support growth. Moreover, banks are well positioned to manage exchange rate volatility (Box 1). However, the authorities were concerned with the impact on inflation and public sector balance sheets and repayment capacity. Staff considered that greater exchange rate flexibility now would help avoid a sharper adjustment over the longer term.

22. Staff urged the authorities to remove the existing exchange restriction and multiple currency practices (MCPs). Staff welcomed the recent removal of the guidance to banks to allocate scarce FX for priority imports. However, market participants reported to staff the existence of: (i) undue external payment delays and arrears of private businesses and (ii) NBT's moral suasion to keep commercial bank FX rates within a small band around the official rate. These reports strongly suggest that not all bona fide demand for FX for current international transactions is being satisfied, and that this is the result of official action (in the form of NBT's moral suasion preventing banks from setting exchange rates that would reflect the FX supply and demand), giving rise to an exchange restriction subject to Fund jurisdiction under Article VIII. Staff recommended that the NBT allow exchange rates to reflect FX supply and demand. Staff also identified two new MCPs.[15] Further, staff suggested that the requirement for banks to provide domestic-currency deposits to purchase FX from the official auctions be clarified.[16] This will enable the NBT to better gauge and meet FX demand while ensuring equal access for banks to the official FX market.

23. The authorities considered that excess FX demand is a result of seasonal variations. They did not consider views from market participants to be reliable and emphasized that the corrections of the official exchange rate in 2018 and 2019 had stabilized the domestic FX market. They are also revising the rules giving rise to the MCP on intrabank FX conversions. Staff noted that the exchange rate misalignment accompanied by barriers to access FX could hurt economic activity and incentivize capital outflows. Clear market-based procedures in the FX market would allow it to operate transparently in the transmission of price signals to the economy. Allowing more gold exports could also boost the supply of FX to the private sector. FX interventions could then be geared towards smoothing excessive exchange rate volatility.

[15] The first MCP on intrabank conversions arises because of the absence of a mechanism to prevent a potential deviation of more than 2 percent between (i) the prevailing market exchange rate and (ii) the official exchange rate, which is required to be used for converting domestic currency (somoni) to foreign currency, and vice-versa, between accounts of individuals and legal entities opened within the same commercial bank. The second MCP arises because of the absence of a mechanism to prevent a potential deviation of more than 2 percent between (i) the somoni-Russian ruble exchange rate (calculated as a cross-rate using the official exchange rate of the USD to somoni), which is required to be used for mandatory ruble surrender transactions and (with a maximum variation of 0.5 percent) for the purchase/sale in the interbank market of rubles derived from the mandatory surrender and (ii) the market exchange rate banks may use for purchase/sale of Russian rubles derived from other sources.

[16] Staff is seeking further information on this issue and will follow up accordingly.

24. The authorities agreed that for a successful transition to IT, structural constraints to an effective monetary policy transmission need to be addressed cohesively. Staff welcomed ongoing reforms but considered the monetary policy framework and transmission remain underdeveloped. The monetary policy framework would be supported by greater exchange rate flexibility, a stronger financial position and greater independence of the NBT, including through an independent oversight board, NBT recapitalization, and diversification of international reserves away from monetary gold holdings to interest-bearing liquid assets. Reserve money should continue to be used as an interim anchor during the transition. The authorities indicated that monetary policy transmission is being strengthened by improving the effectiveness of standing facilities, streamlining open market operations, fostering money market activity, broadening access to finance, and taking developing the domestic debt market. Further steps are needed to introduce reserve averaging for banks and to improve emergency liquidity assistance. Staff advised that the issuance of market-based government securities could be used to clear government arrears to the NBT. Quasi-fiscal activities should be avoided.

25. There was broad agreement that tighter monetary policy might be needed to contain second-round effects. Staff emphasized that there may have been some inflation pass-through due to currency movements in the parallel market, and a further increase in inflation may result from the ongoing pick-up in growth of monetary aggregates and greater exchange rate flexibility in the official market. The authorities considered the inflationary pressures as mainly resulting from food price movements in partner countries and the increase in retail energy tariffs. They remain ready to tighten liquidity through a step up in monetary operations to avoid possible second-round effects.

B. Fiscal Policy and Institutions

26. Staff recommended fiscal consolidation with a deficit target of 1½ percent of GDP in the medium term to help maintain fiscal and debt sustainability. Greater exchange rate flexibility would imply a deterioration in the external debt position initially. However, a deficit target of 2 percent of GDP in 2020 and 1½ percent of GDP in 2021 would put debt on a decisive downward path and rebuild policy space over the medium term. It would also help reduce the risk of debt distress and mitigate inflationary and real appreciation pressures on the exchange rate. Public debt would decline to about 41 percent of GDP by 2024. Non-concessional borrowing should be avoided until the Roghun power purchase agreements have been finalized and debt is on a sustainable path over the long term.

27. The adjustment should rely on a combination of revenue and expenditure measures, while protecting the poor and vulnerable. Public investment as a share of GDP is much larger than in peer countries and there is scope to prioritize and improve its efficiency to yield savings. To step up assistance to poor and vulnerable groups, recent increases in spending on goods and services should be reversed to finance an expansion in targeted social assistance programs to all districts with benefits indexed to inflation.

Tajikistan: Options for Fiscal Adjustment

(Changes measured relative to expected 2019 outturn, percent of GDP)

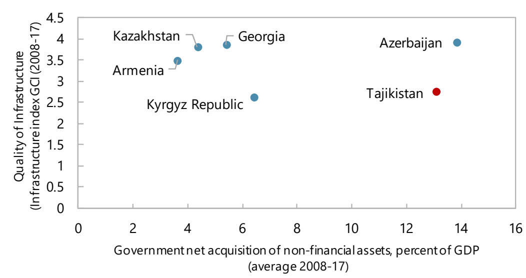
	2020	2021
Overall revenues and grant	0.7	0.8
Tax revenues	0.7	0.8
Non-tax revenues	0.0	0.0
Grant	0.0	0.0
Total expenditures	-1.1	-1.5
Current expenditures	0.0	0.0
Expenditures on goods and services	-0.5	-0.5
Wages and salaries	0.0	0.0
Transfers to households	0.5	0.5
Capital expenditures	-1.1	-1.5
Budget deficit	-1.8	-2.3

Source: National authorities and IMF staff estimates

28. Staff urged reforms to broaden the tax base and achieve fiscal consolidation. The authorities noted that a high-level working group had been established to prepare a new tax code and requested IMF technical assistance in this area. Staff considered that the tax system should be made equitable and predictable, and a broadening of the tax base could help reverse the recent decline in revenues and facilitate fiscal consolidation. The existing inefficient tax incentives could be phased out over time together with a rationalization of the high tax rates so that revenues are not compromised[17].

29. The authorities considered that significant external borrowing was needed to allow Roghun construction to proceed optimally. As Eurobond proceeds are expected to be fully utilized by end-2019, external borrowing is essential to continue the construction. In this regard, the authorities agreed to prioritize expenditures, and limit capital spending to the most critical projects.

Quality of Infrastructure and Public Investment



30. The authorities agreed on measures to strengthen the fiscal framework and transparency. Macro-fiscal capacity in the Ministry of Finance needs strengthening to better support fiscal analysis and policy-making as budget projections and data tend to be unreliable, making mid-year policy corrections difficult. Stronger capacity would also help the authorities better understand the macroeconomic effects of fiscal policy changes (e.g. tax incentives, salary increases, and capital spending). Additionally, with large infrastructure investment projects and borrowing by SOEs, a comprehensive debt management strategy and improvements in debt

[17] See *Selected Issues Paper*, "Tajikistan's Tax Incentives Regime".

coverage and recording capacity are needed. Staff also argued for greater transparency, independent oversight, and careful management of Roghun.

31. Staff welcomed BT reforms, and urged the authorities to limit risks from borrowing by SOEs. Staff welcomed reforms to BT, planned with the WB and ADB assistance, as these will help reduce fiscal contingent liabilities through annual energy tariff increases, restructuring of BT liabilities to government, and repayment of arrears to banks and suppliers. Staff also welcomed the formation of the Coordination Council to manage fiscal risks from SOEs, but were concerned about significant emerging risks to debt sustainability from the borrowing by TALCO and Tajiktransgaz. The authorities considered the borrowing by TALCO as vital to improve its operational efficiency and ensure it continues to provide significant domestic employment. The pipeline financed by Tajiktransgaz, on the other hand, has progressed slowly. As this borrowing is not guaranteed by the government, they argued that fiscal risks were limited.

32. Staff also urged the passage of a revised SOE law in line with international best practice. In addition, the publication of audited IFRS-compliant financial statements for all economically significant SOEs is crucial for greater transparency and stronger oversight to help limit fiscal risks. Privatization should be considered to improve their operational efficiency.

C. Financial Sector Reforms

33. Staff and the authorities agreed that rebuilding depositor confidence and improving access to finance are critical to support inclusive growth. Credit to the private sector has shrunk (as a share of GDP) since 2015 and depositor confidence has been shaken by repeated bank failures. High credit risk as manifest in high NPLs has contributed to very high interest rate spreads (Box 2) and, consequently, to low access to finance. Staff considered that boosting depositor confidence would require prompt liquidation of the two insolvent banks to trigger payouts to insured depositors by the Individuals Deposit Insurance Fund (IDIF). The authorities considered that banks would be liquidated after completion of an ongoing asset evaluation, as asset sales would help the government repay the claims of the NBT. Staff noted that asset sales could be handled by a liquidator after the liquidation. Liquidity and post-liquidation solvency of the IDIF will need to be assured through government support.[18] In the long run, bank fees can be used to recover these costs and restore IDIF assets to their target level. Additionally, balance sheet repair in banks should be accelerated by removing tax disincentives for NPLs resolution, in line with WB TA recommendations. The authorities noted that the number and value of loans had started to increase recently, and the number of bank service points had also increased. They also referred to recent improvements in Tajikistan's FINDEX rating as evidence of improved financial access and inclusion.

34. Staff and the authorities agreed that there is a need for a decisive break from related-party lending and weak governance in banks. The authorities noted that

[18] Staff estimates suggest a near-term fiscal cost of about 0.1 percent of GDP.

improvements in bank governance were underway in line with technical assistance from the WB and EBRD. Staff underscored that legislative changes would empower the NBT to identify banks' related parties (including ultimate beneficial owners), and that strong implementation would be needed to mitigate associated risks.

35. **Staff welcomed efforts to strengthen bank regulation and supervision but urged further efforts** (Annex IV). Regulations and guidelines that have been prepared should be implemented across all banks in the near term. Greater efforts are needed to mitigate concentration risks in banks and to strengthen financial sector buffers. While the IFRS was implemented as of January 2019, further steps should be taken to ensure that banks' assets and liabilities are accurately valued and reported, with the resulting deficiencies addressed in a time-bound manner. The NBT should move towards risk-based supervision. Frameworks for banks' internal capital adequacy assessment processes (ICAAP) should be developed. Competition among banks should be strengthened.

36. **There was agreement that efforts to build a robust macroprudential framework should continue**. Downturns in Tajikistan's financial cycles have been associated with banking sector distress (Annex V) and a robust macro-prudential policy framework could help mitigate risks to financial stability by identifying systemic vulnerabilities and building resilience. The authorities considered that macroprudential policies and improvements in financial literacy among borrowers were helping to reduce FX risks in banks. While the macroprudential framework and additional tools (such as Loan-to-Value ratios and Debt-Service-Coverage ratios) were under development, improvements in data collection would be essential for them to function appropriately. These efforts would be supported by publishing the draft FSR. Staff agreed and recommended that strong financial sector supervision, a prerequisite for effective macroprudential policies, should be prioritized.

37. **The authorities agreed that further strengthening the AML/CFT regime will improve financial integrity and stability**. As indicated by Tajikistan's AML/CFT national risk assessment, the financial sector is exposed to illicit flows and the proceeds of criminal activity. The authorities agreed that the effectiveness of the AML/CFT regime should be increased, building on the findings of the most recent AML/CFT evaluation by the Eurasian Group. In particular, supervisory authorities, including the Financial Monitoring Department (FMD) should conduct risk-based AML/CFT supervision of financial institutions, which could also enhance the quality of suspicious transactions reporting, and subsequently increase the usefulness of FMD's output for criminal investigations. The authorities welcomed Fund support in the aforementioned areas and considered that these steps would also help in mitigating pressures on correspondent banking relationships, which decreased by almost 50 percent from 2012–2018 (as per CPMI data).

D. Structural Reforms to Boost Inclusive Growth

38. Staff welcomed reforms to Tajikistan's business environment over the past year but stressed that more is needed. Tajikistan has made it easier to start a business, improved access to credit through the introduction of a movable collateral registry and establishing a broader set of assets to be used as collateral, and eased customs clearance processes for perishable goods. These reforms have improved its *WB Doing Business Indicators* (Figure 6). Going forward, reform efforts should continue, supported by public consultations with businesses.

39. Governance weaknesses in core economic institutions, as highlighted above, also need to be addressed to boost prospects for private-sector led sustainable growth. Staff noted significant weaknesses in the governance of core economic institutions which impede transparency, equity, and efficiency in the allocation of public and private resources. Implementing recommendations (e.g. on tax incentives, public spending efficiency, SOE governance, FX market operations, financial sector and central bank governance) would help address these gaps, reduce vulnerabilities to corruption, and boost prospects for sustainable growth. The authorities emphasized that improvements to the tax code were expected over the next year and contribute in this direction.

40. Additionally, staff urged the authorities to address weaknesses in the control of corruption and rule of law which would help boost investment and ensure inclusive growth. Tajikistan has the basic legal and institutional infrastructure in place to combat corruption. The authorities have established an anti-corruption agency and developed a National Anti-Corruption Strategy (2013–20). However, implementation of the framework is overall weak and there are several areas for improvement. Public officials are required to declare their assets, but these should be published with proper oversight and verification. The authorities agreed that the effectiveness of the anti-corruption policies can be strengthened by improving the understanding of corruption risks to develop, prioritize, and implement concrete and actionable policies. Further, the legal framework should be brought in line with the UN Convention Against Corruption and clarified with respect to criminal and administrative offences. Staff emphasized that measures should be taken to improve the reliability and predictability of contract enforcement, also to reduce risk premiums and the cost of doing business, and to stimulate market confidence and investment (both domestic and foreign).

STATISTICAL AND OTHER ISSUES

41. Staff recommended improvements in statistics to support economic decision making. Priorities include improvements in national accounts source data, budget reporting and publication practices, preparation of consolidated fiscal accounts in line with GFSM2014, and inclusion of SOEs in public debt. The authorities noted progress in compiling preliminary quarterly GDP estimates and plans to commence regular publication to aid policy making.

STAFF APPRAISAL

42. The macroeconomic outlook is challenging amid large fiscal and external deficits. Reported real GDP growth has been strong in 2018-19, while inflation has picked up. The real exchange rate has appreciated owing to limited exchange rate flexibility, and the current account has moved from a surplus into a sizable deficit, although international reserves have been stable owing to domestic gold purchases. Under current policies, the external position is expected to remain weak, and debt on an unsustainable path. The outlook is subject to significant downside risks. Fiscal risks stem from potential cost overruns on large public investment projects as well as borrowing by SOEs.

43. Greater exchange rate flexibility would facilitate external adjustment to shocks, help preserve external buffers, and support growth. The recent depreciation of national currency is welcome. However, the external position is still assessed to be weaker than suggested by fundamentals and desirable policies. Removing barriers for businesses to access FX and allowing greater exchange rate flexibility would support the transmission of price signals in the economy and facilitate adjustment. Staff does not recommend the approval of the newly-identified exchange restriction or multiple currency practices as they are not temporary.

44. The monetary policy framework and transmission should be strengthened over time. The NBT's efforts to introduce standing facilities and monetary instruments, develop liquidity forecasting capacity, and foster money market activity are welcome. In addition to allowing greater exchange rate flexibility, the NBT's financial position and independence should be enhanced, including through an independent oversight board, NBT recapitalization, and diversification of international reserves away from monetary gold toward interest-bearing liquid assets. As inflationary pressures have risen in recent months, tighter monetary policy might be needed to mitigate possible second-round effects.

45. Fiscal consolidation with a deficit target near 1½ percent of GDP is needed over the medium term to help maintain debt sustainability. Fiscal consolidation is needed to put debt on a decisive downward path to reduce the risk of debt distress and rebuild policy space to manage future shocks. A broadening of the tax base could help reverse the recent decline in revenues and facilitate fiscal consolidation. Prioritization of public investment should be accompanied by improvements in efficiency to create fiscal space for important infrastructure projects. Targeted social assistance should be stepped up to protect poor and vulnerable groups. Non-concessional borrowing should be avoided.

46. Measures to strengthen the fiscal framework and transparency would support adjustment. Stronger macro-fiscal capacity is needed to support fiscal analysis and policy-making. Improvements in debt coverage and recording capacity and a comprehensive debt management strategy are needed to manage fiscal risks from large infrastructure projects and SOEs. Passage of the SOE law and publication of audited financial statements for economically significant SOEs would also help.

47. Financial sector reforms are welcome, but more is needed. The NBT has made progress to strengthen regulation and supervision and develop the macroprudential framework and toolkit. Restoring depositor confidence will require the liquidation of two formerly-systemic insolvent banks and payout of insured depositors. Balance sheet repair should be accelerated by removing tax disincentives to NPLs resolution. Reforms to improve bank governance are needed to reduce related party lending. Strong implementation of these policies can help mitigate risks in the banking sector. The AML/CFT regime needs to be strengthened.

48. Efforts to improve the business environment and strengthen governance are welcome and should continue. Over the past year, Tajikistan's WB Doing Business indicators have improved considerably owing to reforms that make it easier to start a business, improved access to credit, and trade facilitation. Additional priorities include strengthening the governance of core economic institutions as well as enhancing the rule of law and anti-corruption policies. Further progress is needed on the quality and timeliness of economic data to support economic analysis.

49. It is proposed that the next Article IV consultation be held on the standard 12-month cycle.

Box 1. Effects of a Currency Depreciation on Bank Resilience in Tajikistan[1]

1. A currency depreciation can have direct and indirect effects on bank balance sheets. The direct effect refers to the net change in the local currency value of FX denominated assets and liabilities after a currency depreciation. It depends on the net open FX positions of the banks. The larger a bank's net short position in FX, the larger the negative impact of currency depreciation on its capital. Indirect effects refer to defaults from some of the banks' borrowers on their FX denominated loans if they lack FX income. Then, banks must make provisions for higher NPLs, resulting in a reduction in the balance sheet value of their assets and capital.

2. In Tajikistan, direct effects are expected to be very modest, but indirect effects could be large, depending on banks' initial capital position and the size of their FX loan portfolios. The banks in Tajikistan have a small net short position in FX (the net open position as a share of total net assets was -4.4 percent on average at end-2018), likely resulting in very limited direct effects from currency depreciation on banks' capital. However, FX denominated lending is large (57 percent of total loans). A currency depreciation could therefore have a significant impact on NPLs and hence bank capital.

3. The effects of a currency depreciation on bank capital are analyzed using two scenarios. In the absence of detailed borrower data, indirect effects are difficult to estimate. In analyzing the combined effects, we therefore apply two different scenarios to simulate the indirect effects, varying the factor (q) with which banks' FX loans would drop in value following a currency depreciation. In Scenario 1, we assume that the indirect effect is $q = 0.7d$, where d is the degree of depreciation.[2] That is, if the depreciation is 10 percent, the loan-loss provisions would increase by 7 percent of the FX loan portfolio with a commensurate impact on bank capital before the direct valuation effects of the currency depreciation.[3] In Scenario 2, we assume that 25 percent of a bank's FX loan portfolio would be provisioned against due to indirect effects regardless of the size of the depreciation, that is $q = 0.25$.

4. Results indicate that the combined effects of currency depreciation are manageable owing to a strong initial capital position, with only one bank warranting concern (Table 1). The initial average leverage ratio among all the banks is 18 percent. The stress test is applied to end-2018 balance sheet data for all 14 operating banks (excluding the insolvent banks). The analysis tests how individual banks' capital, as proxied by their leverage ratios, would be impacted by currency depreciation of up to 35 percent.[4] In the harshest scenario, one of the banks reaches a leverage ratio of 5.0 percent at a 23 percent depreciation (and a 4.0 percent leverage ratio at a 35 percent depreciation). A leverage ratio of 4-5 percent should be manageable as it remains above the Basel III minimum. All other banks in the test stay comfortably at leverage ratios of 7 percent or higher, even with a 35 percent depreciation of the somoni. The results assume that assets and liabilities are correctly valued

Table 1. Summary of Stress Test Results

		Number of banks at 5 percent leverage ratio or lower			
	Depreciation:	**20%**	**25%**	**30%**	**35%**
	Six largest banks	…	…	…	1
Scenario 1: q=0.7d	*Eight smallest banks*	…	…	…	…
	All banks	…	…	…	1
	Six largest banks	…	1	1	1
Scenario 2: q=0.25	*Eight smallest banks*	…	…	…	…
	All banks	…	1	1	1

Source: National authorities and IMF staff estimates

[1] Prepared by Johan Molin.

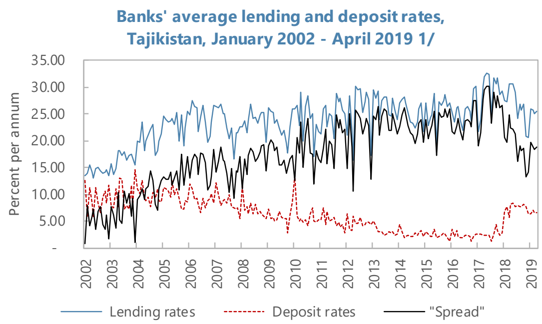
Box 1. Effects of a Currency Depreciation on Bank Resilience in Tajikistan (concluded)

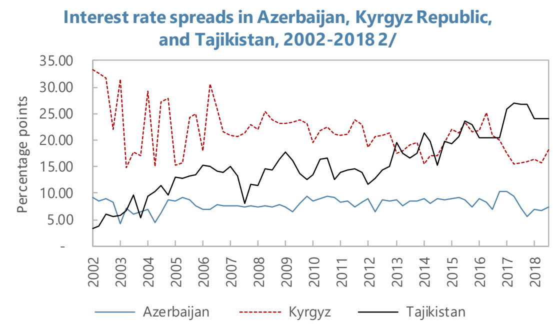
[2] The coefficient 0.7 was derived through regression analysis of historic TJS/USD changes and changes in NPL ratios.
[3] The percent impact on bank capital could be larger or smaller depending on how bank capital compares to the size of the FX loan portfolio.
[4] Basel III introduced a minimum "leverage ratio", calculated by dividing Tier 1 capital by the bank's total consolidated assets. The banks are expected to maintain a leverage ratio in excess of 3 percent under Basel III.

