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REPUBLIC OF TAJIKISTAN

January 2025

FIRST REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A QUANTITATIVE TARGET AND A REFORM TARGET—PRESS RELEASE AND STAFF REPORT

In the context of the First Review Under the Policy Coordination Instrument and Request for Modification of a Quantitative Target and a Reform Target, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse-of-time basis following discussions that ended on October 4, 2024, 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 November 26, 2024.
- A **Staff Supplement** updating information on recent developments.

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.

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IMF Executive Board Concludes First Review Under the Policy Coordination Instrument for Tajikistan

FOR IMMEDIATE RELEASE

Washington, DC – December 12, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the First Review under the Policy Coordination Instrument for Tajikistan on December 12, 2024, and endorsed the staff appraisal without a meeting on a lapse-of-time basis. The Board also granted the request for modification of the end-December quantitative target on reserve money and the reform target on SOE sectorization and endorsed the proposed new quantitative and reform targets.

Tajikistan's twenty-two-month program under the Policy Coordination Instrument (PCI) was approved in February 2024. The PCI aims to anchor macroeconomic policies and support structural reform implementation to maintain macro-financial stability and foster more sustainable and inclusive growth. Program implementation is on track, and all but two of the targets for the First Review were met.

Tajikistan is navigating the challenging external environment well. Real GDP rose 8.4 percent during January-September 2024, underpinned by public and private investment and financial inflows, while inflation remained well contained at 3.1 percent (y/y) in September. The external position remains strong as robust financial inflows have continued to keep the current account in surplus and international reserves at comfortable levels. Low fiscal deficits in the post-COVID period have contributed to a meaningful reduction in public debt, and improved banking sector soundness has supported gains in financial intermediation.

The near-term outlook remains favorable. Tajikistan is exposed to external geopolitical risks and climate challenges, but their potential impact is expected to be manageable in the near term. Economic growth is projected to moderate slightly to 6.7 percent for 2025, while the rate of inflation is expected to stay close to the central bank's target of 6 (±2) percent. The external current account is expected to shift to a small deficit in 2025 as financial inflows gradually begin to normalize following the strong performance experienced in recent years. The fiscal deficit is projected to remain within the long-term anchor of 2.5 percent of GDP, ensuring a continued decline in public debt.

Policies should aim to strengthen resilience against external shocks and address structural constraints to attaining more sustainable and inclusive growth. Improving revenue mobilization and spending efficiency is critical to increasing space for development priorities. Monetary policy should remain vigilant and manage liquidity proactively in the context of large foreign exchange inflows and strong credit growth, with the exchange rate playing a greater role as a shock absorber. Governance and transparency reforms in the SOE sector and more broadly are essential to improving productivity and the investment climate to support more diversified private sector-led growth.

Executive Board Assessment

In concluding the First Review under the Policy Coordination Instrument for Tajikistan, Executive Directors endorsed the staff's appraisal, as follows:

Tajikistan has shown considerable resilience to persistent geopolitical challenges. The economy has continued to experience strong growth and low inflation in 2024 despite lingering global and regional geopolitical tensions. Large financial inflows have contributed to strong domestic demand and comfortable levels of FX reserves, while prudent fiscal policy has resulted in low fiscal deficits and anchored a continued reduction in public debt. Improved banking soundness has bolstered confidence in the banking system, supporting financial deepening.

Policies should aim to build on recent macroeconomic performance to strengthen resilience against external risks and address structural vulnerabilities to growth. Broad-based governance and transparency reforms are central to improving the investment climate and supporting more diversified private sector-led growth.

Inflation remains well-contained, but large FX inflows and strong credit growth warrant caution. Strong monetary growth calls for greater exchange rate flexibility and proactive liquidity management to help manage financial inflows. Meanwhile, financial stability can be further strengthened by expanding the use of macroprudential tools and beneficial ownership information in banking supervision.

Improved revenue mobilization and spending efficiency are key to increasing fiscal space for priority social and development projects. A continued focus on streamlining tax exemptions and customs preferences is central to balancing large development spending needs and debt sustainability objectives and would reinforce ongoing efforts to improve tax administration. Improved appraisal, selection and oversight of internally financed capital projects is crucial for enhancing the efficiency of public investment in line with the PIMA recommendations. Well-functioning government securities markets are also essential to enhance budget flexibility and reduce reliance on external debt.