Box 2. Bank Interest Rate Spreads in Tajikistan[1]

1. The interest rate spreads in Tajikistan are among the highest in the world. Despite having declined from 30.2 percentage points in May 2017, the average bank interest rate spread was, at 18.8 percentage points in April 2019, still considerably higher than in most countries, albeit roughly comparable to that in neighboring Kyrgyz Republic (see Figure 1). The high spreads discourage investment and economic growth.

Figure 1. Tajikistan: Bank Lending, Deposit, and Interest Rates





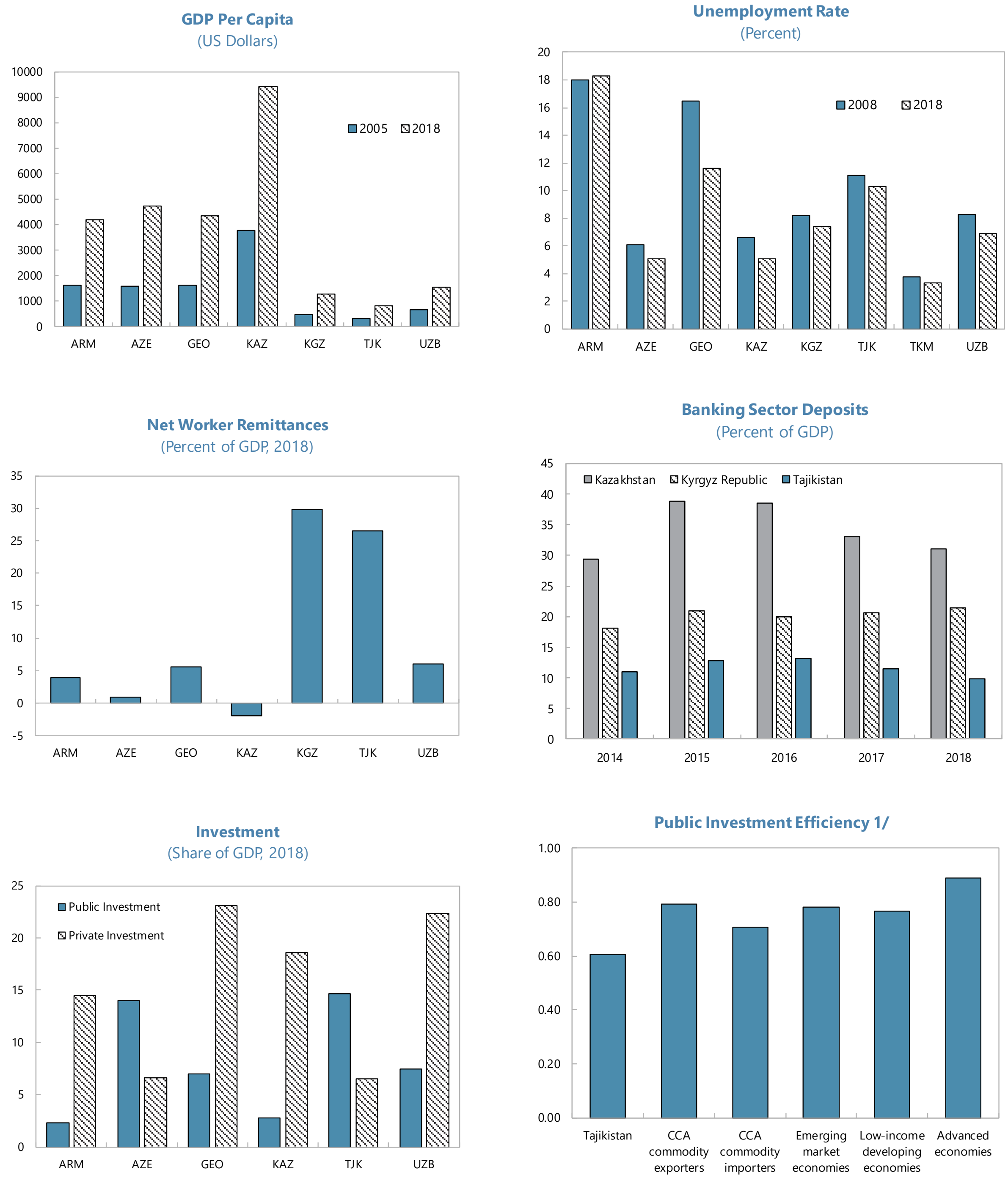
Sources: National authorities, Haver Analytics, and IMF staff estimates.
1/ Monthly data. Representative rates, weighted averages, foreign currency excluded.
2/ Quarterly data. Gaps in observations for Tajikistan.

2. The high interest rate spreads reflect the high credit risk premia and operating costs, weak competition, and macroeconomic uncertainties faced by banks. The high credit risk premia reflect a history of high NPL losses due to factors including sizable FX lending to unhedged borrowers, weak bank governance and risk management, and inefficient processes for securing collateral and resolving NPLs. Complex tax procedures and regulations add to operational costs. Competition is hampered by low financial literacy, a lack of transparency in pricing of banking services, a concentrated banking sector, and underdeveloped financial markets. Currency depreciation and inflation expectations reflecting macroeconomic uncertainty are also priced into the spreads.

3. Addressing further weaknesses NPLs resolution and bank risk management can help reduce spreads. Risk management in banks can be improved by, for example, making use of credit scoring and other techniques for risk-based credit pricing as well as considering borrowers' FX positions. Inefficient and complex judicial processes and tax regulation should be improved. The authorities have made strides to improve creditor information in recent years and should take further actions to improve price transparency and financial literacy. Regulating interest rates directly could create harmful market distortions.

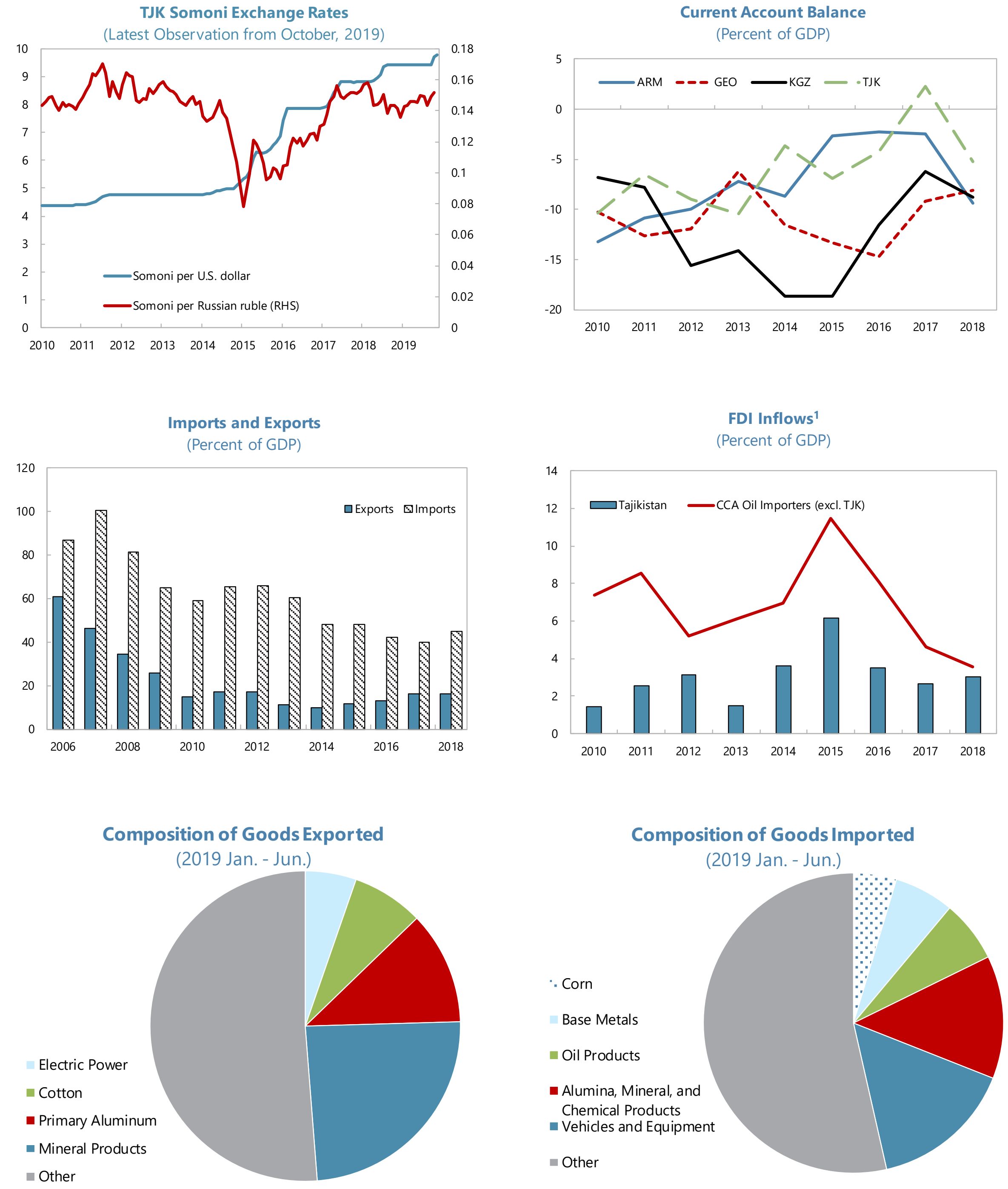
[1] Prepared by Johan Molin.

Figure 1. Tajikistan: Selected Macroeconomic and Financial Indicators



Sources: International Labor Organization (ILO), World Bank, national authorities, and IMF staff estimates.
Note: ARM, AZE, GEO, KAZ, KGZ, TJK, TKM, and UZB stand for Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, respectively. CCA stands for the Caucasus and Central Asia region.
1/ The score ranges between 0 and 1, where 1 represents perfect efficiency and 0 perfect inefficiency. The frontier is made up of efficient combinations of infrastructure quality as measured in the World Economic Forum's Global Competitiveness Index and public capital stock per capita in 2014.

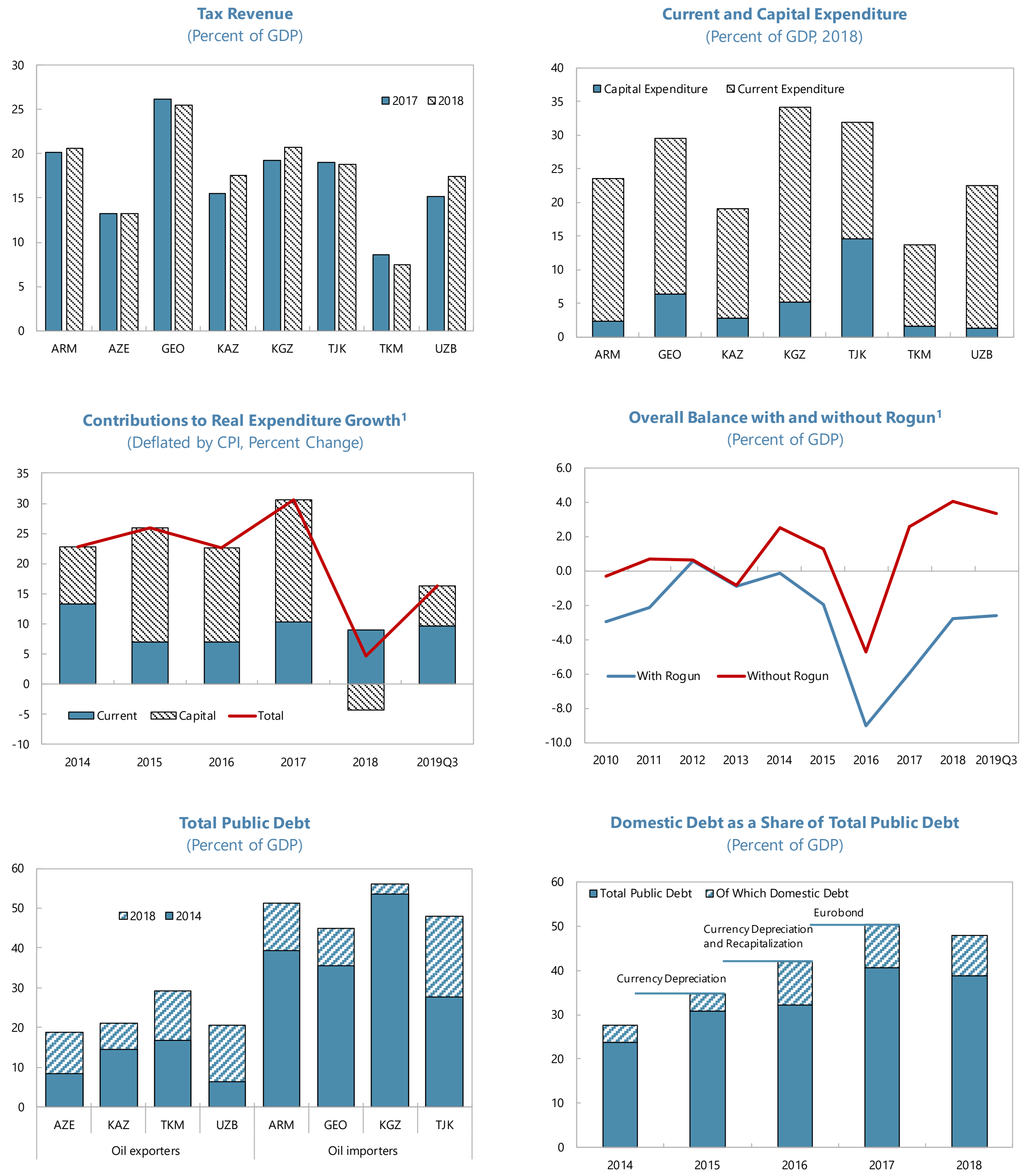
Figure 2. Tajikistan: External Sector



Sources: National authorities and IMF staff estimates.

[1]CCA oil importers include Armenia, Georgia, Kyrgyz Republic, and Tajikistan.

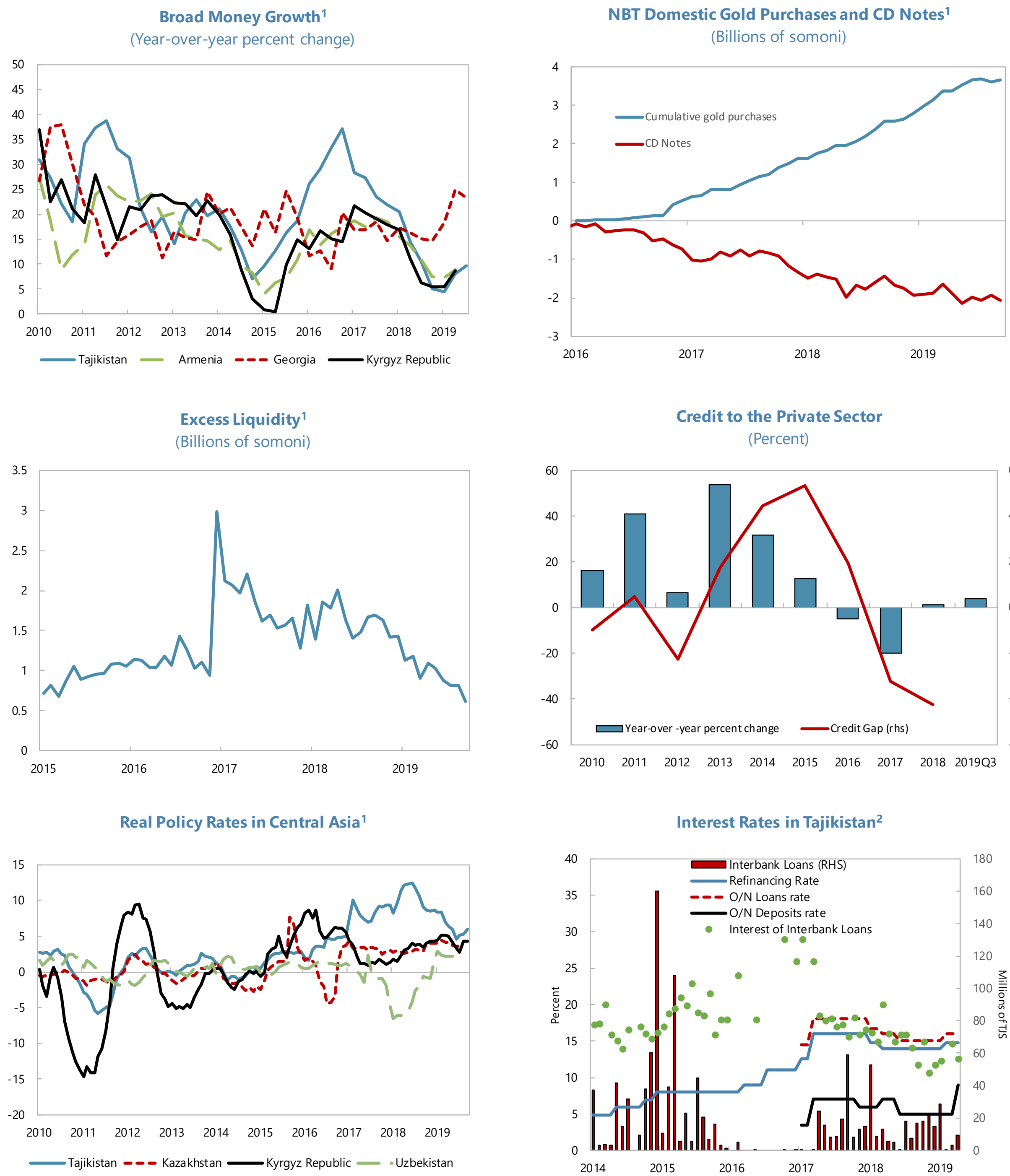
Figure 3. Tajikistan: Fiscal Sector



Sources: National authorities and IMF staff estimates.

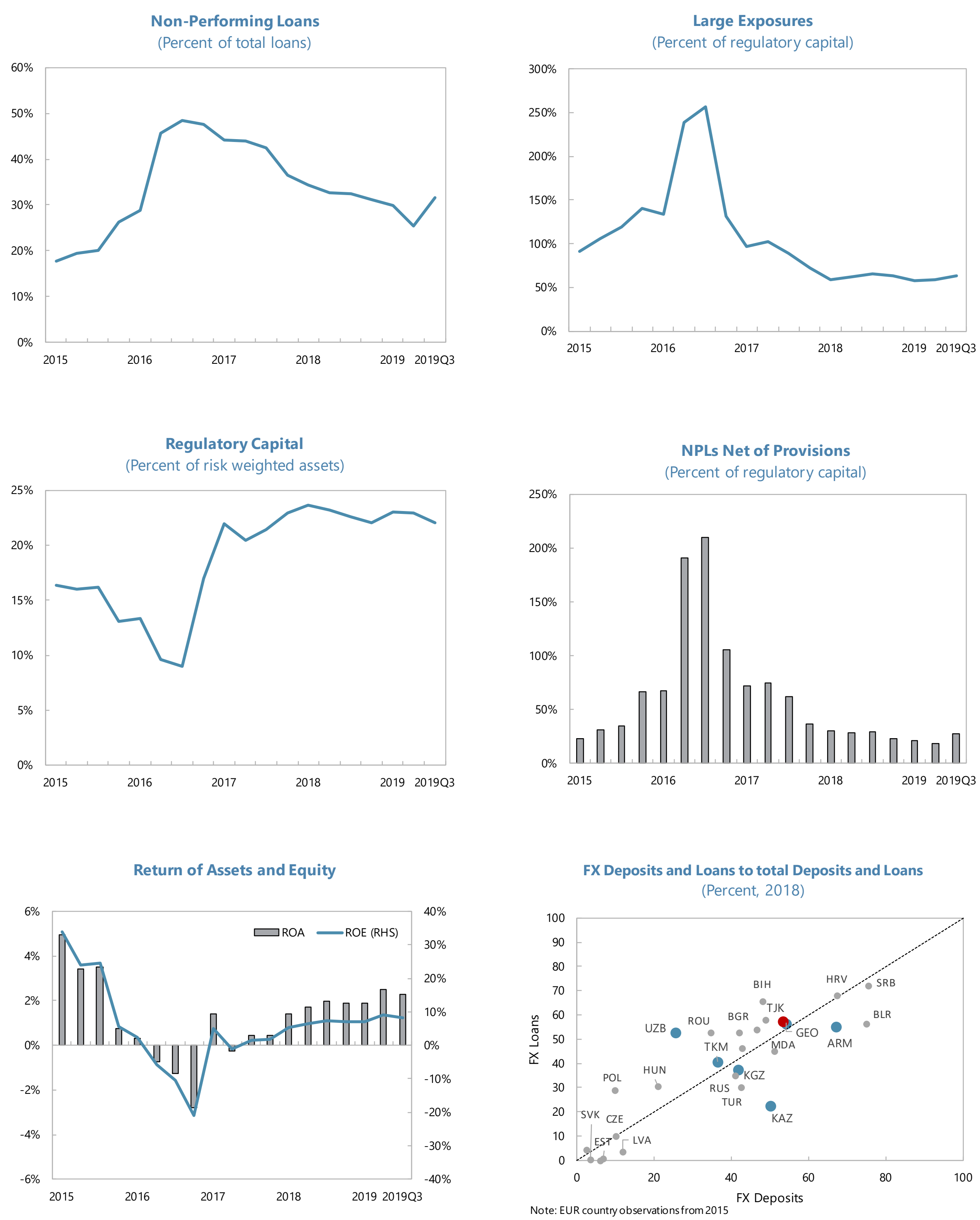
[1]2019 Q3 values are annualized.

Figure 4. Tajikistan: Monetary Sector



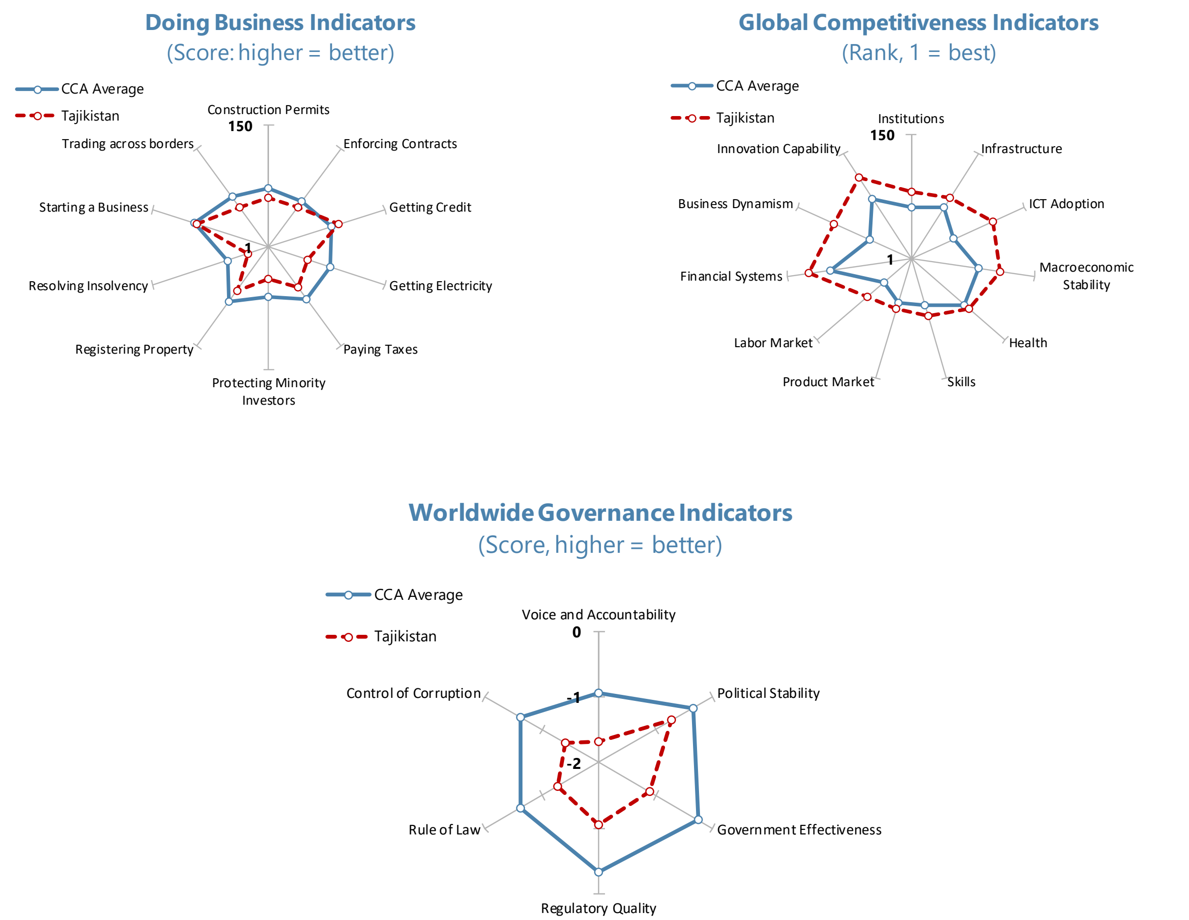
Sources: National authorities and IMF staff estimates.
[1]Latest available data from September 2019.
[2]Latest available data from April 2019.

Figure 5. Tajikistan: Financial Sector



Sources: National authorities and IMF staff estimates.
Note: Latest available data from June 2019.

Figure 6. Tajikistan: Governance Indicators



Sources: World Bank *Doing Business Indicators, Global Competitiveness Indicators,* and *Worldwide Governance Indicators*
Note: There is uncertainty around point estimates. All CCA averages exclude Tajikistan. Doing Business Indicator CCA average excludes Turkmenistan for lack of data availability. Global Competitiveness Indicators CCA average exclude Turkmenistan and Uzbekistan, for lack of data availability.

Table 1. Tajikistan: Selected Economic Indicators, 2016-24

(Quota: SDR 174 millions)

(Population: 9.1 million; 2018)

(Per capita GDP: US$827; 2018)

(Poverty rate: 29 percent; 2017)

(Main exports: mineral products, aluminum, cotton; 2018)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Proj.					
	(Annual percent change; unless otherwise indicated)								
National accounts									
Real GDP	6.9	7.1	7.3	5.5	4.8	4.5	4.5	4.0	4.0
GDP deflator (cumulative)	5.3	4.7	5.0	6.5	6.3	6.2	5.7	5.6	5.7
Headline CPI inflation (end-of-period)	6.1	6.7	5.4	7.4	6.8	6.7	6.5	6.5	6.5
Headline CPI inflation (period average)	5.9	7.3	3.8	7.5	7.4	6.7	6.5	6.5	6.5
	(In percent of GDP; unless otherwise indicated)								
General government finances									
Revenue and grants	29.9	29.7	29.1	26.7	27.2	27.2	27.1	27.0	27.0
Tax revenue	20.7	21.6	21.3	20.1	20.2	20.2	20.2	20.2	20.2
Expenditure and net lending	38.9	35.6	31.9	30.4	31.5	31.5	31.4	31.3	31.3
Current	17.1	17.0	17.2	17.7	17.9	17.9	17.7	17.8	17.9
Capital	15.8	18.6	14.6	12.8	13.5	13.6	13.7	13.5	13.4
Overall balance (excl. PIP and stat. discrepancy) 1/	-5.4	-3.4	1.6	0.5	1.5	1.5	1.5	0.4	0.3
Overall balance (incl. PIP and stat. discrepancy) 1/	-9.0	-6.0	-2.8	-3.8	-4.3	-4.3	-4.3	-4.3	-4.3
Domestic financing	7.1	-2.8	2.2	2.3	0.0	0.0	0.0	0.0	0.0
External financing	2.1	8.1	1.0	1.4	4.3	4.3	4.3	4.3	4.3
Total public and publicly-guaranteed debt	42.1	50.4	47.9	45.2	46.4	47.5	48.9	50.6	52.2
Monetary sector									
Broad money (12-month percent change)	37.1	21.8	5.1	13.5	12.1	11.8	11.4	11.0	11.0
Reserve money (12-month percent change)	71.1	21.0	7.0	12.1	11.7	11.6	11.1	11.0	10.8
Credit to private sector (12-month percent change)	-4.9	-20.2	1.3	7.8	9.3	9.6	9.8	9.8	9.9
Velocity of broad money (eop)	3.7	3.4	3.6	...	...	...	...	...	...
Refinancing rate (in percent, eop/ latest value)	11.0	16.0	14.8	...	...	...	...	...	...
	(In percent of GDP; unless otherwise indicated)								
External sector									
Exports of goods and services (U.S. dollar, percent change)	9.1	25.1	-0.8	12.2	7.8	9.5	7.8	7.0	5.7
Imports of goods and services (U.S. dollar, percent change)	-12.0	-5.6	16.5	3.6	7.0	6.8	6.0	5.7	5.6
Current account balance	-4.2	2.2	-5.0	-4.5	-5.2	-5.3	-5.3	-5.4	-5.5
Trade balance (goods)	-27.1	-21.2	-25.1	-23.0	-23.3	-23.0	-22.8	-22.6	-22.6
FDI	3.0	0.9	3.3	3.0	2.4	2.1	1.8	1.6	1.6
Total public and publicly guaranteed external debt	32.4	40.6	38.7	36.8	38.7	40.6	42.7	44.9	47.0
Exports of goods and services, in millions of U.S. dollars	900	1,125	1,116	1,252	1,350	1,479	1,594	1,706	1,803
Imports of goods and services, in millions of U.S. dollars	-2,927	-2,764	-3,220	-3,338	-3,573	-3,815	-4,045	-4,275	-4,513
Current account balance, in millions of U.S. dollars	-291	159	-379	-366	-447	-483	-513	-551	-593
Total public and publicly guaranteed external debt, in millions of U.S. dollars	2,243	2,815	2,828	2,893	3,239	3,618	4,026	4,462	4,921
Gross official reserves (in millions of U.S. dollars)	653	1,032	1,160	1,351	1,329	1,307	1,245	1,200	1,176
In months of next year's imports	2.8	3.8	4.2	4.5	4.2	3.9	3.5	3.2	2.9
In percent of broad money	34.8	50.5	57.7	61.9	56.7	52.1	46.4	42.0	38.7
Memorandum items:									
Nominal GDP (in millions of somoni)	54,471	61,093	68,844	77,351	86,130	95,593	105,622	115,959	127,509
Nominal GDP (in millions of U.S. dollars)	6,953	7,144	7,520	8,132	8,539	9,081	9,619	10,130	10,683
Nominal effective exchange rate (Index 2010=100)	67.4	62.4	58.7	...	...	...	...	...	...
Real effective exchange rate (Index 2010=100)	79.1	76.4	72.4	...	...	...	...	...	...
Average exchange rate (somoni per U.S. dollar)	7.83	8.55	9.15	...	...	...	...	...	...

Sources: Data provided by the Tajikistan authorities, and Fund staff estimates.

1/ The 2016 overall balance includes 6.1 percent of GDP for bank recapitalization in addition to regular fiscal operations.

Table 2. Tajikistan: General Government Operations, 2016-24

(In millions of somoni, unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				Budget	Proj.	Budget	Proj.		Proj.		
Overall revenues and grants	16,295	18,124	20,025	21,234	20,625	23,727	23,387	26,011	28,676	31,288	34,390
Total revenues	14,951	16,523	18,042	19,232	18,923	21,230	21,103	23,420	25,844	28,441	31,290
Tax revenues	11,280	13,168	14,653	16,318	15,575	17,912	17,400	19,310	21,350	23,454	25,807
Income and profit tax	2,385	3,073	3,431	3,771	3,793	4,233	4,220	4,684	5,175	5,682	6,248
Payroll taxes	1,383	1,574	1,729	1,810	1,702	1,951	1,895	2,103	2,324	2,551	2,805
Property taxes	277	300	358	352.0	352	423.9	396	445	492	539	593
Taxes on goods and services	6,571	7,504	8,368	9,505	8,955	10,523	10,124	11,234	12,426	13,654	15,030
International trade and operations tax	665	717	766	881	774	781	765	844	933	1,028	1,131
Nontax revenues	3,671	3,355	3,389	2,915	3,348	3,318	3,704	4,110	4,495	4,986	5,483
Of which: Extra-budgetary funds	2,223	2,137	1,525	1,732	2,165	2,030	2,387	2,649	2,880	3,214	3,598
Grants	1,344	1,602	1,983	2,002	1,702	2,496	2,284	2,591	2,831	2,847	3,100
Of which: Public Investment Program (PIP) financing	1,344	1,432	1,882	1,702	1,702	2,196	2,197	2,485	2,535	2,551	2,806
Total expenditures and net lending	21,214	21,769	21,940	24,660	23,533	25,446	27,091	30,120	33,218	36,301	39,873
Current expenditures	9,292	10,372	11,860	14,735	13,657	16,308	15,439	17,094	18,745	20,635	22,770
Expenditures on goods and services	6,301	6,953	7,817	10,153	9,085	10,996	10,069	11,311	12,480	13,729	15,119
Wages and salaries	3,796	4,362	4,653	5,359	5,337	5,695	5,943	6,610	7,298	8,025	8,832
Others	2,505	2,591	3,164	4,794	3,748	5,301	4,126	4,701	5,181	5,704	6,286
Interest payments	376	281	769	886	823	930	977	907	878	992	1,149
External	321	268	629	762	691	789	776	866	863	977	1,133
Domestic	55	13	139	125	131	142	201	41	15	15	15
Transfers and subsidies	2,616	3,138	3,275	3,695	3,750	4,382	4,393	4,875	5,387	5,914	6,503
Transfers to households	2,476	2,880	3,087	3,574	3,403	3,918	4,007	4,448	4,914	5,395	5,933
Of which: Social benefits and social assistance	184	222	224	294	252	318	498	553	611	670	737
Subsidies and other current transfers	139	259	188	121	346	464	385	428	473	519	570
Capital expenditures	8,597	11,391	10,077	9,917	9,868	9,138	11,652	13,026	14,473	15,666	17,103
Externally financed (PIP and Rogun)	3,329	3,011	4,929	5,536	4,963	4,523	7,193	8,015	8,673	7,988	8,774
Of which: Rogun	...	...	1,348	1,291	1,179		1,765	1,842	2,196	2,289	2,387
Domestically financed	5,268	8,380	5,148	4,381	4,905	4,615	4,459	5,011	5,800	7,678	8,417
Of which: Rogun	2,353	5,202	3,352	2,111	2,725	2,111	2,017	2,105	2,196	2,289	2,387
Of which: Non-Rogun	2,915	3,179	1,796	2,270	2,180	2,504	2,442	2,906	3,604	5,388	6,030
Net lending	3,325	6	3	8	8	0	0	0	0	0	0
Statistical discrepancy ("+" = additional spending)	52	-404	239	...	...	...	...	...	...	...	...
Overall balance (incl. PIP) 1/	-4,920	-3,644	-1,914	-3,426	-2,909	-1,720	-3,704	-4,109	-4,542	-5,013	-5,483
Overall balance (excl. PIP and PIP-related grants) 1/	-2,934	-2,066	1,133	408	353	607	1,292	1,421	1,596	424	398
Overall balance (incl. PIP and excl. bank recapitalization)	-1,600	-3,644	-1,914	-3,426	-2,909	-1,720	-3,704	-4,109	-4,542	-5,013	-5,483
Total financing (incl. PIP)	4,972	3,240	2,153	3,426	2,909	1,720	3,704	4,109	4,542	5,013	5,483
Net external	1,119	4,978	658	1,949	1,120	1,035	3,704	4,109	4,542	5,013	5,483
Disbursements	1,985	5,916	1,699	2,540	2,082	...	4,996	5,530	6,138	6,410	7,068
Amortization	-867	-938	-1,041	-591	-962	...	-1,292	-1,421	-1,596	-1,397	-1,585
Net domestic	3,853	-1,738	1,496	1,476	1,789	684	0	0	0	0	0
Of which : NBT	2,998	-2,308.8	1,324	...	1,175	...	0	0	0	0	0
Of which : Commercial banks (including Tbills/Bonds)	803	-106	-286	...	0	...	0	0	0	0	0
Of which : Tbills/Bonds (sales to non-banks)	1	0	0	...	0	...	0	0	0	0	0
Privatization proceeds/Sales of gold and precious metal to NB	0	637	511	...	614	...	0	0	0	0	0
Memorandum items:											
Recapitalization bonds–NBT	120	120	...	...	...	...	...	...	...	...	...
Recapitalization bonds–commercial banks	3,319	...	...	...	...	...	...	...	...	...	...
Public Debt (Percent of GDP)	42.1	50.4	47.9	...	45.2	...	46.4	47.5	48.9	50.6	52.2

Sources: Tajikistan authorities, and Fund staff estimates.

1/ The 2016 overall balance includes TJS 3,320 million for bank recapitalization in addition to regular fiscal operations.

Table 3. Tajikistan: General Government Operations, 2016-24

(In percent of GDP, unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				Budget	Proj.	Budget	Proj.		Proj.		
Overall revenues and grants	29.9	29.7	29.1	27.5	26.7	27.5	27.2	27.2	27.1	27.0	27.0
Total revenues	27.4	27.0	26.2	24.9	24.5	24.6	24.5	24.5	24.5	24.5	24.5
Tax revenues	20.7	21.6	21.3	21.1	20.1	20.8	20.2	20.2	20.2	20.2	20.2
Income and profit tax	4.4	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Payroll taxes	2.5	2.6	2.5	2.3	2.2	2.3	2.2	2.2	2.2	2.2	2.2
Property taxes	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Taxes on goods and services	12.1	12.3	12.2	12.3	11.6	12.2	11.8	11.8	11.8	11.8	11.8
International trade and operations tax	1.2	1.2	1.1	1.1	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Nontax revenues	6.7	5.5	4.9	3.8	4.3	3.9	4.3	4.3	4.3	4.3	4.3
Grants	2.5	2.6	2.9	2.6	2.2	2.9	2.7	2.7	2.7	2.5	2.4
Of which: Public Investment Program (PIP) financing	2.5	2.3	2.7	2.2	2.2	2.6	2.6	2.6	2.4	2.2	2.2
Total expenditure and net lending	38.9	35.6	31.9	31.9	30.4	29.5	31.5	31.5	31.4	31.3	31.3
Current expenditures	17.1	17.0	17.2	19.0	17.7	18.9	17.9	17.9	17.7	17.8	17.9
Expenditures on goods and services	11.6	11.4	11.4	13.1	11.7	12.8	11.7	11.8	11.8	11.8	11.9
Wages and salaries	7.0	7.1	6.8	6.9	6.9	6.6	6.9	6.9	6.9	6.9	6.9
Others	4.6	4.2	4.6	6.2	4.8	6.2	4.8	4.9	4.9	4.9	4.9
Interest payments	0.7	0.5	1.1	1.1	1.1	1.1	1.1	0.9	0.8	0.9	0.9
External	0.6	0.4	0.9	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.9
Domestic	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0
Transfers and subsidies	4.8	5.1	4.8	4.8	4.8	5.1	5.1	5.1	5.1	5.1	5.1
Transfers to households	4.5	4.7	4.5	4.6	4.4	4.5	4.7	4.7	4.7	4.7	4.7
Of which : Social benefits and social assistance	0.3	0.4	0.3	0.4	0.3	0.4	0.6	0.6	0.6	0.6	0.6
Subsidies and other current transfers	0.3	0.4	0.3	0.2	0.4	0.5	0.4	0.4	0.4	0.4	0.4
Capital expenditures	15.8	18.6	14.6	12.8	12.8	10.6	13.5	13.6	13.7	13.5	13.4
Externally financed (PIP and Rogun)	6.1	4.9	7.2	7.2	6.4	5.3	8.4	8.4	8.2	6.9	6.9
Of which: Rogun	...	...	2.0	1.7	1.5	0.0	2.0	1.9	2.1	2.0	1.9
Domestically financed	9.7	13.7	7.5	5.7	6.3	5.4	5.2	5.2	5.5	6.6	6.6
Of which: Rogun	4.3	8.5	4.9	2.7	3.5	2.5	2.3	2.2	2.1	2.0	1.9
Of which: Non-Rogun	5.4	5.2	2.6	2.9	2.8	2.9	2.8	3.0	3.4	4.6	4.7
Net lending	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy ("+" = additional spending)	0.1	-0.7	0.3	...	...	...	...	...	...	...	...
Primary balance	-2.2	-5.5	-1.7	-3.3	-2.7	-0.9	-3.2	-3.3	-3.5	-3.5	-3.4
Overall balance (incl. PIP) 1/	-9.0	-6.0	-2.8	-4.4	-3.8	-2.0	-4.3	-4.3	-4.3	-4.3	-4.3
Overall balance (excl. PIP and PIP-related grants) 1/	-5.4	-3.4	1.6	0.5	0.5	0.7	1.5	1.5	1.5	0.4	0.3
Overall balance (incl. PIP and excl. bank recapitalization)	-2.9	-6.0	-2.8	-4.4	-3.8	-2.0	-4.3	-4.3	-4.3	-4.3	-4.3
Total financing (incl. PIP)	9.1	5.3	3.1	4.4	3.8	2.0	4.3	4.3	4.3	4.3	4.3
Net external	2.1	8.1	1.0	...	1.4	1.2	4.3	4.3	4.3	4.3	4.3
Disbursements	3.6	9.7	2.5	...	2.7	...	5.8	5.8	5.8	5.5	5.5
Amortization	-1.6	-1.5	-1.5	...	-1.2	...	-1.5	-1.5	-1.5	-1.2	-1.2
Net domestic	7.1	-2.8	2.2	...	2.3	0.8	0.0	0.0	0.0	0.0	0.0
Of which : NBT	5.5	-3.8	1.9	...	1.5	...	0.0	0.0	0.0	0.0	0.0
Of which : Commercial banks (including Tbills/Bonds)	1.5	-0.2	-0.4	...	0.0	...	0.0	0.0	0.0	0.0	0.0
Privatization proceeds/Sales of gold and precious metal to NBT	0	1.0	0.7	...	0.8	...	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Recapitalization bonds–commercial banks	6.1	...	...	...	...	...	...	...	...	...	...
Public debt (in percent of GDP)	42.1	50.4	47.9	...	45.2	46.4	46.4	47.5	48.9	50.6	52.2
Nominal GDP (in millions of somoni)	54,471	61,093	68,844	77,351	77,351	86,130	86,130	95,593	105,622	115,959	127,509

Sources: Tajikistan authorities, and Fund staff estimates.

1/ The 2016 overall balance includes 6.1 percent of GDP for bank recapitalization in addition to regular fiscal operations.