Pressing ahead with broad-based SOE reforms is critical to mitigate fiscal risks and create space for private sector led growth. Continued effort to improve the financial position of the state electricity generation company is essential to expand the role of the hydropower sector as a source of sustainable, green growth. Enhancing SOE governance and oversight can go a long way in raising productivity to unlock the economy's long-term potential and promote more diversified and inclusive growth.

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

November 26, 2024

FIRST REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A QUANTITATIVE TARGET AND A REFORM TARGET

EXECUTIVE SUMMARY

Recent developments. Tajikistan has continued to navigate the challenging external environment well. Real GDP rose 8.4 percent during January-September 2024, while inflation remained well-contained at 3.1 percent (y/y) in September. Robust remittances have boosted the external position, with FX reserves at more than 7 months' import coverage, while prudent fiscal implementation has anchored a continued reduction in public debt. The banking sector remains stable amid steady growth in credit aggregates. Geopolitical fragmentation and regional tensions create uncertainty over the medium-term outlook.

Program implementation. A twenty-two-month program supported by the Policy Coordination Instrument (PCI) was approved in February 2024. All except two QTs (ceilings on gross credit to government from NBT and on the increase in the state electricity generation company's liabilities) were met as well as all reform targets set for the first review. The authorities have taken remedial measures to ensure that these QTs are met for December 2024. They also requested modifications of the December QT on reserve money and the RT on SOE sectorization. Staff recommends completion of the First Review under the PCI.

Policy recommendations. Policies should aim to build on recent robust macroeconomic performance to strengthen resilience against external risks and address structural vulnerabilities to support more inclusive growth.

- **Fiscal resilience:** The fiscal deficit anchor of 2.5 percent of GDP is key to balancing spending and debt sustainability objectives. Improving revenue mobilization and spending efficiency is essential to create space for development priorities.
- **Modernizing the monetary policy framework:** Large FX inflows and strong credit growth warrant caution. Monetary policy should remain vigilant and manage liquidity proactively, with the exchange rate playing a greater role as a shock absorber.
- **Enhancing governance and transparency:** Broad-based governance and transparency reforms are central to improving the investment climate and supporting more diversified private sector-led growth.

Approved By
Subir Lall (MCD) and Pritha Mitra (SPR)

Discussions were held in Dushanbe during September 23-October 4, 2024. The staff team comprised Matthew Gaertner (head), Kalin Tintchev and Tongli Zhang (all MCD); Yorbol Yakhshilikov (SPR); Sergei Dodzin and Emrah Sagkol (both MCM); and Jami Chiniev and Nailya Menlasheva (both Resident Representative office). The team was supported from headquarters by Shant Arzoumanian, Svetlana Zolotareva and Maria Gaetskaya. Patryk Loszewski (Executive Director) and Pairav Amirzoda (Advisor, OED) participated in some of the discussions.

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CONTEXT

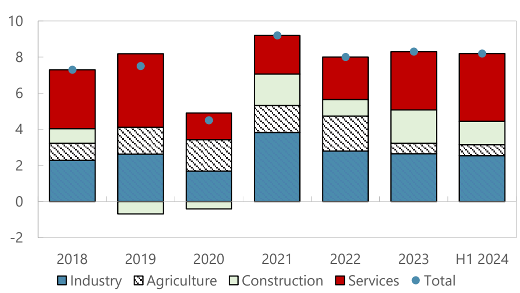
1. **Tajikistan's economy has continued to perform favorably, but geopolitical tensions create uncertainty over the outlook**. Robust economic growth, averaging 7.5 percent over the last five years, has helped Tajikistan make progress in reducing poverty.[1] Nevertheless, the economy remains relatively undiversified, with a narrow export base and reliance on remittances (39 percent of GDP in 2023). In this context, geopolitical fragmentation and regional tensions create an elevated level of uncertainty over the medium-term outlook and call for continued structural reforms to increase resilience. Completing the Rogun Hydropower Project (HPP) remains a national development priority to improve the reliability of electricity supply and support plans for accelerated industrialization.[2]

2. **The Policy Coordination Instrument (PCI), approved in February 2024, aims to support macroeconomic stability and foster diversified and more inclusive growth.** The PCI is organized around three pillars: (i) increase fiscal resilience through improved revenue mobilization, spending efficiency and SOE oversight, (ii) modernize monetary, exchange rate and financial sector policy frameworks to enhance resilience to external shocks and (iii) enhance governance and transparency in the SOE sector and more broadly to foster sustainable and more inclusive growth.