Table 4. Tajikistan: Accounts of the National Bank of Tajikistan, 2016-24
(End-of-period stock, unless otherwise specified)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
						Proj.			
				(In millions of somoni)					
Net foreign assets	3,306	9,483	10,398	12,832	13,234	13,663	13,594	13,656	13,951
Gross assets	5,143	11,400	12,111	14,532	14,954	15,360	15,324	15,461	15,833
Gross liabilities	1,837	1,920	1,713	1,700	1,720	1,697	1,730	1,805	1,882
Net international reserves 1/	2,770	6,748	9,403	11,793	12,149	12,531	12,414	12,425	12,666
Gross international reserves 1/	5,142	9,104	10,937	13,306	13,674	14,025	13,931	14,008	14,317
Gross reserve liabilities	2,372	2,356	1,534	1,513	1,525	1,493	1,518	1,583	1,651
Net domestic assets	8,742	5,089	5,196	4,646	6,285	8,118	10,612	13,212	15,820
Net credit to general government 2/	2,261	-48	1,276	2,451	2,451	2,451	2,451	2,451	2,451
General government	2,261	-47	1,296	2,451	2,451	2,451	2,451	2,451	2,451
Credit to the private sector	114	-652	-1,294	-2,513	-957	690	2,762	5,216	7,656
Net claims on banks / other fin corporations	-452	-1,158	-1,688	-2,939	-1,422	181	2,203	4,602	6,981
NBT bills	-739	-1,335	-1,944	-3,078	-3,361	-2,959	-2,437	-1,038	-59
Credit to nonbank / non-financial institutions 3/	566	506	395	425	465	510	559	614	675
Other items net	6,367	5,793	5,214	4,709	4,791	4,977	5,399	5,545	5,713
Reserve money	12,048	14,573	15,594	17,479	19,519	21,781	24,206	26,868	29,770
Currency in circulation	8,390	11,659	13,173	14,765	16,489	18,400	20,448	22,697	25,149
Bank reserves	3,465	2,391	2,026	2,319	2,636	2,987	3,363	3,777	4,227
Required reserves	484	578	600	461	518	580	671	771	883
Somoni	167	195	247	97	110	124	163	207	257
Foreign exchange	317	383	353	364	408	456	508	564	626
Other bank deposits	2,981	1,813	1,427	1,858	2,118	2,407	2,692	3,006	3,344
Other deposits	193	523	394	395	395	394	394	394	394
				(12-month growth in percent)					
Reserve money	71.1	21.0	7.0	12.1	11.7	11.6	11.1	11.0	10.8
Net foreign assets	103.7	186.8	9.6	23.4	3.1	3.2	-0.5	0.5	2.2
Gross international reserves	48.8	77.1	20.1	21.7	2.8	2.6	-0.7	0.5	2.2
Net international reserves	72.3	143.7	39.3	25.4	3.0	3.1	-0.9	0.1	1.9
Net domestic assets	61.4	-41.8	2.1	-10.6	35.3	29.2	30.7	24.5	19.7
				(12-month growth in percent of reserve money)					
Reserve money (12-month percent change)	71.1	21.0	7.0	12.1	11.7	11.6	11.1	11.0	10.8
Net foreign assets	23.9	51.3	6.3	15.6	2.3	2.2	-0.3	0.3	1.1
Gross international reserves	24.0	32.9	12.6	15.2	2.1	1.8	-0.4	0.3	1.2
Net international reserves	16.5	33.0	18.2	15.3	2.0	2.0	0.0	0.0	0.0
Net domestic assets	47.2	-30.3	0.7	-3.5	9.4	9.4	11.4	10.7	9.7
Net credit to general government	46.8	-19.2	9.1	7.5	0.0	0.0	0.0	0.0	0.0
Credit to the private sector	-3.7	-6.4	-4.4	-7.8	8.9	8.4	0.0	0.0	0.0
NBT bills	-7.9	-5.0	-4.2	-7.3	-1.6	2.1	0.0	0.0	0.0
Other items net	4.2	-4.8	-4.0	-3.2	0.5	1.0	1.9	0.6	0.6
Memorandum items:									
Net international reserves (in millions of U.S.dollars)	351.6	765.2	997.2	1,197.4	1,180.8	1,168.0	1,109.0	1,064.2	1,040.1
Net international reserves (percent of broad money)	18.7	37.5	49.6	54.9	50.4	46.5	41.4	37.3	34.2
Official exchange rate (somoni/U.S. dollars; eop)	7.88	8.82	9.43	…	…	…	…	…	…

Sources: National Bank of Tajikistan, and Fund staff estimates.

1/ Excludes eurobond proceeds, nonmonetary gold and foreign assets denominated in non-convertible currencies. Projections exclude domestic purchases of monetary gold.

2/ Increase in 2019 is accounted by 1,300 mln deposit withdrawal by the Government.

3/ Includes net credit to public non-financial corporations and credit to private non-financial institutions.

Table 5. Tajikistan: Monetary Survey, 2016-24

	2016	2017	2018	2019	2020	2021	2022	2023	2024
						Proj.			
	(In millions of somoni, end-of-period stock)								
Net foreign assets	1,791	8,382	9,200	11,513	11,908	12,306	12,190	12,215	12,472
National Bank of Tajikistan 1/	3,306	9,483	10,398	12,832	13,234	13,663	13,594	13,656	13,951
Commercial banks	-1,515	-1,101	-1,198	-1,319	-1,326	-1,356	-1,404	-1,441	-1,479
Net domestic assets	15,287	11,787	12,113	13,724	15,340	17,573	20,261	22,639	25,314
Net credit to general government (incl. Roghun OJSC)	1,400	-1,015	23	1,498	1,604	1,864	1,970	1,970	1,970
National Bank of Tajikistan	2,261	-48	1,276	2,451	2,451	2,451	2,451	2,451	2,451
Commercial banks	-861	-967	-1,253	-952	-846	-587	-480	-481	-481
Net credit to public non-financial corporations	1,773	2,174	2,167	2,167	2,687	2,987	3,794	4,667	5,550
Credit to the private sector	10,202	8,145	8,252	8,896	9,727	10,658	11,703	12,851	14,124
Net credit to other financial corporations	37	3	-1	-50	-50	-50	-50	-50	-50
Other items net	1,874	2,479	1,672	1,212	1,372	2,114	2,844	3,200	3,720
	(12-month growth in percent)								
Broad money	14,788	18,018	18,945	21,499	24,106	26,943	30,015	33,317	36,982
Somoni broad money	10,238	13,982	15,382	17,456	19,573	21,876	24,371	27,052	30,027
Currency outside banks	7,588	10,950	12,190	13,833	15,511	17,336	18,541	19,757	21,053
Deposits	2,650	3,031	3,192	3,623	4,062	4,540	5,830	7,295	8,974
Foreign currency deposits	4,550	4,036	3,563	4,043	4,533	5,067	5,645	6,265	6,955
	(12-month growth in percent of broad money)								
Broad money	37.1	21.8	5.1	13.5	12.1	11.8	11.4	11.0	11.0
Net foreign assets	18.8	44.6	4.5	12.2	1.8	1.7	-0.4	0.1	0.8
National Bank of Tajikistan	15.6	41.8	5.1	12.9	1.9	1.8	-0.3	0.2	0.9
Commercial banks	3.2	2.8	-0.5	-0.6	0.0	-0.1	-0.2	-0.1	-0.1
Net domestic assets	12.6	-23.7	1.8	8.5	7.5	9.3	10.0	7.9	8.0
Net credit to general government	38.0	-16.3	5.8	7.8	0.5	1.1	0.4	0.0	0.0
Credit to the private sector	-4.9	-13.9	0.6	3.4	3.9	3.9	3.9	3.8	3.8
Other items net	-22.0	4.1	-4.5	-2.4	0.7	3.1	2.7	1.2	1.6
Memorandum items:									
Deposit dollarization (in percent)	63.2	57.1	52.7	…	…	…	…	…	…
Velocity	3.7	3.4	3.6	…	…	…	…	…	…
Credit to the private sector (percent of GDP)	18.7	13.3	12.0	11.5	11.3	11.1	11.1	11.1	11.1
Money multiplier	1.2	1.2	1.2	…	…	…	…	…	…

Sources: National authorities and Fund staff estimates.

1/ Excludes nonmonetary gold.

Table 6. Tajikistan: Balance of Payments, 2016-24 1/

	2016	2017	2018	2019	2020	2021	2022	2023	2024
						Proj.			
				(In millions of U.S. dollars, unless otherwise indicated)					
Current account	-291	159	-379	-366	-447	-483	-513	-551	-593
Balance on goods and services	-2,027	-1,639	-2,104	-2,085	-2,222	-2,336	-2,451	-2,569	-2,710
Balance on goods	-1,885	-1,517	-1,888	-1,871	-1,993	-2,092	-2,190	-2,294	-2,415
Exports	668	873	874	986	1,057	1,156	1,241	1,320	1,396
Imports	2,553	2,390	2,762	2,857	3,050	3,248	3,431	3,613	3,810
Balance on services	-142	-122	-216	-214	-229	-244	-261	-276	-295
Balance on income	1,164	1,215	1,226	1,208	1,249	1,303	1,356	1,403	1,470
Balance on transfers	572	583	500	511	527	550	582	615	647
Capital and financial account	488	515	380	557	425	461	450	506	569
Capital transfers	179	135	176	179	218	236	231	223	235
FDI	207	63	249	244	208	187	172	161	170
Portfolio Investment	0	500	0	0	0	0	0	0	0
Other capital flows	103	-183	-44	134	-1	37	47	122	163
Errors and omissions	-151	-143	-267	...	...	...	...	...	...
Overall balance	46	531	-265	191	-22	-22	-63	-45	-24
				(in percent of GDP, unless otherwise indicated)					
Current account	-4.2	2.2	-5.0	-4.5	-5.2	-5.3	-5.3	-5.4	-5.5
Balance on goods and services	-29.2	-22.9	-28.0	-25.6	-26.0	-25.7	-25.5	-25.4	-25.4
Balance on goods	-27.1	-21.2	-25.1	-23.0	-23.3	-23.0	-22.8	-22.6	-22.6
Exports	9.6	12.2	11.6	12.1	12.4	12.7	12.9	13.0	13.1
Imports	36.7	33.4	36.7	35.1	35.7	35.8	35.7	35.7	35.7
Balance on services	-2.0	-1.7	-2.9	-2.6	-2.7	-2.7	-2.7	-2.7	-2.8
Balance on income	16.7	17.0	16.3	14.9	14.6	14.4	14.1	13.9	13.8
Balance on transfers	8.2	8.2	6.6	6.3	6.2	6.1	6.1	6.1	6.1
Capital and financial account	7.0	7.2	5.1	6.9	5.0	5.1	4.7	5.0	5.3
Capital transfers	2.6	1.9	2.3	2.2	2.6	2.6	2.4	2.2	2.2
FDI	3.0	0.9	3.3	3.0	2.4	2.1	1.8	1.6	1.6
Portfolio Investment	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other capital flows	1.5	-2.6	-0.6	1.6	0.0	0.4	0.5	1.2	1.5
Errors and omissions	-2.2	-2.0	-3.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.7	7.4	-3.5	2.4	-0.3	-0.2	-0.7	-0.4	-0.2
Memorandum items:									
Nominal GDP (In millions of U.S. dollars)	6,953	7,144	7,520	8,132	8,539	9,081	9,619	10,130	10,683
Remittances, inflows (In millions of U.S. dollars)	1,867	2,237	2,183	2,246	2,355	2,478	2,588	2,683	2,823
(in percent of GDP)	26.9	31.3	29.0	27.6	27.6	27.3	26.9	26.5	26.4
Current account balance (In percent of GDP)	-4.2	2.2	-5.0	-4.5	-5.2	-5.3	-5.3	-5.4	-5.5
Net international reserves (In millions of U.S. dollars)	351.6	765.2	997.2	1197.4	1180.8	1168.0	1109.0	1064.2	1040.1
Gross reserves 2/	653	1032	1160	1351	1329	1307	1245	1200	1176
(in months of next year's imports of goods and services)	2.8	3.8	4.2	4.5	4.2	3.9	3.5	3.2	2.9
(in percent of IMF's Reserve Adequacy metric: Fixed)	70.1	90.8	99.8	109.7	105.2	93.5	84.0	78.0	76.0
(in percent of IMF's Reserve Adequacy metric: Floating)	85.2	111.5	123.5	134.4	130.2	114.5	102.5	95.5	91.9
Total Public and Publicly Guaranteed (PPG) external debt 3/	2,243	2,815	2,828	2,893	3,239	3,618	4,026	4,462	4,921
(in percent of GDP)	32.4	40.6	38.7	36.8	38.7	40.6	42.7	44.9	47.0
Debt service on PPG external debt (In millions of U.S. dollars) 3/	143	146	187	174	205	217	224	207	228
(in percent of exports of goods and services)	15.9	13.0	16.8	13.9	15.2	14.7	14.0	12.2	12.6

Sources: Tajik authorities; and Fund staff estimates.

1/ Based on revised data from authorities.

2/ Excludes 2017 Eurobond proceeds. Projections exclude domestic purchases of monetary gold.

3/ External debt is defined as debt to nonresidents and excludes central bank debt liabilities.

Table 7. Tajikistan: Financial Soundness Indicators

(Percent)

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
Capital adequacy							
Regulatory capital to risk-weighted assets	23.7	23.2	22.6	22.1	23.0	22.9	22.0
Regulatory Tier 1 capital to risk-weighted assets	29.2	29.1	29.1	29.2	30.2	30.2	29.2
Asset quality 1/							
Nonperforming loans net of provisions to regulatory capital	30.2	28.4	29.0	23.1	20.9	18.1	27.3
Nonperforming loans to total gross loans	34.3	32.6	32.4	31.1	30.0	25.5	31.5
Earnings and profitability							
Return on assets (ROA) 2/	1.4	1.7	2.0	1.9	1.9	2.5	2.3
Return on equity (ROE) 2/	5.3	6.4	7.3	7.0	7.0	9.2	8.3
Interest margin to gross income	64.3	59.3	59.8	65.3	69.9	65.1	64.8
Noninterest expenses to gross income	75.0	65.7	62.3	56.0	60.4	58.4	59.0
Liquidity							
Liquid assets to total assets	32.0	31.6	31.5	30.8	29.8	26.4	25.7
Liquid assets to short-term liabilities	81.5	77.8	76.7	72.3	70.6	62.8	63.7
Sensitivity to market risk							
Net open position in foreign exchange to regulatory capital	-14.7	-12.7	-8.3	-9.6	-8.6	-5.3	-6.2
Additional							
Capital to total assets	27.0	27.1	27.0	27.0	27.2	27.6	27.9
Large exposures to regulatory capital	58.7	62.3	65.2	62.9	57.5	59.2	63.3
Trading income to total income	12.1	16.6	18.4	15.7	13.2	15.2	16.3
Personnel expenses to noninterest expenses	59.2	59.2	59.3	58.7	60.1	60.3	61.1
Customer deposits to gross customer loans	114.8	114.6	115.4	115.4	114.6	111.1	105.2
Foreign-currency-denominated loans to total gross loans	58.2	58.1	57.0	57.2	55.9	52.1	51.0
Foreign-currency-denominated liabilities to total liabilities	57.5	56.8	54.0	53.2	51.0	49.4	49.4

Source: National authorities and IMF staff estimates.

1/ Nonperforming loans including customer and interbank loans - overdue more than 30 days.

2/ Annualized net income before tax to average assets or capital.

Table 8. Tajikistan: Inclusive Growth Indicators

	Indicator	LIC Average
Growth		
GDP per capita growth (percent; 2016-18 average)	4.9	2.1
Gross Fixed Capital Formation (percent of GDP; 2016-18 average)	22.2	23.9
Poverty and Inequality		
Poverty headcount ratio at $3.20/day (percent of population; 2018)	20.3	20.4
Multidimensional poverty (percent of population)	n.a.	n.a.
Prevalence of stunting (% of children under 5, 2012)	26.8	32.4
GINI Index (2018)	34.0	35.4
Child mortality (per 1,000, 2018)	34.8	62.1
Growth in mean consumption (growth, %, bottom 40th percentile)	n.a.	n.a.
Human Development and Access to Services		
Human Development Index (2018)	0.7	0.5
Life expectancy at birth (years, 2018)	63.0	63.8
Access to electricity (% of population, 2018)	99.3	52.1
Net school enrollment, secondary, total (% population, 2011)	83.2	60.9
Individuals using internet (% population, 2018)	22.0	19.5
Literacy rate (% population, 2014)	99.8	67.3
Government		
Commitment to reducing inequality index (2017)	0.41	0.33
Government spending on social safety net programs (percent of GDP, 2018)	0.6	1.3
Coverage of social safety net programs in poorest quintile (% population, 2011)	13.0	20.3
Government expenditure on education, total (% GDP, 2010)	5.2	2.2
Health expenditure, domestic general government (% of GDP, 2016)	1.6	2.0
Access to Finance		
Account at a financial institution (% age 15+, 2011)	n.a.	29.5
Domestic credit to private sector (% GDP, 2018)	11.4	29.0
Loans to SMEs (% of GDP,)	n.a.	0.0

	Indicator	LIC Average
Labor Markets (ILO estimates)		
Unemployment rate (% of total labor force, 2018)	10.9	6.2
Female (% of female labor force, 2018)	9.7	7.4
Youth (% of total labor force ages 15-24, 2018)	20.6	11.6
Labor force participation (% of total population ages 15+, 2018)	43.6	67.4
Female (% of female population ages 15+, 2018)	27.8	59.3
Youth (% of population ages 15-24, 2018)	28.2	49.2
Business Environment[1]		
Ease of Doing Business (DTF, 2019)	56.9	50.9
Registering property (DTF, 2019)	63.5	53.2
Enforcing Contracts (DTF, 2019)	63.5	47.9
Paying Taxes (DTF, 2019)	62.3	57.3
Getting electricity (DTF, 2019)	35.0	46.9
Trading across borders (DTF, 2019)	62.3	54.1
Governance[1]		
Government Effectiveness (WGI, 2017)	-1.0	-0.9
Regulatory Quality (WGI, 2017)	-1.1	-0.8
Rule of Law (WGI, 2017)	-1.1	-0.8
Control of Corruption (WGI, 2017)	-1.1	-0.8
Corruption Perceptions Index (2017)	25.0	29.3
Gender Equity and Inclusion		
Account at a financial institution (female vs male, %, 2014)	65.4	72.2
Female employment to population ratio (%, 2018)	25.1	55.4
Literacy rate (female vs male, %,)	n.a.	n.a.
Net school enrollment, secondary (female vs male, %, 2011)	90.1	n.a.
Gender Gap Index (2017)	0.7	0.7
Female seats in Parliament (share of total seats, 2018)	n.a.	20.2

Better than LIC Average (green shading) | **Worse than LIC Average** (pink shading)

Improvement since previous observation (green border) | **Deterioration since previous observation** (red border)

Sources: IMF World Economic Outlook, World Bank, World Economic Forum, International Labour Organization, Transparency International, UNDP, Oxfam International.

1 / Indicators use official sources and surveys to summarize perceptions of the quality of governance and business environments.

Annex I. 2017 Article IV Staff Recommendations

Sector	Staff Recommendation	Specifics	Status
Debt and Fiscal Policy	Measures to mitigate risk and ensure debt sustainability, while strengthening social safety net.	Expand tax base through reductions of exemptions and preferences.	**Not done**. The number of tax incentives have been increased relative to 2017.
		Cut non-priority expenditure.	**Partially done.** Non-Roghun capital expenditures declined in 2018, but more is needed.
		No NBT financing of development projects.	**Done**. The NBT does not finance development projects.
Exchange Rate and Monetary	Unify official and market exchange rates.		**Done**: However, in January-April 2018, July 2018, and February-September 2019, a gap of more than 2 percent existed between official and parallel market rates. The NBT allowed depreciation of the exchange rate to align the official and parallel market exchange rates.
Exchange Rate and Monetary	Eliminate multiple currency practices.		**Done**: The authorities eliminated the previous multiple currency practice in September 2017 in coordination with the IMF by amending the procedure for selling foreign currency to MOF and budgetary organizations. However, now market participants report foreign exchange shortages and intermittent parallel market activity.
Exchange Rate and Monetary	Monetary policy tightening to counter inflationary pressures.		**Done**: Monetary policy has been mostly tight and inflation has been moderate. The NBT has introduced standing credit and deposit facilities and monetary instruments to establish a symmetric interest rate corridor. and absorb excess liquidity. It has also developed a liquidity

			forecasting capacity and streamlined monetary operations with an intent to move towards inflation targeting.
Exchange Rate and Monetary	NBT should regularly communicate on the above exchange rate and monetary policy issues.		**Partially done**: The NBT conducts press conference at the end of each quarter, publishes press releases announcing the reasons for adjustments in the exchange rate, and explains exchange rate policy in TV and other media outlets. It has established a direct two-way contact with each interbank market participant.
Financial Sector	Address large vulnerabilities and return banking system to sustainable viability and growth-friendly financial sector development.	Pass legislative amendments to strengthen banking resolutions and emergency liquidity frameworks.	**Done**: Legislative amendments to strengthen the authorities bank resolution capacity, drafted in cooperation with IMF, were adopted in August 2018.
		Restore long-term viability of the two largest systemic banks.	**Not done:** Since the 2015 FSAP, IMF's recommendation has changed. Due to continued financial deterioration and loss of systemic importance the two insolvent banks should be liquidated and insured depositors promptly compensated by the IDIF. IMF TA on bank resolution and liquidation was provided in April 2019 but implementation is delayed.
		Address governance weaknesses through identification of ultimate beneficial ownership, improvement of internal risk management frameworks, promoting competition, and allowing state-owned	**Partially done**: While some legislation is in place, a rigorous analysis of regulatory gaps remains to be done and improvements to the NBT's capacity to oversee the implementation of its instructions are needed.

		banks to originate, price and monitor credit independently.	
		Support NPL recovery process through modernization of bankruptcy laws and foreclosure regime and an upgraded NBT regulation to set ambitious NPL workout objectives to banks' Board members and senior managers. System-wide schemes could be also explored. Further, tax disincentives to NPL workouts should be addressed.	**Partially done**: Time-bound action plans for banks to reduce NPLs are being monitored by NBT. NPLs have declined but are still high. Complex judicial processes and tax regulation continue to set up obstacles for efficient NPL resolution. The WB is providing TA on reducing tax disincentives to NPL resolution, loan write-offs, etc.
		Shift from rules-compliance oversight to risk-based and forward-looking approach.	**In progress**. WB TA is planned.
Fiscal and Tax Administration	Clarify tax code and administration process.		**In progress**. A working group, chaired by the First Deputy Prime Minister, had been set up to prepare a new tax code.
Fiscal and Tax Administration	Strengthen efficiency of public spending.		**Not done.**
Fiscal and Tax Administration	Develop strong frameworks to identify and monitor growth-enhancing PIP projects.		**Not done.**
Fiscal and Tax Administration	Enhancing SOEs' oversight and mitigating fiscal risk.		**In progress**. A new SOE law has been developed and a Fiscal Risks Coordination Council has been established. Nonetheless, non-guaranteed borrowing by SOEs

			has stepped up and poses fiscal risks.
Monetary Framework	Adopt reserve money targeting.		**Partially done**: The NBT received IMF TA on liquidity forecasting and its market operations are guided by the decision of interdepartmental Liquidity Forecasting Group. In the transition to inflation targeting, the NBT has been increasing its focus on improving the transmission from policy rates to short term interest rates.
Business Environment	Improve business climate.	Continue to bolster anti-corruption efforts.	**In progress**. The authorities have taken steps to further the anti-corruption agenda, including by conducting a mid-year assessment of the last National Strategy and developing a new Strategy. Tajikistan has also recently introduced a system of value-based confiscation.
		Reduce procedures, time and cost of doing business.	**Done**. Tajikistan has implemented reforms that make it easier to start a business and improve access to credit.
		Improve electricity supply and transparency of tariffs.	**In progress.**
		Enhance trade facilitation.	**Done**. Tajikistan eased customs clearance of perishable goods.