RECENT ECONOMIC DEVELOPMENTS

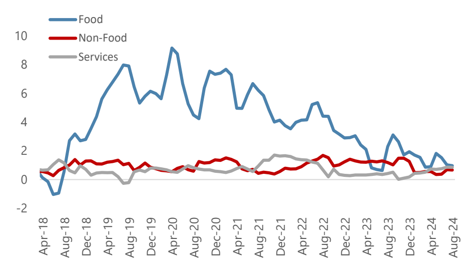
3. **Strong broad-based growth has continued in 2024.** After increasing 8.3 percent in 2023, real GDP continued to expand at a rate of 8.4 percent during January-September 2024. Growth was broad-based, with strong momentum in industry, services and agriculture underpinned by robust aggregate demand, including investment in key infrastructure projects and residential housing.

Contributions to Real GDP Growth
(Percent)



Source: National authorities, and IMF staff estimates.

Inflation
(Year-on-year percent)



Source: National authorities.
Note: Services excludes energy.

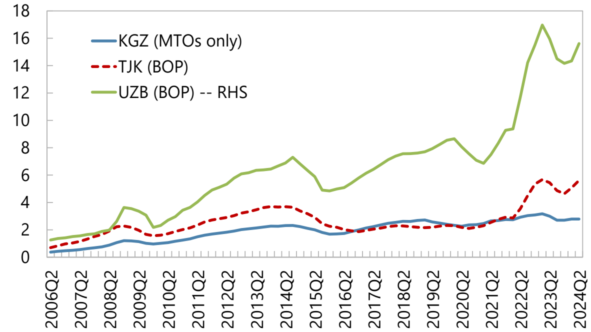
[1] Growth has remained above potential during this period due to the strong economic rebound from the Covid-19 lows, the post-Covid surge in remittances and other financial inflows and increased public and private investment.

[2] The Rogun HPP is a 3,780MW hydroelectric power facility under construction in Tajikistan. Upon completion, it would be the largest hydropower station in Central Asia with average annual generation of around 14,400 GWh.

4. **Inflation remains well contained below the NBT's target range.** Twelve-month inflation (y/y) declined to 3.1 percent in September 2024 from 3.8 percent at end-December 2023 as subdued prices for food imports and the somoni's appreciation against the US dollar have helped keep inflation below the lower bound of the NBT's target range of 6 (±2) percent (Text Figure).[3]

5. **The external position remains strong, supported by large remittance inflows.** The current account balance remained in surplus in H1 2024 as robust remittance inflows more than offset an increase in the import bill. Remittances remain well above pre-2022 levels, in line with developments in other Central Asia countries, reflecting strong demand for migrant labor in host countries (Text Figure). The NBT's monetization of gold purchased from domestic producers has also helped boost FX reserves to more than 7 months' import coverage (Figure 2). The strong external position has contributed to a sovereign rating upgrade by Standard and Poor's and a compression of Tajikistan's Eurobond spread to close to 450 basis points in mid-November from 1000 basis points at end-2023.

Remittances to Kyrgyz Rep., Tajikistan, and Uzbekistan
(cumulative over four quarters; USD billion)



Source: National authoriities.

6. **Fiscal performance has been favorable, with a deficit of 0.1 percent of GDP in H1 2024.** The fiscal deficit in H1 2024 remained well below the June program ceiling of 1.7 percent of GDP (Text Table). On the revenue side, solid tax and non-tax revenue growth continued, underpinned by measures to improve tax administration through digitalization and a rollback of some tax incentives.[4] Capital spending fell short of budgeted amounts but is expected to accelerate in H2 2024 as spending on internally financed projects gradually picks up.[5] The fiscal deficit for the full year 2024 is expected to remain within the medium-term anchor of 2.5 percent of GDP that is consistent with keeping debt on a downward path, in line with the authorities' program target.

Fiscal Outturns for H1 2024
(Percent of GDP)

	H1 2024 1/
Overall revenues and grants	13.3
Total revenues	11.7
Tax revenues	9.7
Nontax revenues	2.0
Total grants	1.6
Total expenditures and net lending	13.4
Current expenditures	8.0
Expenditures on goods and services	5.8
Wages and salaries	3.4
Others	2.4
Interest payments	0.4
Transfers and subsidies	1.8
Capital expenditures	5.4
Externally financed	2.3
Domestically financed	3.1
Overall balance	(0.1)

Source: National authorities.
1/Based on preliminary data.