Annex II. Risk Assessment Matrix

Nature/Source of Risk	Likelihood[1]	Expected Economic Impact if Realized	Recommended Policy Response
Cost overruns or difficulties in marketing the electricity generated by Roghun. Fiscal cost of Roghun increases.	**High**	**High** - The high level of borrowing will create difficulties in meeting external debt service needs. - The high level of Roghun spending will squeeze out other growth-enhancing expenditure and result in slower growth.	Strengthen oversight of Roghun spending and improve efficiency to avoid cost over-runs. Avoid non-concessional borrowing until power purchase agreements are finalized and debt is considered sustainable over the long-term.
Weaker-than-expected growth in emerging markets, especially in Russia and China.	**High to Medium**	**High** - Sustained slow growth in Russia would affect growth in Tajikistan through lower demand for migrant workers and lower remittances. - Slower growth in China could reduce loans to finance capital projects and inward FDI. - Both channels would put pressure on the exchange rate and domestic consumption, affecting financial sector health and growth adversely.	Ensure that banks' open FX positions and FX exposures (e.g., loans to unhedged borrowers) are managed carefully. Allow exchange rate flexibility and strengthen monetary policy credibility to reduce dollarization. Tighten fiscal and monetary policies now to rebuild economic buffers and policy space for future shocks. Promote greater economic diversification to reduce reliance on remittances and FDI.
Banking sector crisis due to weaknesses in bank governance and risk management	**Medium**	**Medium** -The NPLs in banking sector are at high levels and would escalate further. - Deposit withdrawals, sharp reduction/depletion of banks' capital. In the near term, state intervention in banks, possible deposit freeze, further shrinkage of the financial sector. - Capital flight and further dollarization with further exchange rate depreciation and increase in inflation. - Decline in credit to the economy, would lead to lower growth and a higher fiscal deficit.	Strengthen supervision and regulation of banks, strengthen the AML/CFT regime, and address weaknesses in governance and risk management practices. Ensure sufficient support for DIF, with adequate back-stop financing Tighten fiscal and monetary policies now to rebuild economic buffers and policy space for future shocks.

Nature/Source of Risk	Likelihood	Expected Economic Impact if Realized	Recommended Policy Response
Delays or reversal of structural reforms SOEs. Maintaining, or increasing, the role (or interference) of the state in economic activity will increase fiscal risks and limit growth and job creation prospects.	**Medium to high**	**High** SOE performance deteriorates and results in the state taking over SOE liabilities, adding to government debt. Continued poor service delivery would hurt investment climate and growth prospects.	Continue and enhance planned energy sector reforms. Strengthen monitoring of SOE performance and publish audited financial statements. Enforce dividend policy Improve corporate governance and accountability of SOEs' management.
Sharp rise in risk premia	**Medium to Low**	**Medium** - Tighter global financing conditions could lead to higher debt service, squeezing out other growth-enhancing expenditure - Capital outflows could exacerbate currency depreciation pressures - Rising financing costs could weaken private domestic investment and private sector growth.	Fiscal consolidation to rebuild fiscal buffers. Strengthen international banking links by improving AML/CFT compliance and bank governance. Develop domestic debt and capital markets to create alternatives to international market financing.

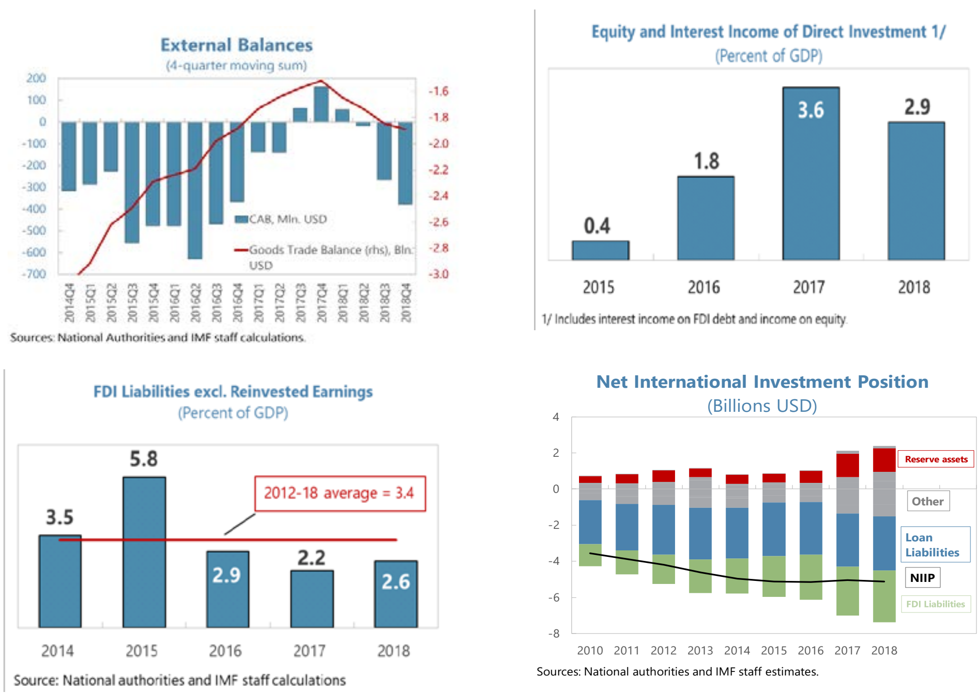
[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex III. External Sector Assessment[1]

The external position is weaker than suggested by the fundamentals and desirable policy settings based on the three EBA-lite methodologies. All three methodologies indicate an overvaluation of the real effective exchange rate (REER). The REER misalignment highlights the need for a combination of greater nominal exchange rate flexibility as well as corrective structural and policy measures. Without these policies, reserve coverage would fall below the recommended thresholds over the medium-term.

1. Current account balances have deteriorated over 2018 due to weaker remittances and higher imports. During 2018, the current account deteriorated by 7.2 percent of GDP and registered a deficit of 5 percent of GDP. With flat nominal exports, the increase in imports led to a deterioration in trade deficit by 5 percent of GDP. USD remittances inflows declined by 2.3 percent of GDP, owing to Russian Ruble depreciation vis-à-vis US dollar. Official grant inflows have been weaker, while profit repatriation increased.

Figure 1. Tajikistan: External Balance, FDI, and IIP



2. FDI declined and the net IIP position stabilized. Direct investments (57 percent from China), and government borrowing (44 percent from China), dominate the liability structure of the International Investment Position (IIP). Excluding reinvested earnings, direct investment liabilities flows have halved from 2015 levels following external shocks. Concessional borrowing has also

[1] Prepared by Murad Omoev (SPR) and Sanan Mirzayev (MCD).

slowed. Both factors contributed to the stabilization of net IIP at negative 5.1 billion USD or 68 percent of GDP at end 2018.

Reserve Adequacy

3. **Despite external pressures, international reserves remained stable owing to domestic gold purchases by the central bank**. Over 2018, reserve assets[2] declined by 26 percent (264 mln. USD) due to the BoP operations. However, NBT's domestic gold purchases compensated for BoP losses.[3]

Reserves Dynamics from BoP Operations and Domestic Gold Purchases
(Million USD)

	2017	2018
Change in reserve assets, BOP		-265
Domestic gold purchases/1		267
Other net (including revaluation)		126
Total change		128
Gross reserves excluding Eurobond/2	1032	1160

1,2/ Staff estimate

4. **Reserve coverage under various metrics is adequate in the near term but is projected to fall below recommended thresholds over the medium-term**. Gross international reserves, at USD 1159.8 mln. at end-2018 covered 4.2 months of imports but is projected to fall to 3.5 months by 2022. Reserves also provide over one hundred percent coverage of short-term debt by remaining maturity. However, there is considerable uncertainty around these estimates stemming from a large stock of FDI debt liabilities to China that do not have a clearly defined payment schedule and may point to large debt rollover risks. The Fund's ARA metric under the assumption of a floating exchange rate regime suggests reserves above the adequacy range at 123.5 percent, whereas under the assumption of a fixed exchange rate regime reserves are below the minimum threshold at 99.8 percent. Under baseline scenario, reserves are projected to fall below the minimum adequacy threshold. Additionally, international reserves are subject to risks stemming from external and domestic factors including weaker remittances inflows and higher FDI income outflows.

[2] Excluding remainder of FX proceeds from USD Eurobond issuance.

[3] The NBT purchases non-monetary gold from domestic agents mostly for Somoni and converts it to monetary gold and FX gold assets. This operation is not recorded in BoP statistics as the transactions are between resident entities.

Reserve Adequacy Ratios for Tajikistan, 2017-2022
(Millions USD, unless otherwise indicated)

USD millions	2017	2018	2019	2020	2021	2022
Short-term external debt by remaining maturity /1	1,017.5	784.2	854.3	844.9	915.0	1,059.2
ST Debt (SDM)	756.6	430.1	429.0	430.0	431.0	432.1
Amortization due next year on MLT debt (MLTD)	260.9	354.1	425.3	414.9	484.0	627.1
Gross offical reserves	1,032.3	1,159.8	1,351.0	1,329.1	1,307.2	1,244.5
in months of imports of G&S	3.8	4.2	4.5	4.2	3.9	3.5
in percent of ST debt by remaining maturity 1/	101.5	147.9	158.1	157.3	142.9	117.5
in percent of broad money	50.5	57.7	61.9	56.7	52.1	46.4
Exports	1,125.0	1,116.2	1,252.5	1,350.4	1,478.7	1,594.5
Broad Money in USD	2,043.1	2,009.1	2,182.7	2,343.1	2,511.3	2,681.4
Short-term Debt (Total)	1,017.5	936.9	1,141.1	1,041.8	1,307.6	1,451.9
IIP Items Less Short-term Debt	3,083.0	3,347.4	3,272.6	3,491.7	3,663.7	3,764.1
IMF ARA Metric: Fixed /2	1,136.5	1,162.6	1,231.2	1,263.1	1,398.5	1,481.9
Reserves in % of ARA Metric -Fixed	90.8	99.8	109.7	105.2	93.5	84.0
IMF ARA Metric: Floating	926.1	939.4	1,005.0	1,021.0	1,141.3	1,214.0
Reserves in % of ARA Metric -Floating	111.5	123.5	134.4	130.2	114.5	102.5

Sources: National Authorities and IMF staff estimates.

EBA-lite Assessment

5. **The current account (CA) based estimates show a weaker position relative to fundamentals and desirable policy settings**. The cyclically-adjusted CA deficit at 6.1 percent of GDP is lower than the multilaterally consistent cyclically-adjusted CA norm at deficit of 2.9 percent of GDP, which incorporates a policy gap of -1.5 percent of GDP. The difference between the cyclically-adjusted norm and underlying current account balance implies a CA gap of 3.1 percent of GDP, or a REER overvaluation of around 16 percent.

6. **The EBA-lite REER model and ES approaches suggest a similar overvaluation of the exchange rate relative to fundamentals and desirable policy settings**. The EBA-lite IREER model estimates a REER gap of 15 percent. The external sustainability approach also points to an overvaluation of around 14 percent, assuming the net IIP improves to -60 percent of GDP.

Tajikistan: Estimated Current Account Gap and Real Exchange Rate Misalignment 1/
(Percent of GDP, unless otherwise indicated)

EBA-lite CA Method	
Cyclically-adjusted CA	-6.1
Cyclically-adjusted CA norm	-3.5
CA gap /2	-3.1
REER gap (percent)	16
o/w Policy gap (percent)	-1.5
EBA-lite IREER Index Model	
REER gap (percent)	15
EBA-lite External Sustainability Model	
REER gap (percent)	14

Source: IMF staff estimates.
1/ Positive values of REER gaps imply overvaluation.
2/ Refers to Multilaterally Consistent Cyclically adjusted CA Norm, which is -2.9

Annex IV. FSAP Update Main Recommendations

Recommendations (Implementing Authority)	Timing	Progress
Financial Stability and Macroprudential Surveillance		
Establish a Financial Stability Department with the mandate to develop policies to manage systemic risk and foster financial stability (NBT).	ST	**Done**. A Financial Stability Department has been established at NBT with a mandate to monitor systemic risk and develop macroprudential policies.
Establish a Financial Stability Committee as the advisory body on financial stability and crisis preparedness issues (NBT).	ST	**Done**. In March 2016, an internal Financial Stability Committee was established as an advisory body under the NBT Executive Board. In June 2018, the interagency National Financial Stability Council was established for the purpose of addressing matters related to ensuring financial stability, identifying risks in the financial system, and proposing measures to minimize their impact.
Introduce additional macroprudential instruments to manage the conjunctural and cross-sectional systemic risk in the financial sector (NBT).	MT	**In progress**. Since the 2015 FSAP, the NBT has introduced a liquidity coverage ratio requirement risk weight for loans in FX set to 150 percent; reserve requirement ratios set to 9 percent for deposits in foreign currency; and a ban on FX denominated mortgages to customers with income in domestic currency. Additional macroprudential tools are being developed within the general draft credit risk management framework.
Bank resolution, Crisis Management, and Safety Nets		
Bring the bank resolution framework in line with global good practice; make NBT the resolution authority/liquidator for banks (NBT)	Immediate	**Largely done**. Legislative amendments to strengthen the authorities bank resolution capacity, drafted in cooperation with IMF, were adopted in August 2018. Ordinary liquidations are still administered through the court.
Resolve AIB in accordance with global good practice (NBT and MOF)	Immediate	**Not done.** Neither AIB nor the other large insolvent bank, TSB, has been resolved. IMF TA on resolving and

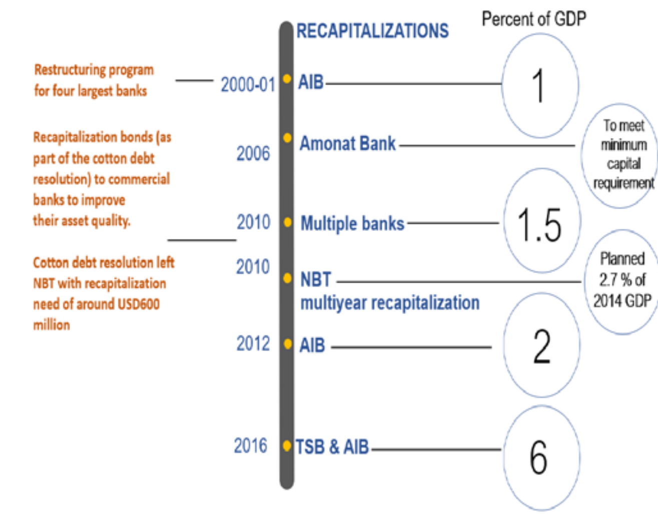
		liquidating the two banks was provided in April 2019.
Amend the laws to allow a satisfactory functioning of PCA and develop more specific NBT internal guidance for supervisory intervention (NBT).	ST	**In progress.** Legislative amendments, drafted in cooperation with IMF, were adopted in August 2018. Internal regulations operationalizing the new framework is being developed with WB TA.
Strengthen the capacity of DIF to fulfill its mandate, simplify the funding and payout procedures, and reassess the coverage level (DIF and MOF).	ST	**Partially done.** While coverage levels have been reassessed and increased recently, and pay-out of deposit insurance via agent banks has been practiced in two minor bank liquidation cases, the DIF still lacks a back-up funding mechanism for larger pay-outs as well and adequate investment options to finance daily operations.
Financial Sector Oversight		
Conduct thematic inspection (cross-sectional audit) of banks on credit risk management to benchmark under-provisioning and capital shortfalls and take enforcement actions to restore the soundness of problem banks (NBT).	Immediate	**In progress**. AQRs were performed in 2016/17. NBT performs inspections of all institutions annually, but further follow-up is advised for certain banks.
Enforce appropriate loan classification and provisioning; incentivize banks to end evergreening, use all legal means to enforce loan contracts, and restructure NPLs; write-off non-collectible debts; require banks to prepare ICAAPs and increase capital as needed (NBT).	ST	**In progress.** Appropriate loan classification is enforced for the majority of banks (exceptions are certain insolvent banks). Action plans for NPL resolution are in place, however, complex judicial processes and tax regulation set up obstacles for efficient NPL resolution. There is no formal ICAAP requirement in place.
Enhance the system of monitoring the foreign exchange (including indirect) exposures of banks, their concentration risk, exposures to large deposits, quality of credit by sector, and market risk (NBT).	ST	**Largely done**. NBT monitors the banks' direct FX exposures, concentration risk, exposures to large borrowers and depositors, fx and sector credit risks. Monitoring interest rate risk is still under development.
Increase the number of supervisory staff and expand their skill mix with IT, risk	MT	**In progress**. The number of qualified supervisory staff has increased slightly

management, and modeling expertise (NBT).		since the 2015 FSAP, but vacancies remain an issue.
Insurance Oversight and Development		
Create an independent and adequately resourced insurance supervisor with a mandate for regulation and market development and abolish the state monopoly in provision of insurance products (SISS).	MT	**Done**. An insurance supervisory function has been established as a separate subdivision at NBT. The previous state monopoly for certain mandatory insurances has been eliminated.

Annex V. Financial Cycles in Tajikistan[1]

1. **Banking crises in Tajikistan have been frequent and increasingly costly**. Due to heavy dependence on remittances, managing volatility and shocks associated with external conditions has been a central macroeconomic policy challenge in Tajikistan. Since early 2000s, on multiple occasions the government intervened to recapitalize large banks. In 2016, two banks were liquidated and the two largest became insolvent despite intervention at a fiscal cost of 6.1 percent of GDP. The share of NPLs in banks' credit portfolio reached close to 50 percent before declining to 31.5 percent in 2019Q3. Credit contracted cumulatively more than 23 percent between 2015-18.

Figure 1. Chronicle of bank bail-outs



2. **This annex offers a preliminary analysis of systemic risk build-up during financial cycles in Tajikistan**. As the single most important link between savings and investment, credit is the natural variable to study the financial cycle. Supplementing credit analysis with the analysis of house and equity price could make study of financial cycles more complete, however these data are not available in Tajikistan. As recommended in IMF Staff Guidance Note on Macroprudential Policy, this annex applies credit gap analysis to identify cycles.[2] The gap captures deviation of credit-to-GDP ratio from its long run trend, which is derived by a Hodrick-Prescott filter on quarterly data. The purpose of the exercise is to compare credit growth to a benchmark to assess whether the growth is excessive and therefore increases the likelihood of crisis. We supplement the analysis with cycles in household sector credit.[3]

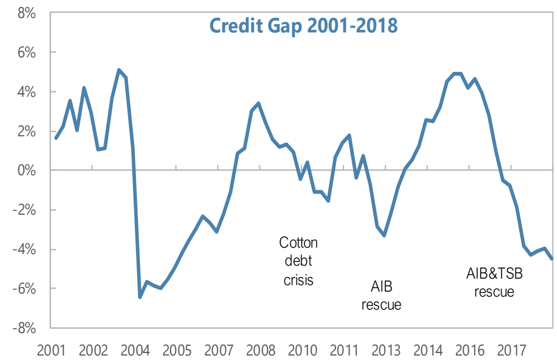
[1] Prepared by Sanan Mirzayev.

[2] Basel Committee on Banking Supervision also put forward this indicator as a core reference variable in its guidance on implementing countercyclical buffer measures. An increase in the credit-to-GDP ratio above certain threshold (2-10 percent) relative to its trend is a strong signal for banking distress.

[3] Due to limited data on corporate sector and prices the annex focuses on credit data and risk build-up in the household sector.

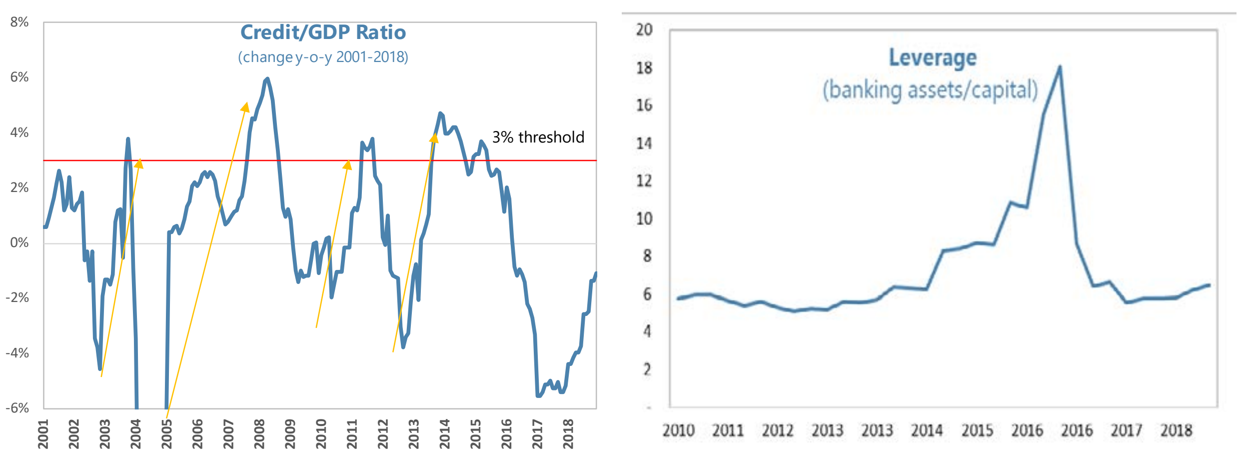
3. The analysis identifies multiple financial cycles between 2001-18 in Tajikistan, and downturns are strongly associated with banking crises. Since the year 2000, the data identify multiple credit cycles in Tajikistan (Figure 2). Experience from advanced and emerging market countries indicate that strong credit growth (in the upturn) is often followed by a financial crisis (in the downturn). The evidence suggests that in Tajikistan as well, an increase in credit-to-GDP ratio above three percentage points (y-o-y) in the upturn could be a harbinger of rising systemic risks, as these have been followed by financial crises in the downturns.[4]

Figure 2. Credit Cycles



4. There is additional evidence that systemic vulnerabilities rose rapidly during the upturns of the credit cycles in Tajikistan. Preliminary regression analysis confirm that overall credit growth is a statistically significant driver of non-performing loans (NPL) in Tajikistan. Further, in the lead up to the latest episode of banking distress, both banking credit and leverage increased rapidly in Tajikistan (Figure 3). Credit grew more than 40 percent on average in two years preceding the 2015-16 crisis, boosting annual growth of credit/GDP ratio beyond 3 percent threshold as suggested by the literature.[5] Leverage increased concurrently with credit growth and peaked just ahead of the latest banking distress.[6]

Figure 3. Credit/GDP and leverage



---

[4] IMF Staff Guidance Note on Macroprudential Policy – Detailed Guidance on Instruments recommends this tool as non-core indicator in assessing the build-up of systemic risks.

[5] IMF Staff Guidance Note on Macroprudential Policy – Considerations for Low Income Countries.