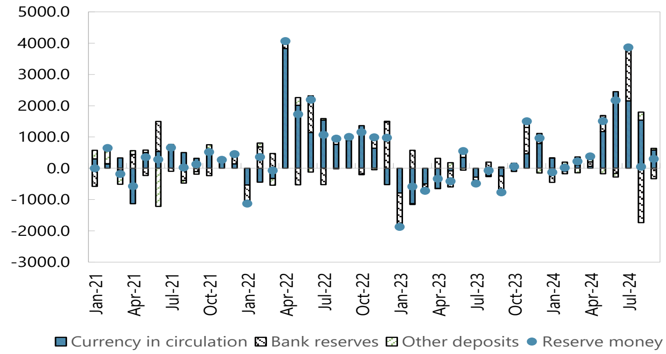
[3] Food imports constitute a large share of the consumption basket. Many prices in the non-tradable sector (e.g. electricity tariffs) are regulated and are largely unaffected by domestic demand.

[4] From January 2024, the authorities have rolled back tax exemptions granted to 29 large investment projects which will expire over 2024-2025 and have also reduced the tax incentives granted in the 2021 Tax Code to poultry farming. Further reductions in tax incentives granted in the Tax Code are planned by end-2024. The authorities expect cumulative revenue gains from these measures to reach around 1.4 bn somoni over the next two years.

[5] Internally financed capital spending is typically backloaded to the second half of the year to ensure that sufficient revenue is available for capital projects.

7. Strong financial inflows and gold purchases have bolstered growth in monetary aggregates. After contracting in 2023, reserve and broad money returned to double digit growth in 2024, reflecting the NBT's purchases of FX and domestic gold output. The acceleration in FX inflows since April prompted the NBT to purchase excess FX from banks to prevent them from breaching the prudential limits on net open FX position (Text Figure). Since August, the NBT has stepped up sterilization to reduce upward pressure on monetary aggregates and ensure compliance with program targets.

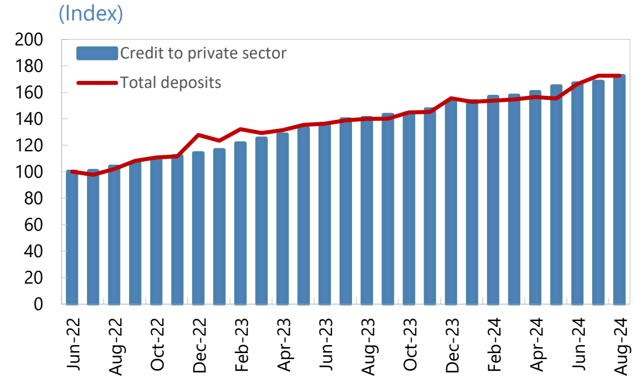
Reserve Money Flows
(m/m change in somoni mn)



Sources: National authorities and IMF staff calculations.

8. Reported FSIs have continued to improve in the first half of 2024. The banking system remains well capitalized and liquid despite continued strong lending to households. The pickup in bank lending has followed a significant increase in deposits, which have risen by more than 50 percent from mid-2022 through mid-2024 due to strong financial inflows and improved confidence in the banking system following the resolution of two troubled banks. Profitability has held up well supported by solid interest margins and stable NPLs. The NBT's FX purchases from banks have helped contain currency mismatches.

Credit and Deposit Growth
(Index)



Sources: National authorities.

PROGRAM IMPLEMENTATION

9. Program implementation is broadly on track.

- *All except two quantitative targets (QTs) for June 2024 were met and all standard continuous targets were observed.* The authorities comfortably met the QTs for NIR and the fiscal balance but missed by relatively small amounts the ceilings on gross credit to government from NBT and on the increase in the liabilities of Barki Tojik (the state electricity generation company) to the private sector. The deviations from targets were largely due to unforeseen circumstances and one-off factors and the authorities have taken remedial measures to prevent them from recurring. The target on gross credit to general government from NBT was met with a slight delay due to technical reasons.[6] The MOF will ensure a sufficient budget allocation to ensure

[6] The QT on credit to general government from the NBT was narrowly missed at the end of June (by 7 million somoni) but met on July 3 due to a technical delay in finalizing repayment to the NBT.

future payments are made on time. The QT on the increase in Barki Tojik's liabilities to the private sector was missed due to large unplanned expenditures for repairs on the two thermal power plants that was needed to meet anticipated electricity demand during the winter months. As a remedial measure, the authorities have approved a strategy that envisages budget transfers, including from budget support, to help clear Barki Tojik's cross debts with other enterprises and ensure that the December target is achieved.

- *All reform targets (RTs) for the first review were implemented.* To enhance revenue mobilization, the MOF tasked the PFM Committee with development and oversight of the implementation of a Medium-Term Revenue Plan (MTRP) for 2024-2029 and approved the MTRP as well as a report quantifying revenue losses from tax exemptions. To strengthen debt management, the MOF prepared a Debt Management Strategy (DMS) for 2024-2026 and launched issuance of government securities at market-based rates**.** To strengthen fiscal transparency, all companies with state ownership of at least 20 percent were brought under the monitoring of the MOF. To facilitate market-based decisions by banks, the NBT discontinued Russian ruble auctions and ensured that all money transfers are transmitted directly to the bank executing the transfer in their respective currency.[7] In addition, the NBT developed an improved mechanism for executing government FX transactions to reflect prevailing market rates.

OUTLOOK AND RISKS

10. The near-term outlook remains broadly favorable. After the strong inflows experienced in recent years, remittances are expected to gradually converge towards historical levels over the medium-term as geopolitical tensions normalize. Real GDP growth is projected to slow from 8.3 percent in 2024 to 6.7 percent in 2025 as remittance inflows ease somewhat, but underlying growth momentum remains strong. Twelve-month inflation (y/y) is expected to increase to 5 percent in 2024 and 6 percent in 2025, mainly reflecting base effects from the stabilization of global energy prices. The current account balance is projected to shift to a small deficit in 2025, but FX reserves would remain comfortable at 7 months' import coverage. Over the medium-term, the reforms under the program are expected to raise potential growth to 4.5 percent and inflation is projected to remain close to the mid-point of the NBT's target range.

11. Risks to the outlook are tilted to the downside. A pronounced decline in remittances, due to an intensification of regional conflicts or a slowdown in major trading partners would have negative repercussions for growth, current account balance, FX reserves, fiscal performance and the banking sector (Annex I). Tajikistan is also very exposed to climate shocks and budget implementation can be adversely affected by more frequent and severe natural disasters, as well as increased security spending in the context of external geopolitical risks. On the upside, further declines in the public debt-to-GDP ratio in the context of upcoming Eurobond repayments would

[7] "Money transfers" refer to RUB inward remittances without opening a bank account.

support resilience while a continued runup in gold prices would provide a buffer against external shocks.[8]

POLICY DISCUSSIONS

12. **The program supported by the PCI is organized around three main pillars.** The authorities' economic reforms under the program aim to: (i) improve fiscal resilience to create space for priority social and development spending; (ii) modernize monetary, exchange rate and financial sector policy frameworks to enhance resilience to external shocks; and (iii) advance governance and transparency reforms to foster sustainable and inclusive growth.

A. Pillar I. Improving Fiscal Resilience

Fiscal Performance

13. **The authorities appear on track to meet the 2024 fiscal deficit target of 2.5 percent of GDP.** The 2023 fiscal deficit was 1.3 percent of GDP, broadly in line with staff's projections. Revenues outperformed projections by nearly 2 percent of GDP in 2023 due to a one-off increase in PIP grants which supported higher capital spending (Text Table). In addition, transfers were lower than expected as pension expenditures lagged GDP growth, increasing space for spending on goods and services. Revenues continued to outperform in H1 2024 in line with the authorities' steps to improve tax administration and scale back tax expenditures. Accordingly, the authorities increased the 2024 budget envelope by 1 billion somoni (0.6 percent of GDP).

General Government Operations, 2023–25
(In percent of GDP)

	2023		2024		2025
	PCI request	SR	PCI request	Proj. SR	Proj. SR
Overall revenues and grants	27.7	29.8	27.1	27.7	27.8
Total revenues	24.2	24.4	23.7	24.3	24.4
Tax revenues	19.6	20.0	19.3	19.9	20.1
Nontax revenues	4.5	4.4	4.4	4.4	4.4
Grants	3.6	5.4	3.5	3.4	3.4
Total expenditure and net lending	28.7	31.0	29.6	30.2	30.3
Current expenditures	17.5	17.1	16.4	17.2	17.4
Expenditures on goods and services	10.7	12.6	10.3	12.3	12.4
Interest payments	0.8	0.7	0.7	0.7	0.7
Transfers and subsidies	6.0	3.7	5.4	4.2	4.3
Capital expenditures	11.3	13.9	13.2	13.0	13.0
Externally financed (PIP and Rogun)	5.4	7.0	7.1	6.9	7.6
Domestically financed	5.9	6.9	6.1	6.1	5.4
Overall balance	-1.0	-1.3	-2.5	-2.5	-2.5

Sources: Tajikistan authorities, and Fund staff estimates.