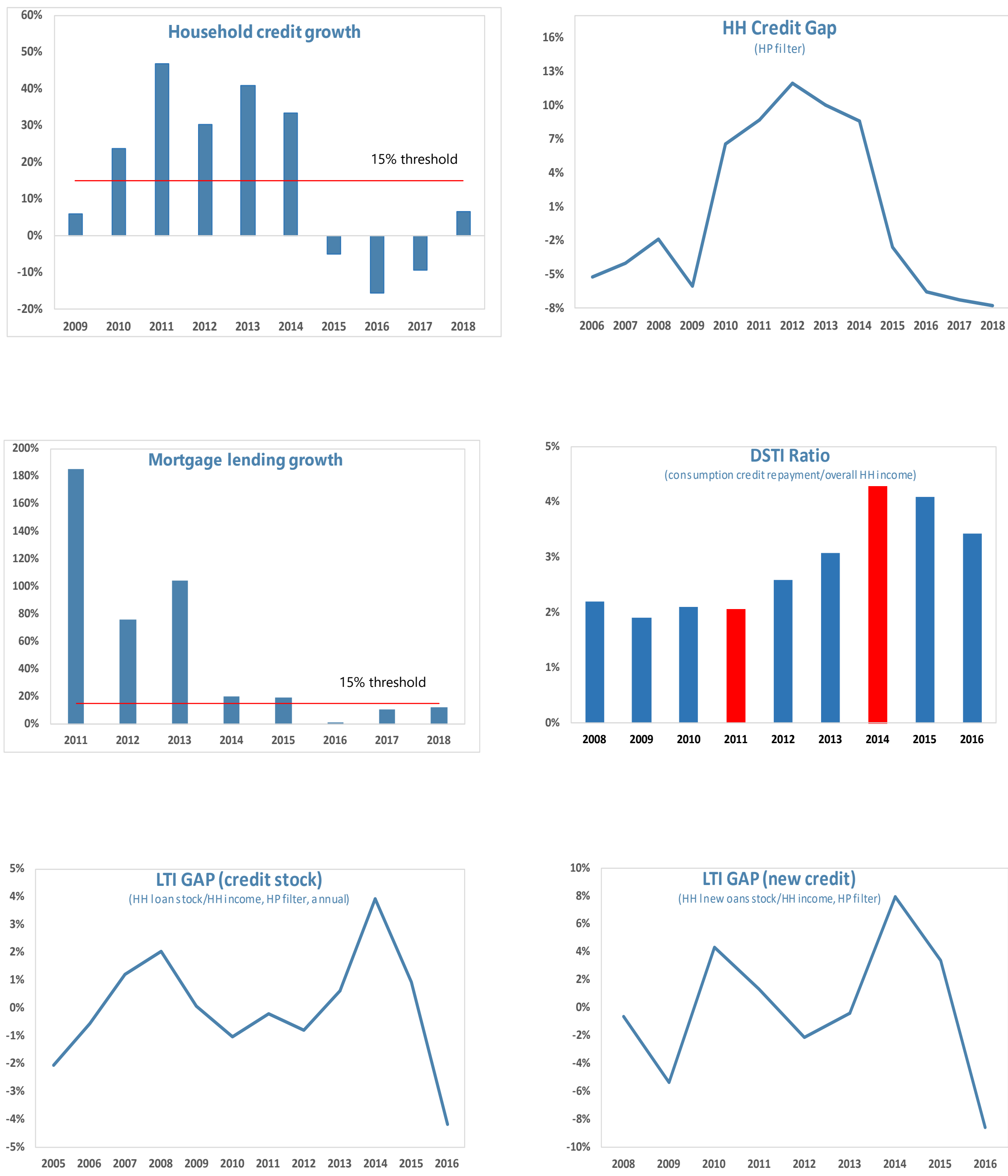
[6] Due to data availability the annex uses banking sector assets/capital as proxy for leverage. Leverage on individual loans or at the level of a particular asset class could provide useful information about the build-up of risks in the financial system.

5. In 2015-16, credit boom was driven in part by excessive household credit, as reflected in the indicators below (Figure 4). Countries that faced banking crisis during global financial crisis had the median mortgage growth of 12-15 percent for three consecutive years. In the upturn of the cycle between 2012-14, household retail and mortgage lending increased rapidly in excess of average 35 and 60 percent respectively, leading to increased household-to-total credit ratios in Tajikistan. The household credit gap turned positive and stayed substantially above the trend for 4 consecutive years, while household credit grew over 20 percent for consecutive five years between 2010-14.[7] Meanwhile affordability indicators such as the debt service-to-income (DSTI) and the loan-to-income (LTI) ratios signaled that increasingly more borrowers were getting exposed to shocks to income and the exchange rate. The DSTI ratio doubled in 2014 and, the LTI gap also turned sharply positive, reaching 4 percent beyond trend a year.

6. Given the severity and frequency of banking distress in Tajikistan, there may be scope for macroprudential policies to mitigate financial cycles in Tajikistan. Of course, strong supervision and regulation are a key prerequisite to maintaining financial sector stability. That said, systemic and sectoral vulnerabilities build up rapidly during financial cycle upswings and need to be mitigated to avoid large corrections. A robust macroprudential framework could help identify systemic vulnerabilities and build resilience, therefore mitigating risks to financial stability. The NBT has already started building a macroprudential framework and established a Financial Stability Department and an Inter-Agency Financial Stability Council. It has also introduced several tools to mitigate risks. Strengthening supervisory and regulatory capacity and enhancing data collection would allow the macroprudential framework to operate effectively.

[7] This is longer than the suggested three consecutive years in the literature but can be explained by financial deepening given the level of financial development in Tajikistan.

Figure 4. Household Sector Credit and Affordability Indicators



Sources: National authorities and IMF staff estimates

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

December 26, 2019

Approved By
Juha Kähkönen and Daria Zakharova (IMF) and Marcello Estevão (IDA)

Prepared by staffs of the International Monetary Fund and the International Development Association.

Tajikistan: Joint Bank-Fund Debt Sustainability Analysis

Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Unsustainable under current policies*
Application of judgment	*No*

This joint World Bank/ IMF Debt Sustainability Analysis (DSA) has been prepared, in the context of the 2019 Article IV Consultation. This DSA is based on a new framework for low-income countries[1]*. Results indicate that Tajikistan's risk of debt distress is high under the baseline scenario for both external and public debt, similar to the results of the 2017 DSA.*[2] *Tajikistan's current debt-carrying capacity is assessed as medium. However, Tajikistan's debt is on an unsustainable path under current policies. Further, it is vulnerable, especially to export shocks, currency depreciation, and contingent fiscal liabilities. Medium-term fiscal consolidation, avoiding non-concessional external borrowing, diversifying exports, and containing contingent liabilities from SOEs would help reduce vulnerabilities.*

[1] See IMF, 2018, Guidance Note on the Bank-Fund Debt Sustainability Framework for Low-Income Countries.

[2] Tajikistan is assessed to have a medium debt-carrying capacity. CI rating for Tajikistan is 2.832, which is based on the April 2019 WEO and the World Bank's 2018 CPIA.

COVERAGE AND BACKGROUND ON PUBLIC DEBT

A. Background on Debt and Debt Coverage

1. In recent years, external and financial sector vulnerabilities have contributed to an increase in debt. Tajikistan's external public- and publicly-guaranteed (PPG) debt rose from 24 percent of GDP in 2014 to near 39 percent of GDP at end-2018 mainly as a consequence of a sizable depreciation of the somoni as well as the issuance of a $500 million sovereign bond in 2017. Domestic PPG debt also increased from 3½ percent of GDP at end-2014 to 9 percent of GDP at end-2018, owing to a 6 percent of GDP recapitalization of banks in December 2016. As a result, the total PPG debt increased from 27½ percent of GDP in 2014 to 47.9 percent of GDP in 2018.

2. External debt on concessional terms made up the bulk of the total of PPG debt in 2018. External PPG debt accounted for about 82 percent of total PPG debt. Over 80 percent of external PPG debt was owed to multilateral and bilateral creditors on concessional terms. The single largest creditor was China, which held over 40 percent of the total PPG external debt. Non-concessional debt consists only the Eurobond of USD 500 million issued in September 2017, with a maturity of 10 years, carried an interest rate of 7.125 percent.

3. The NBT is the main creditor and holder of largely non-marketable domestic government debt. Most of the government securities held by the NBT were issued at significantly below market terms, with some interest rates as low as 0.99 percent. Since 2016, the government has been accumulating interest and principal arrears to the NBT. In 2019, the arrears on domestic government securities issued for the NBT recapitalization were cleared after the NBT extended new credit to the government at a 2 percent interest rate with a one-year maturity. However, the government continues to run arrears against the NBT on bonds issued to recapitalize commercial banks during the 2015-16 shocks.

4. This DSA covers the central government, central bank, and government-guaranteed external and domestic debt. As of September 2019, debt coverage includes duly consolidated overall external and domestic debt and guarantees of the Central Government (CG), including extrabudgetary funds, and the social security fund. As debt recording and monitoring capacity is weak, this DSA does not include in its baseline: i) non-guaranteed liabilities of state-owned enterprises (SOEs), including liabilities associated with the modernization of an aluminum plant and the construction of a gas pipeline[3], (ii) contingent

[3] The Ministry of Finance does not record non-guaranteed debt of SOEs. TALCO, a loss-making state-owned aluminum company, was recently allowed to borrow without a government guarantee. Subsequently, TALCO has signed a MOU to borrow $545 million from China to modernize its plant. The finalization of contract and associated disbursement are expected to in 2020. Separately, Tajiktransgaz has borrowed $300 million from Chinese entities for the construction of the Tajikistan section of the Turkmenistan-China gas pipeline.

liabilities/fiscal costs associated with potential liquidation of two large and troubled financial institutions or iii) demand or guarantees triggered from any existing PPP agreements.[4]

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	X
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

BACKGROUND ON MACRO FORECASTS

5. The assumptions in the baseline scenario are consistent with macroeconomic framework presented in the Staff Report. The main assumptions are:

- ***External.*** The current account deficit is expected to remain sizable over the medium term with high fiscal deficits and limited exchange rate flexibility to facilitate external adjustment. Remittances are expected to remain sluggish owing to the global environment. Electricity exports are expected to rise owing to Roghun over the medium term. International reserves decline over the projection horizon.

- ***Interest rates***. Effective average interest rates on external debt are projected to rise gradually over the medium-term as concessional financing is likely to be constrained and the authorities would increasingly rely on non-concessional external borrowing. Interest rates on domestic public debt, some of which are highly negative in real terms at present, are expected to remain below marketable rates.

- ***Fiscal***. The fiscal deficit is expected to remain high over the medium-term, in line with authorities' plans for spending on Roghun and other large infrastructure projects.

- ***Growth.*** While growth will be supported in the near-term by government spending, a weak global environment, continued large fiscal and external deficits, and uneven structural reforms are expected to weigh on growth over the medium term. Inflation is expected to remain moderate.

6. Macroeconomic assumptions under the current baseline scenario project a higher fiscal deficit than under the 2017 DSA. While real GDP growth estimates for 2017-18 were larger than projected in 2017, nominal GDP estimates are broadly similar. A key difference is that the projected fiscal deficit has risen as projections now incorporate the full extent of government spending on Roghun. Recapitalization costs for the two formerly systemic banks were included in the fiscal projections in 2017-18, but are not

[4] State and local governments are not allowed to borrow without a government guarantee.

expected at this time as liquidation is considered to be more appropriate. The external position was projected to remain weak in 2017 as well as in the current DSA. International reserves (in months of imports) are higher in the current DSA owing to domestic purchases of gold, but are expected to decline gradually over the medium-term.

Tajikistan: Baseline DSA Assumptions, 2017-24

(In percent of GDP, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024
Real GDP growth, percent								
Current DSA	7.1	7.3	5.5	4.8	4.5	4.5	4.0	4.0
Previous DSA	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Overall fiscal balance (incl. PIP)								
Current DSA	-6.0	-2.8	-3.8	-4.3	-4.3	-4.3	-4.3	-4.3
Previous DSA	-6.5	-5.4	-1.9	-1.8	-1.7	-1.7	-2.0	-2.2
Current account balance								
Current DSA	2.2	-5.0	-4.5	-5.2	-5.3	-5.3	-5.4	-5.5
Previous DSA	-6.3	-6.2	-5.6	-5.1	-4.6	-4.3	-4.3	-4.2

Sources: National authorities and IMF staff estimates

7. **The baseline scenario assumes that fiscal financing needs will be met from external concessional sources in the near-term, but non-concessional financing will rise over time**. In 2019, the remainder of Eurobond proceeds issued in 2017 are available for disbursement. During 2020-22, fiscal financing needs are expected to be met mostly from concessional loans and grants, provided by international finance institutions, export credit agencies, and traditional bilateral partners. Budget support loans and grants are projected to remain low. There is uncertainty on the terms of future borrowing. For the purposes of this DSA, staff assume concessional borrowing after 2022 in line with the levels of recent years. Residual financing needs are expected to be met from non- concessional borrowing. It should be noted that if the authorities contract non-concessional borrowing, a waiver from the World Bank may be needed under the Non-concessional Borrowing Policy clause. Staff projections assume no new domestic financing at market determined rates, in line with the recent experience.

8. **The realism tools largely suggest that staff forecasts are realistic**. Under the baseline scenario, debt accumulation over the projection horizon is much smaller than in recent years. An important reason for the difference is that the contribution of exchange rate depreciation to external and public debt accumulation is much lower than in recent years, as no large external shocks (as in 2015-16) are assumed under the baseline. Staff projections of growth, while lower than estimates from recent years, are in line with weaker external demand going forward.[5] It is noteworthy that the contribution of primary deficits to future debt accumulation is expected to be similar to the past few years. Although debt accumulation over the next

[5] There are weaknesses in national accounts statistics.

5 years is slower than the historic 5 years under the baseline, both external and public debt are on an increasing trajectory throughout the projection horizon.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

9. **Tajikistan is assessed to have a medium debt-carrying capacity**. Tajikistan's debt carrying capacity is currently assessed as medium based on the CI Index from the April 2019 WEO and the World Bank's 2018 CPIA. The 2017 DSA assessed Tajikistan's debt carrying capacity as weak. The upgrade from weak to medium debt-carrying capacity is mainly driven by a shift from CPIA to a composite indicator, which also incorporates other factors such as the import coverage of reserves and remittances.

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.83	Medium 2.90	Medium 2.97

10. **Stress tests for PPPs' agreements, potential size of a rescue of the financial sector, and a commodity price shock are set at default levels.** Stress test for PPPs' demand and guarantees is set at a default 1.73 percent of GDP. Stress test for the banking sector is set at default 5 percent of GDP. Default tailored tests for commodity prices are also applied since non-fuel commodity exports constitute an important part of Tajikistan's exports.

11. **Tailored contingent liability stress test is designed to incorporate contingent liabilities from potential non-guaranteed debt of SOEs**. The debt coverage for Tajikistan excludes non-government guaranteed debt of non-financial public corporations (NFPC) under the baseline given uncertainties on the nature of the debt and lack of full financial information on SOEs. To illustrate the effects of contingent liabilities associated with large SOE debt that might have significant implications for debt sustainability, the size of shock is set at 10 percent of GDP. The shock reflects: (i) 6.5 percent of GDP based on available information on Barki Tojik arrears, which could be transferred onto the government's balance sheet; and (ii) 3.5 percent of GDP based on the loan agreements of Tajiktransgaz. Planned borrowings related to the modernization of the TALCO aluminum plant could pose additional contingent liability risks (6½ percent of GDP). However, it is not clear at this stage if the contract to finance the aluminum plant will materialize and what the contract would look like, including whether it would be considered debt, so it is not included in this DSA.

1	The country's coverage of public debt	The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	10	Great uncertainty about the true size of liabilities and weak financial position and performance
4	PPP	35 percent of PPP stock	1.73	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		16.7	

DEBT SUSTAINABILITY

B. External Debt Sustainability Analysis

12. Under the baseline scenario, three external debt indicators breach respective thresholds (Figure 1). Baseline breaches involve both stock/solvency (PV debt-to-GDP ratio, PV debt-to-export ratio) and flow/liquidity (debt-service-to exports ratio) indicators. Breaches are significant and protracted and do not fall below the thresholds throughout projection horizon. Both solvency indicators rise steadily throughout the projection horizon. The flow indicator breaches the threshold during Eurobond principal repayment period and stays above the threshold. Fiscal consolidation, aligning exchange rate with fundamentals, prudent borrowing policies, and better debt management could help address these challenges and reduce the risk of debt distress.

13. Under the stress scenarios, three external debt indicators breach respective thresholds. All breaches are significant and point to debt vulnerabilities. Shocks to exports and contingent liabilities are the most extreme and impactful. Under a shock to exports, the PV of debt-to-exports reaches about 435 percent by the end of horizon. The contingent liability shock also causes a significant deterioration in external debt sustainability. The trajectory of the PV of external public debt-to-GDP ratio moves upwards by close to 12 percentage points from the baseline. This suggests the need for the government to improve debt recording and management practices (especially for SOEs) and rebuild fiscal buffers to address the rising contingent liabilities. The market-financing risks are moderate in the medium-term because the repayment of Eurobond issuance is not due until 2024. Additional commercial borrowing to refinance Eurobond repayments and meet gross financing needs is not expected to become due before 2029, alleviating market-financing risk for the projection horizon. The market financing risk could become significant in the outer years, especially as the necessity to meet gross financing needs through increasing borrowing may widen sovereign spreads.

C. Public Sector Debt Sustainability Analysis

14. Under the baseline scenario, the public debt burden indicator (PV total debt-to-GDP) ratio remains below the 55 percent benchmark. However, the ratio rises throughout the projection horizon.

15. The standardized sensitivity analysis shows that a shock to commodity prices breaches the threshold and leads to the highest public debt figures in 2029. The shock causes a 12 percent deterioration in debt ratios by 2029. The contingent liabilities shock is also sizable and causes an 11 percent deterioration in debt ratios. This highlights the need for strengthened oversight of SOE sector and streamlined borrowing policies at a time when the government is already financing a large infrastructure project.

AUTHORITIES' VIEWS

16. The authorities concurred with staff that debt vulnerabilities need to be better managed but considered the DSA assessment as unduly negative. They considered staff's growth projections as conservative and expected annual real GDP growth to be higher than the staff's baseline projection in line with recent experience owing to their industrialization strategy. They agreed with staff that non-concessional borrowing would weaken debt sustainability and would examine options to attract concessional financing. Staff emphasized the need for fiscal consolidation to ensure debt sustainability.

17. There was broad agreement that better oversight on the SOEs is needed to contain contingent liabilities. However, the authorities maintained that debt contracted by SOEs, including TALCO and Tajiktransgaz do not pose fiscal risks. In their view, these companies would be financially viable to repay debt.

CONCLUSION AND RISK RATING

18. The debt sustainability analysis under the new LIC DSF framework suggests that Tajikistan's risk of external and overall public debt distress is high. These results are similar to the 2017 DSA findings.

19. Tajikistan's risk of external debt distress remains high. Three external debt-burden indicators breach respective thresholds under the baseline, pointing to potential solvency and liquidity issues. External debt is most vulnerable to contingent liabilities and exports shocks. Baseline scenario and standardized stress tests indicate the importance of containing contingent liabilities and broadening the export base.

20. Overall risk of public debt distress is high under the baseline due to breaches in external debt indicators. A shock to commodity prices has the largest impact on public debt sustainability.

21. Under current policies Tajikistan's public debt is on an unsustainable path. Three external debt indicators breach respective thresholds under the baseline. Two stock indicators are on a continuously increasing trajectory while one flow indicator breaches and remains above the threshold.

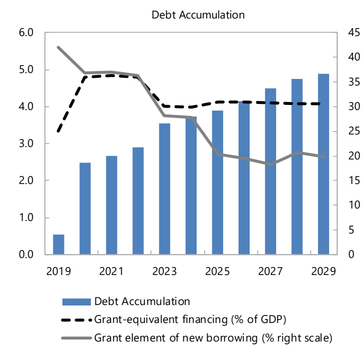
22. Measures should be taken to reduce debt vulnerabilities. Embarking on fiscal consolidation, relying on concessional loans and avoiding non-concessional borrowing would help contain debt servicing costs and the debt burden. Diversifying exports and containing contingent liabilities will reduce vulnerabilities of public debt to shocks. Improving debt management practices, upgrading the debt recording and reporting practices would further help to contain debt vulnerabilities.

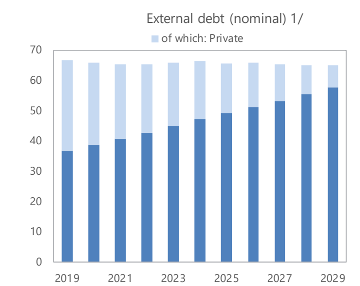
Table 1. Tajikistan: External Debt Sustainability Framework, Baseline Scenario, 2016-2039

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	67.4	76.9	70.5	66.7	65.8	65.2	65.2	65.9	66.5	64.9	80.0	56.1	65.6
of which: public and publicly guaranteed (PPG)	32.1	40.6	38.7	36.9	38.8	40.7	42.8	45.0	47.2	57.6	76.4	32.3	47.1
Change in external debt	5.4	9.5	-6.4	-3.8	-0.8	-0.6	0.0	0.7	0.6	-0.2	1.2		
Identified net debt-creating flows	9.3	-4.9	-2.1	-2.1	-0.2	0.5	0.8	1.4	1.5	0.8	1.3	2.2	0.5
Non-interest current account deficit	2.8	-3.9	4.3	2.6	3.1	3.2	3.3	3.4	3.4	3.1	2.3	5.8	3.2
Deficit in balance of goods and services	29.2	22.9	28.0	25.6	26.0	25.7	25.5	25.4	25.4	25.1	25.9	38.4	25.4
Exports	12.9	15.7	14.8	15.4	15.8	16.3	16.6	16.8	16.9	17.2	18.5		
Imports	42.1	38.7	42.8	41.0	41.8	42.0	42.1	42.2	42.2	42.2	44.4		
Net current transfers (negative = inflow)	-8.2	-8.2	-6.6	-6.3	-6.2	-6.1	-6.1	-6.1	-6.1	-6.1	-6.4	-9.4	-6.1
of which: official	-1.7	-1.4	-0.9	0.0	-0.4	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	-18.1	-18.6	-17.0	-16.7	-16.7	-16.5	-16.1	-15.9	-15.9	-15.9	-17.3	-23.2	-16.1
Net FDI (negative = inflow)	-3.0	-0.9	-3.3	-3.0	-2.4	-2.1	-1.8	-1.6	-1.6	-2.2	-1.4	-3.0	-2.2
Endogenous debt dynamics 2/	9.5	-0.2	-3.1	-1.7	-0.9	-0.7	-0.7	-0.4	-0.4	-0.1	0.5		
Contribution from nominal interest rate	1.4	1.6	0.8	1.9	2.1	2.1	2.0	2.1	2.1	2.4	3.4		
Contribution from real GDP growth	-4.8	-4.7	-5.3	-3.6	-3.0	-2.8	-2.8	-2.5	-2.5	-2.5	-3.0		
Contribution from price and exchange rate changes	12.9	2.9	1.5	...	...	...	...	...	...	...	...		
Residual 3/	-3.9	14.4	-4.3	-1.7	-0.6	-1.1	-0.8	-0.7	-0.8	-1.0	-0.1	2.1	-1.0
of which: exceptional financing	0.0	0.0	0.0	0.0	-0.4	-0.3	-0.5	-0.5	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	29.6	27.9	28.9	29.7	30.8	32.6	34.4	44.9	65.9		
PV of PPG external debt-to-exports ratio	...	...	199.6	181.1	182.9	182.4	185.7	193.6	204.0	261.3	357.0		
PPG debt service-to-exports ratio	12.3	12.7	16.3	15.8	16.6	15.4	14.3	12.2	12.0	17.0	34.1		
PPG debt service-to-revenue ratio	5.8	7.4	9.2	10.0	10.7	10.2	9.7	8.4	8.2	11.9	25.7		
Gross external financing need (Million of U.S. dollars)	1351.6	832.2	1584.5	1317.0	1682.5	1736.4	2233.8	2689.5	3132.3	3604.8	4681.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.9	7.1	7.3	5.5	4.7	4.5	4.5	4.0	4.0	4.0	4.0	6.7	4.3
GDP deflator in US dollar terms (change in percent)	-17.2	-4.1	-1.9	2.5	0.2	1.8	1.4	1.3	1.4	1.7	1.7	-2.1	1.6
Effective interest rate (percent) 4/	2.0	2.5	1.0	2.9	3.3	3.4	3.3	3.3	3.4	3.8	4.6	1.8	3.4
Growth of exports of G&S (US dollar terms, in percent)	9.1	25.1	-0.8	12.2	7.8	9.5	7.8	7.0	5.7	6.7	7.3	8.7	7.4
Growth of imports of G&S (US dollar terms, in percent)	-12.0	-5.6	16.5	3.6	7.0	6.8	6.0	5.7	5.6	5.8	7.5	-0.1	5.8
Grant element of new public sector borrowing (in percent)	...	...	...	42.0	36.8	37.0	36.3	28.2	27.8	19.9	11.0	...	27.9
Government revenues (excluding grants, in percent of GDP)	27.4	27.0	26.2	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.6	24.5
Aid flows (in Million of US dollars) 5/	171.5	187.3	216.6	343.1	445.9	486.3	493.6	382.3	403.4	540.3	767.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.3	4.8	4.8	4.8	4.0	4.0	4.1	3.7	...	4.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	68.1	56.6	57.1	56.4	50.3	49.8	42.4	30.8	...	49.8
Nominal GDP (Million of US dollars)	6,953	7,144	7,520	8,132	8,539	9,081	9,619	10,130	10,683	14,160	24,828		
Nominal dollar GDP growth	-11.5	2.8	5.3	8.1	5.0	6.4	5.9	5.3	5.5	5.8	5.8	4.5	5.9
Memorandum items:													
PV of external debt 7/	...	...	61.4	57.6	56.0	54.2	53.2	53.5	53.8	52.2	69.6		
In percent of exports	...	...	413.6	374.2	354.0	333.0	321.1	317.5	318.6	303.5	376.8		
Total external debt service-to-exports ratio	151.6	104.1	135.4	107.6	120.3	110.5	131.0	147.1	162.8	143.1	97.6		
PV of PPG external debt (in Million of US dollars)			2227.8	2267.9	2470.4	2697.8	2960.5	3302.2	3678.9	6357.7	16371.2		
(PVt-PVt-1)/GDPt-1 (in percent)				0.5	2.5	2.7	2.9	3.6	3.7	4.9	5.4		
Non-interest current account deficit that stabilizes debt ratio	-2.6	-13.3	10.7	6.5	3.9	3.8	3.3	2.7	2.8	3.3	1.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

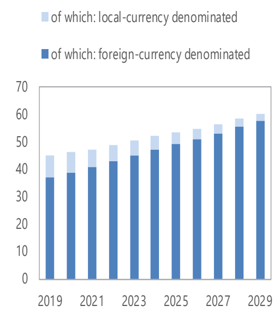
Table 2. Tajikistan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-2039

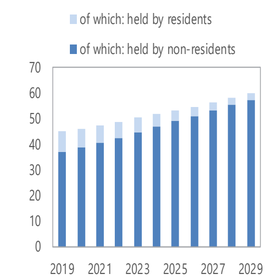
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	42.1	50.4	47.9	45.1	46.1	47.3	48.8	50.5	52.0	60.3	78.1	37.2	52.1
of which: external debt	32.1	40.6	38.7	36.9	38.8	40.7	42.8	45.0	47.2	57.6	76.4	32.3	47.1
Change in public sector debt	7.4	8.3	-2.5	-2.8	1.0	1.2	1.4	1.7	1.6	1.9	1.5		
Identified debt-creating flows	14.7	3.6	-1.0	0.4	1.1	0.9	0.8	0.9	0.7	1.1	0.5	32.7	0.8
Primary deficit	8.3	5.5	1.7	2.7	3.2	3.3	3.5	3.5	3.4	3.9	3.4	2.4	3.4
Revenue and grants	29.9	29.7	29.1	26.7	27.2	27.2	27.1	27.0	27.0	27.2	27.2	27.1	27.1
of which: grants	2.5	2.6	2.9	2.2	2.7	2.7	2.7	2.5	2.4	2.7	2.7		
Primary (noninterest) expenditure	38.3	35.2	30.8	29.4	30.3	30.6	30.6	30.4	30.4	31.1	30.6	29.5	30.6
Automatic debt dynamics	0.1	-0.2	-2.2	-1.5	-2.1	-2.5	-2.7	-2.6	-2.7	-2.8	-2.9		
Contribution from interest rate/growth differential	-2.0	-3.1	-4.2	-1.5	-2.1	-2.5	-2.7	-2.6	-2.7	-2.8	-2.9		
of which: contribution from average real interest rate	0.3	-0.3	-0.8	1.0	-0.1	-0.5	-0.6	-0.7	-0.7	-0.6	0.1		
of which: contribution from real GDP growth	-2.2	-2.8	-3.4	-2.5	-2.0	-2.0	-2.0	-1.9	-1.9	-2.2	-2.9		
Contribution from real exchange rate depreciation	2.1	2.9	2.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	6.2	-1.7	-0.4	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.6	-0.1
Privatization receipts (negative)	0.0	-1.0	-0.7	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.1	-0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-7.3	4.7	-1.5	-3.2	0.0	0.3	0.6	0.8	0.8	0.8	1.0	-30.7	0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	39.7	37.1	36.9	36.9	37.4	38.7	40.0	48.5	69.0		
PV of public debt-to-revenue and grants ratio	...	...	136.5	139.0	135.8	135.6	137.7	143.5	148.2	178.1	253.4		
Debt service-to-revenue and grants ratio 3/	6.2	9.2	10.8	11.2	12.3	11.9	11.5	10.2	9.8	10.8	24.6		
Gross financing need 4/	16.4	6.6	4.4	4.9	6.5	6.6	6.6	6.2	6.0	6.8	10.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.9	7.1	7.3	5.5	4.7	4.5	4.5	4.0	4.0	4.0	4.0	6.7	4.3
Average nominal interest rate on external debt (in percent)	0.0	1.5	1.3	1.8	2.6	2.5	2.1	2.1	2.1	2.2	3.2	0.3	2.2
Average real interest rate on domestic debt (in percent)	2.5	0.0	0.1	-4.2	-2.9	-5.2	-5.2	-5.0	-5.2	-5.7	-5.2	-2.4	-5.1
Real exchange rate depreciation (in percent, + indicates depreciation)	7.3	9.7	5.3	...	...	...	...	...	...	...	...	2.9	...
Inflation rate (GDP deflator, in percent)	5.3	4.7	5.0	6.5	6.3	6.2	5.7	5.6	5.7	6.1	6.1	7.5	6.0
Growth of real primary spending (deflated by GDP deflator, in percent)	30.2	-1.5	-6.2	0.7	8.2	5.3	4.7	3.4	3.7	4.1	3.7	8.5	4.4
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.9	-2.8	4.1	5.5	2.1	2.2	2.0	1.8	1.8	2.0	1.9	0.8	2.3
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

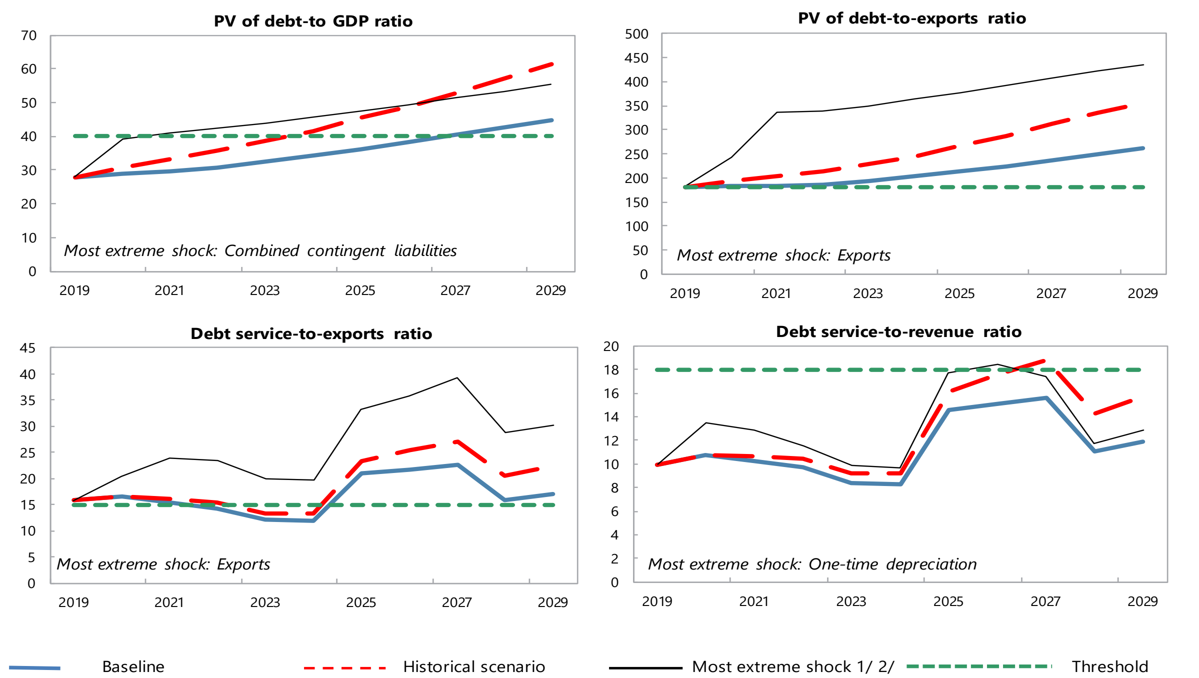
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Tajikistan: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2019–29



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5

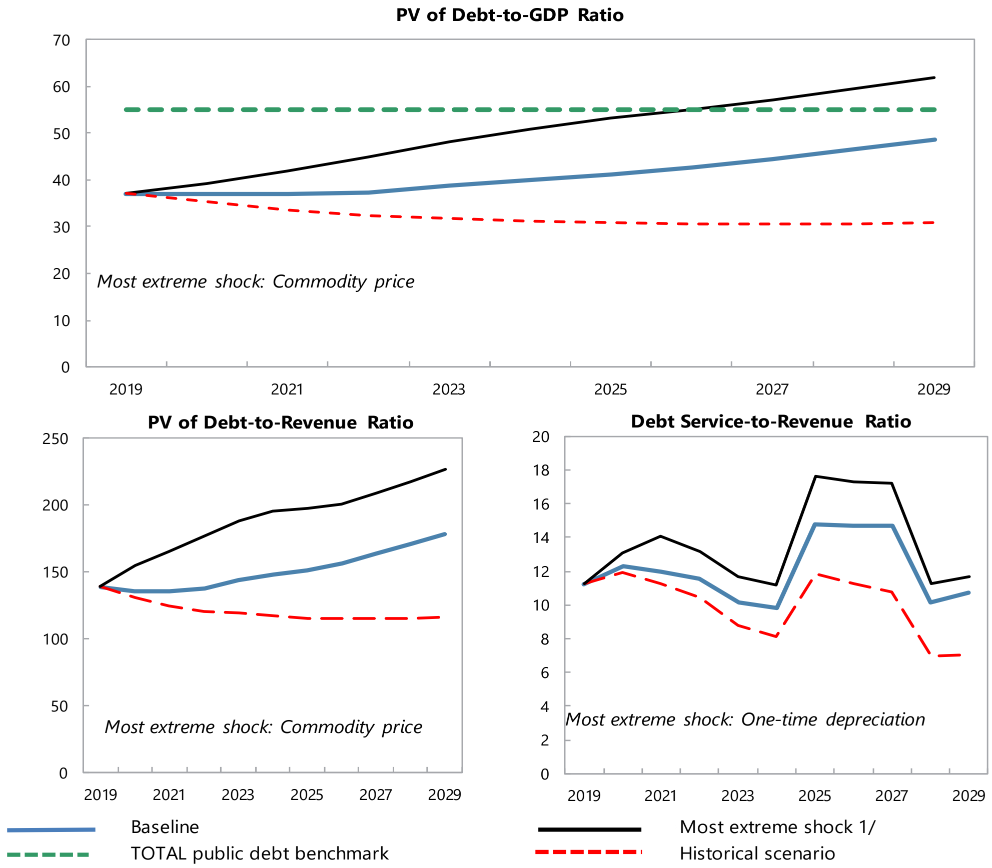
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Tajikistan: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	94%	94%
Domestic medium and long-term	0%	0%
Domestic short-term	6%	6%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	-1.1%	-1.1%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Tajikistan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019-2029

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	28	29	30	31	33	34	36	38	**40**	**43**	**45**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	28	31	33	36	38	**41**	**45**	**49**	**53**	**57**	**61**
B. Bound Tests											
B1. Real GDP growth	28	29	31	32	34	36	37	39	**42**	**44**	**46**
B2. Primary balance	28	31	36	37	38	**40**	**42**	**44**	**46**	**48**	**50**
B3. Exports	28	32	37	38	40	**42**	**43**	**45**	**47**	**49**	**51**
B4. Other flows 3/	28	31	35	36	37	39	**41**	**43**	**44**	**46**	**48**
B5. Depreciation	28	37	31	32	35	37	39	**42**	**45**	**49**	**52**
B6. Combination of B1-B5	28	33	34	35	37	38	**40**	**42**	**44**	**46**	**49**
C. Tailored Tests											
C1. Combined contingent liabilities	28	39	**41**	**42**	**44**	**46**	**47**	**49**	**51**	**53**	**56**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	28	31	34	35	36	37	38	39	40	**41**	**42**
C4. Market Financing	28	29	30	31	33	34	36	38	**40**	**43**	**45**
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**181**	**183**	**182**	**186**	**194**	**204**	**213**	**225**	**238**	**250**	**261**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**181**	**194**	**204**	**215**	**228**	**245**	**267**	**287**	**311**	**334**	**356**
B. Bound Tests											
B1. Real GDP growth	**181**	**183**	**182**	**186**	**194**	**204**	**213**	**225**	**238**	**250**	**261**
B2. Primary balance	**181**	**195**	**218**	**222**	**229**	**238**	**246**	**258**	**269**	**280**	**290**
B3. Exports	**181**	**243**	**336**	**339**	**349**	**365**	**377**	**393**	**408**	**423**	**436**
B4. Other flows 3/	**181**	**198**	**212**	**214**	**222**	**232**	**240**	**251**	**261**	**271**	**281**
B5. Depreciation	**181**	**183**	150	154	163	174	**183**	**196**	**211**	**226**	**239**
B6. Combination of B1-B5	**181**	**220**	**197**	**244**	**253**	**265**	**276**	**289**	**303**	**317**	**330**
C. Tailored Tests											
C1. Combined contingent liabilities	**181**	**248**	**253**	**255**	**261**	**271**	**279**	**290**	**302**	**313**	**323**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**181**	**230**	**236**	**231**	**229**	**230**	**229**	**234**	**240**	**246**	**252**
C4. Market Financing	**181**	**183**	**182**	**186**	**194**	**204**	**213**	**225**	**238**	**250**	**261**
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	16	17	15	14	12	12	21	22	23	16	17
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	16	17	16	15	13	13	23	25	27	21	22
B. Bound Tests											
B1. Real GDP growth	16	17	15	14	12	12	21	22	23	16	17
B2. Primary balance	16	17	16	16	14	14	23	24	26	19	20
B3. Exports	16	20	24	23	20	20	33	36	39	29	30
B4. Other flows 3/	16	17	16	15	13	13	22	23	25	18	19
B5. Depreciation	16	17	15	13	11	11	20	21	20	13	15
B6. Combination of B1-B5	16	18	19	18	15	15	26	28	29	21	22
C. Tailored Tests											
C1. Combined contingent liabilities	16	17	17	16	14	14	23	23	24	17	19
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	16	20	18	17	14	14	23	24	26	18	18
C4. Market Financing	16	17	15	14	12	12	21	22	23	16	17
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	10	11	10	10	8	8	15	15	16	11	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	10	11	11	10	9	9	16	18	**19**	14	16
B. Bound Tests											
B1. Real GDP growth	10	11	11	10	9	9	15	16	16	11	12
B2. Primary balance	10	11	11	11	10	9	16	17	18	13	14
B3. Exports	10	11	11	11	9	9	16	17	**18**	14	14
B4. Other flows 3/	10	11	10	10	9	9	15	16	17	13	13
B5. Depreciation	10	14	13	12	10	10	18	**18**	17	12	13
B6. Combination of B1-B5	10	11	11	10	9	9	15	17	17	12	13
C. Tailored Tests											
C1. Combined contingent liabilities	10	11	11	11	10	9	16	16	17	12	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	10	12	12	11	10	9	16	16	17	12	13
C4. Market Financing	10	11	10	10	8	8	15	15	16	11	12
Threshold	18	18	18	18	18	18	18	18	18	18	18

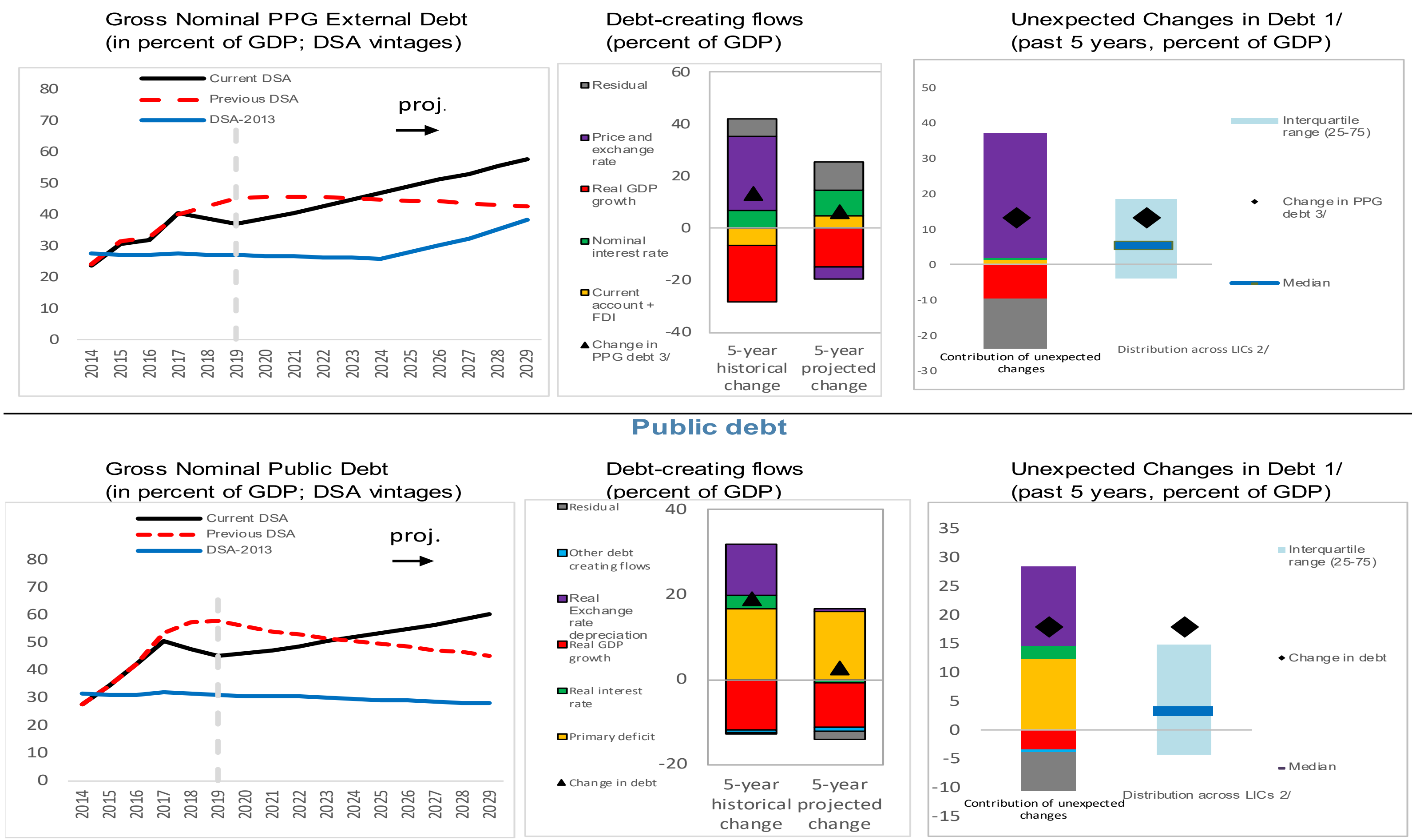
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Tajikistan: Sensitivity Analysis for Key Indicators of Public Debt, 2019-2029
(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	37	37	37	37	39	40	41	43	44	46	49
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	37	35	34	32	32	31	31	31	31	31	31
B. Bound Tests											
B1. Real GDP growth	37	38	39	40	42	44	46	48	50	53	**56**
B2. Primary balance	37	39	43	44	45	46	47	49	50	52	54
B3. Exports	37	39	43	44	45	46	47	49	50	51	53
B4. Other flows 3/	37	39	42	42	44	45	46	47	49	50	52
B5. Depreciation	37	42	39	38	37	37	37	36	37	38	39
B6. Combination of B1-B5	37	37	38	38	39	40	40	41	43	44	46
C. Tailored Tests											
C1. Combined contingent liabilities	37	49	49	49	51	52	53	54	**56**	**58**	**59**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	39	42	45	48	51	53	**55**	**57**	**60**	**62**
C4. Market Financing	37										
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	139	136	136	138	143	148	151	157	163	171	178
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	139	130	125	120	119	118	116	115	115	116	117
B. Bound Tests											
B1. Real GDP growth	139	139	143	147	156	163	168	176	184	194	203
B2. Primary balance	139	144	160	161	167	171	174	179	184	191	198
B3. Exports	139	144	159	161	167	171	174	179	183	189	194
B4. Other flows 3/	139	145	154	156	161	166	169	173	178	184	191
B5. Depreciation	139	155	146	140	140	138	135	135	136	139	143
B6. Combination of B1-B5	139	136	141	141	145	148	149	153	157	162	168
C. Tailored Tests											
C1. Combined contingent liabilities	139	182	180	181	187	192	194	199	205	211	218
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	139	155	165	177	188	195	198	201	209	217	226
C4. Market Financing	139										
Debt Service-to-Revenue Ratio											
Baseline	11	12	12	12	10	10	15	15	15	10	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	11	12	11	10	9	8	12	11	11	7	7
B. Bound Tests											
B1. Real GDP growth	11	12	12	12	11	11	16	16	16	11	12
B2. Primary balance	11	12	13	13	11	11	16	16	17	12	13
B3. Exports	11	12	12	12	11	10	15	16	17	12	13
B4. Other flows 3/	11	12	12	12	11	10	15	16	16	12	12
B5. Depreciation	11	13	14	13	12	11	18	17	17	11	12
B6. Combination of B1-B5	11	12	12	12	10	10	15	15	15	10	11
C. Tailored Tests											
C1. Combined contingent liabilities	11	12	17	13	11	11	16	16	16	11	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	11	13	13	14	13	12	17	17	18	13	14
C4. Market Financing											

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 3. Tajikistan: Drivers of Debt Dynamics – Baseline Scenario External Debt



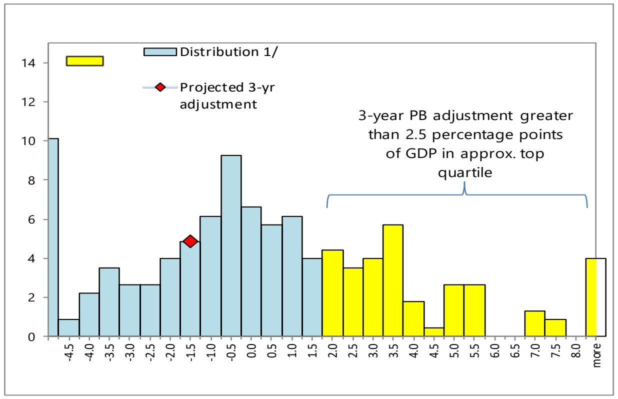
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

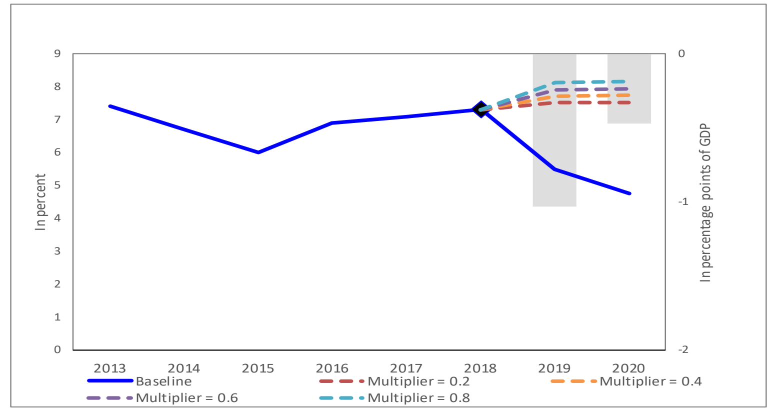
Figure 4. Tajikistan: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



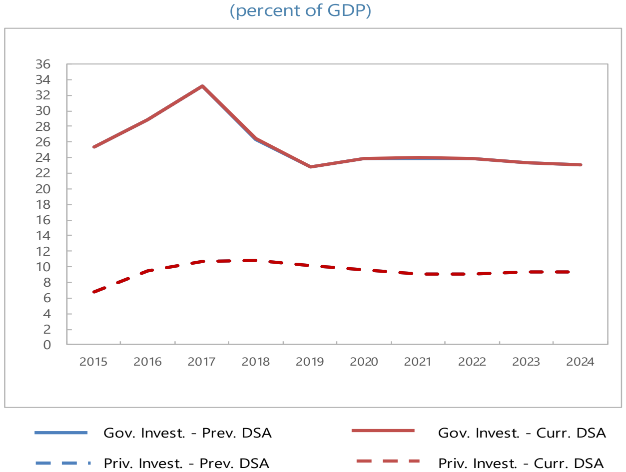
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

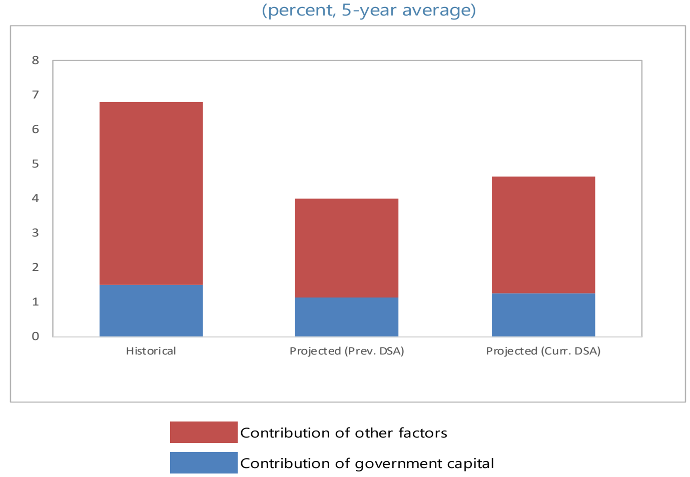
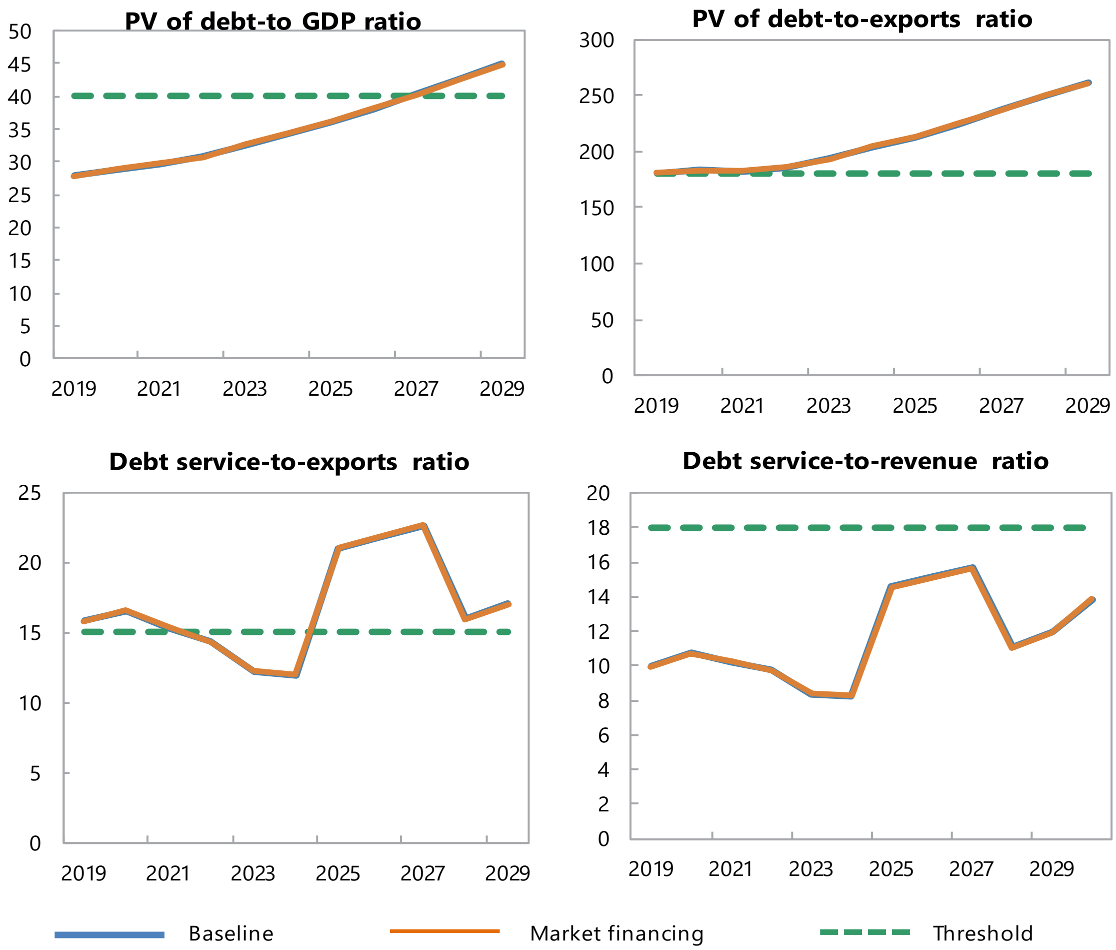


Figure 5. Tajikistan: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	7	727.9
Breach of benchmark	No	Yes
Potential heightened liquidity needs	Moderate	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

December 26, 2019

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

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

CONTENTS

FUND RELATIONS

(As of November 4, 2019)

Membership Status: Joined April 27, 1993; Article VIII

General Resources Account

	SDR Million	Percent Quota
Quota	174.00	100.00
Fund Holdings of Currency	174.00	100.00
Reserve position in Fund	0.00	0.00

SDR Department

	SDR Million	Percent Allocation
Net Cumulative allocation	82.08	100
Holdings	22.22	27.07

Outstanding Purchases and Loans

	SDR Million	Percent of Quota
ECF Arrangements	28.71	16.50

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 Fund[2]

	Forthcoming				
	2019	2020	2021	2022	2023
Principal	6.53	13.05	6.52	2.61	
Charges/Interest	0.14	0.51	0.51	0.51	0.51
Total	**6.66**	**13.56**	**7.03**	**3.12**	**0.51**

[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)				
		Eligible Debt		
	Delivery Date	**GRA**	**PRGT**	**Total**
	January 2006	N/A	69.31	69.31

Safeguards Assessment

The last safeguards assessment was completed in 2009. The NBT financial statements continue to be audited in accordance with international standards. However, the NBT's financial position remains weak with negative equity of TJS 6.2 billion at end-2018. 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. Oversight of audit mechanisms was largely absent, 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 during the 2009–12 ECF arrangement 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 NBT is subject to a recapitalization plan for its weak financial position, owing to significant fiscal dominance.

Exchange Rate Arrangements

Tajikistan's de jure exchange rate arrangement is managed floating and its de facto exchange rate arrangements is classified as stabilized. The official exchange rate is based on all interbank and intrabank transactions in foreign exchange. It is calculated and announced daily and is effective from the next business day.

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 one

[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 restriction and two multiple currency practices subject to Fund approval under Article VIII, Section 2(a) and Section 3 of the IMF`s Articles of Agreement. Foreign exchange shortages, evidenced by market participants` reports of undue delays in obtaining foreign exchange and external payment arrears, persist in the commercial foreign exchange market as a result of the setting of exchange rates by commercial banks used in foreign exchange transactions, due to informal guidance by the NBT, which do not reflect market conditions. As a consequence of this, not all demand for bona fide foreign exchange for current international transactions is satisfied, giving rise to an exchange restriction. One multiple currency practice arises because of the absence of a mechanism to prevent a potential deviation of more than 2 percent between: (i) the prevailing market exchange rate and (ii) the official exchange rate, which is required to be used for converting domestic currency (somoni) to foreign currency, and vice-versa, between accounts of individuals and legal entities opened within the same commercial bank. The second multiple currency practice arises because of the absence of a mechanism to prevent a potential deviation of more than 2 percent between: (i) the somoni-Russian ruble exchange rate (calculated as a cross-rate using the official exchange rate of the USD to somoni), which is required to be used for mandatory ruble surrender transactions and (with a maximum variation of 0.5 percent) for the purchase/sale in the interbank market of rubles derived from the mandatory surrender and (ii) the market exchange rate banks may use for purchase/sale of Russian rubles derived from other sources. The Republic of Tajikistan also maintains exchange restrictions imposed 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 was been published at http://www.imf.org/external/country/TJK/index.htm. An FSAP Update mission was held in January-February 2015 and the associated FSSA was discussed by the Executive Board at the time of the 2015 Article IV consultation.

Article IV Consultation

The 2017 Article IV consultation with Tajikistan was concluded on November 3, 2017.

Resident Representative

Mr. Sobolev, Resident Representative of the Fund, started his assignment in Dushanbe in August 2016.

Technical Assistance

The following table summarizes the Fund's technical assistance (TA) to Tajikistan since 2006.

Tajikistan: Technical Assistance, 2006-19

Fund Department	Area of Assistance	Mission Dates
STA	National Accounts Statistics	June 2019
MCM	Bank Supervision TA and Project Assessment Mission	May 2019
MCM	Bank Resolution	April 2019
MCM	Monetary policy modernization, Reserve Requirement Averaging, and liquidity management	April 2019
STA	Government Finance Statistics	November 2018
MCM	Central Bank Governance, independence, and Recapitalization	November 2018
STA	Balance of Payment Statistics	October 2018
STA	National Accounts Statistics	June 2018
MCM	Bank Supervision and Regulation Assessment	March 2018
MCM	Liquidity Forecasting and Emergency Assistance	March 2018
STA	Government Finance Statistics	October 2017
STA	National Accounts Statistics	September 2017
MCM	Medium-Term Debt Management Strategy	August 2017
MCM	Banking Supervision	August 2017
MCM	Banking Supervision	April 2017
MCM	Monetary Policy Framework and Implementation	April 2017
LEG	Bank Resolution Framework	October 2016
STA	National Accounts Statistics	July 2016
MCM	Monetary and Foreign Exchange Operations	April 2016
FAD	Accounting and Financial Reporting, Treasury Management, and Fiscal Oversight of State-Owned Enterprises	March 2016
STA	Monetary and Financial Statistics	October 2015
MCM	Financial Stability	October 2015
MCM	Reserve Management	September 2015
FAD	Improving Tax Disputes Resolution Processes in the Tax Committee	June 2015
MCM	Improving Accounting Controls at NBT	April 2015
STA	BOP	April 2015
FAD	Tax Administration	March 2015
STA	Monetary and Financial Statistics	December 2014
MCM	Bank Resolution	May 2014
FAD	PFM Reform	April 2014
FAD	Tax Administration	April/July/November 2014
STA	BOP	April 2014
STA	Monetary and Financial Statistics	December 2013
MCM	Improving Accounting Controls at NBT	October 2013
FAD	PFM Reform	August/November 2013
FAD	Tax Administration	June/November 2013

MCM	Banking Supervision	March 2013
FAD	Tax Administration	March 2013
MCM	Improving Accounting Controls at NBT	February 2013
STA	BOP	December 2012
STA	Monetary and Financial Statistics	November 2012
MCM	Improving Accounting Controls at NBT	November 2012
FAD	Tax Administration	June/August/Oct 2012
STA	National Accounts Statistics	May 2012
STA	Monetary and Financial Statistics	April 2012
FAD	Tax Policy Review	April 2012
FAD	Financial Monitoring of SOEs	March 2012
MCM	Improving Accounting Controls at NBT	February 2012
FAD	Tax Policy Review	May 2011
MCM	NBT Internal Audit	April 2011
MCM	BOP	March 2011
MCM	Improving Accounting Controls at NBT	January 2011
FAD	Public Financial Management (Regional Advisor)	November 2010
LEG	NBT Law	October 2010
MCM	NBT Recapitalization Strategy	September 2010
FAD	Public Financial Management Reforms	June 2010
FAD	Tax Policy and Administration	February/July 2010
MCM	NBT Recapitalization Strategy	October/Dec 2009
FAD	Public Financial Management (Budget Classification)	May 2007
STA	Report on Monetary and Financial Statistics National Accounts and Price Statistics (Regional Advisor)	June 2006
FAD	Fiscal ROSC	August 2006
MCM	Strengthening the Monetary Policy Framework and Liquidity Management	May 2006
LEG	AML/CFT	2006

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

The World Bank work program on Tajikistan can be found on the following website:

https://www.worldbank.org/en/country/tajikistan

The Asian Development Bank work program on Tajikistan can be found on the following website:

https://www.adb.org/countries/tajikistan/main

The European Bank for Reconstruction and Development work program on Tajikistan can be found on the following website:

https://www.ebrd.com/tajikistan.html

STATISTICAL ISSUES

(As of November 7, 2019)

Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings in the areas of national accounts, price statistics, and monetary statistics, but is broadly adequate for surveillance.
National accounts statistics: There are significant deficiencies in the statistical techniques for national accounts, most notably in quarterly national accounts and the informal economy. Five IMF TA missions on national accounts were conducted during the period 2016–18 under the scope of the Enhanced Data Dissemination Initiative 2 (EDDI2) supported by the United Kingdom's Department for International Development (DFID). These missions assisted the National Statistics Agency (Tajstat) with the development of experimental estimates of annual GDP for 2016–18, which incorporate methodological improvements related to the 2008 SNA methodology. The questionnaires of major economic surveys were changed to collect discrete data from 2019. The overall progress with the implementation of recommendations is slow as reflected in the lack of revisions in the national accounts time series.
Prices statistics: The consumer price index (CPI) for Tajikistan is published monthly by the Tajstat. The index has national coverage. Expenditure weights, which include the value of consumption from own production, are updated annually. At the elementary index level, the Dutot formulation is used. This formulation is problematic in that it fails the commensurability test meaning that it does not perform well when items selected for pricing are of significantly different product sizes. Instead the Jevons formulation is recommended. At the higher level of aggregation, the modified Laspeyres formulation is used, in line with international recommendations. Seasonally unavailable prices are treated by the carry forward of last observed prices. This treatment can introduce a downward bias in the CPI and should be replaced by an appropriate imputation technique. The producer price index (PPI) for Tajikistan is also published monthly, although results up to end of 2010 only are available online. Prices are collected from about 200 enterprises which account for about 75-80 per cent of total production. Indexes are published according to 9 different activities with annually updated weights derived from the value of annual production 2 years prior. The Tajstat has previously noted the need to introduce international classifications for goods and services and to improve coverage and the weighting structure of the index.
Government finance statistics: Fiscal accounts 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. To move towards the implementation of the *GFSM 2014* framework, the country participates in a three-year regional project on GFS funded by the Swiss State Secretariat for Economic Affairs (SECO), which will be completed by end-April 2020. The authorities have compiled the first annual fiscal data for the general government for the period 2015 to 2017 aligned with the *GFSM 2014*. No data is yet provided for the GFS Yearbook Database, nor for the WB/IMF Public Sector Debt Statistics Quarterly Database.
Monetary and financial statistics: STA provided technical assistance in the area of monetary and financial statistics (MFS) to the NBT in 2002, 2006, 2012 and 2015 with the main objective to improve the quality of statistics. The NBT reports to STA monthly MFS data using the IMF's standardized report forms (SRFs) for the central bank, other depository corporations, and other financial corporations that are published in the *"International Financial Statistics"* . However, the timeliness needs improvement.

Financial sector surveillance: Tajikistan reports the 12 core FSIs and 9 of the 13 encouraged FSIs for deposit takers, and one FSI for real estate markets on a quarterly basis for posting on the IMF's FSI website. However, the latest FSIs submitted to FI are for the period 2015Q3. Tajikistan has not reported data to the Financial Access Survey (FAS) since 2013. Until 2013, Tajikistan reported some data and indicators of the FAS, including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).	
External sector statistics (ESS): Tajikistan participated in a 20-month project on Improvement of ESS in three Central Asian countries. Considerable improvements were made in coverage, periodicity, and timeliness of ESS. The balance of payments, IIP, and external debt statistics are currently compiled and disseminated quarterly applying the BPM6 framework and based on updated estimation methods. Tajikistan also started participating in the IMF's Coordinated Direct Investment Survey. Improvements are still needed in: estimation of shuttle trade, travel services, and remittances. Work also needs to be continued on expanding the coverage of reporters for ESS purposes and for maintaining consistency between datasets.	
Data Standards and Quality	
Tajikistan began participating in the General Data Dissemination System on November 17, 2004 and now participates in the Enhanced General Data Dissemination System (e-GDDS). Metadata is updated regularly.	A Data ROSC was published on March 30, 2005.
Reporting to STA	
Country page in the International Financial Statistics (IFS) has been published since February 2003.	

Tajikistan: Table of Common Indicators Required for Surveillance

(as of November 7, 2019)

	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]	Memo Items: *Data Quality Accuracy and reliability*[8]
Exchange Rates	August 2019	11/4/2019	M	M	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	August 2019	10/09/2019	M	W	W		
Reserve/Base Money	August 2019	10/09/2019	M	M	W	O, O, LO, O	LO, O, O, O, NO
Broad Money	August 2019	10/09/2019	M	M	M		
Central Bank Balance Sheet	August 2019	10/09/2019	M	M	W		
Consolidated Balance Sheet of the Banking System	August 2019	10/09/2019	M	M	M		
Interest Rates[2]	September 2019	10/11/2019	M	M	I		
Consumer Price Index	September2019	10/20/2019	M	M	M	LO, LO, LNO, O	LO, LO, LO, O
Revenue, Expenditure, Balance and Composition of Financing[3]—General Government[4]	September 2019	10/22/2019	M	M	M	LO, LO, O, O	O, O, O, LO, LO
Revenue, Expenditure, Balance and Composition of Financing[3]—Central Government	September 2019	10/22/2019	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt[5]	June 2019	10/1/2019	Q	Q	I		
External Current Account Balance	June 2019	10/2/2019	Q	Q	Q	LNO, LNO, O, O	LO, O, O, O, O
Exports and Imports of Goods and Services	June 2019	10/2/2019	Q	Q	Q		
GDP/GNP	September 2019	10/20/2019	M/A	M	I	O, LNO, LNO, LNO	LO, LO, LNO, O, O
Gross External Debt	June 2019	10/1/19	Q	Q	I		

[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, extra budgetary 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.