14. **The 2025 budget is broadly in line with program objectives.** The draft 2025 budget envisages a fiscal deficit of up to 2.5 percent of GDP, conditional on available financing (Text Table). Budget projections are underpinned by steady revenue growth supported by continued reforms of tax administration and reductions in certain tax exemptions and customs preferences in line with recent and planned amendments to the Tax Code. On the expenditure side, the budget projects an

[8] Debt is expected to decline further as the 2017 Eurobond (US$500mn) is being repaid during 2025-2027.

increase in externally financed capital spending on key infrastructure projects (including the Rogun HPP) which creates space to reallocate internal resources towards social expenditures.

15. Fiscal discipline is essential to balance large development spending needs with debt sustainability objectives. Tajikistan's debt is sustainable but remains at high risk of distress in the context of large Eurobond repayments falling due during 2025-2027 (February 2024 DSA). The authorities intend to repay the first Eurobond installment of about US$167 million (due in 2025) through a combination of budget resources, domestic debt issuance, and a drawdown of FX deposits (Text Table). In this context, steadfast adherence to the fiscal deficit ceiling of 2.5 percent of GDP is key to safeguarding debt sustainability. This would require keeping internally financed Rogun spending within a sustainable envelope of around 3-3.5 percent of GDP. The authorities reiterated their commitment to reprioritizing spending on internally financed capital projects and low priority current expenditures as needed to ensure that the deficit target is met.

Decomposition of Public Debt and Debt Service by Creditor, 2023-2025 1/

	Debt Stock (end of period) 2023			Debt Service 2023	2024	2025	2023	2024	2025
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ mn)*			*(Percent GDP)*		
Total	3722	100.0	31.6	325	345	548	2.8	2.7	3.9
External	3253	87.4	27.4	256	281	483	2.2	2.2	3.4
Multilateral creditors[2,3]	1665	44.7	14.0	101	116	153	0.9	0.9	1.1
IMF	199	5.3	1.7						
World Bank	371	10.0	3.1						
ADB/AfDB/IADB	268	7.2	2.3						
Other Multilaterals	826	22.2	7.0						
o/w: Islamic Ddevelopment Bank	212	5.7	1.8						
ACF	107	2.9	0.9						
Bilateral Creditors[2]	1088	29.2	9.2	120	129	131	1.0	1.0	0.9
Paris Club	39	1.0	0.3	1	1	1	0.0	0.0	0.0
o/w: France	22	0.6	0.2						
Germany	17	0.4	0.1						
Non-Paris Club	1049	28.2	8.9	118	129	130	1.0	1.0	0.9
o/w: China	900	24.2	7.6						
Saudi fund	100	2.7	0.8						
Bonds	500	13.4	4.2	36	36	199	0.3	0.3	1.4
Commercial creditors									
o/w: list largest two creditors									
list of additional large creditors									
Other international creditors									
o/w: list largest two creditors									
list of additional large creditors									
Domestic	469	12.6	4.1	69	64	64	0.6	0.5	0.5
Held by residents, total	459	12.3	4.1	69	64	64	0.6	0.5	0.5
Held by non-residents, total	0	0.0	0.0	0	0	0	0.0	0.0	0.0
T-Bills	10	0.3	0.1						
Bonds									
Loans									
Memo items:									
Collateralized debt[4]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities									
o/w: Public guarantees									
o/w: Other explicit contingent liabilities[5]									
Nominal GDP			10493	10493	11884	12952			

1/As reported by Tajik authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Some public debt is not shown in the table due to [confidentiality clauses/capacity constraints].(Include for all creditor groups where applicable)

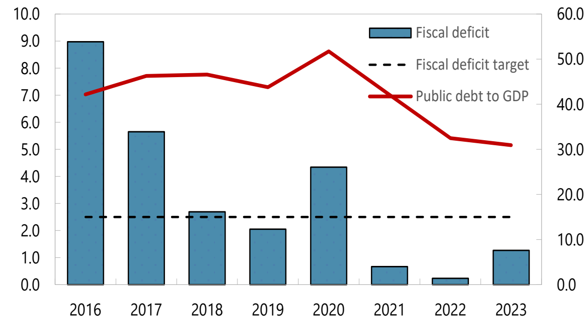
3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

16. Continued adherence to fiscal and debt targets is critical to keep debt on a downward path. Favorable fiscal performance coupled with strong GDP growth has contributed to a continued reduction in public debt over the past few years (Text Figure and Text Table). External loan disbursements amounted to about US$76 million in H1 2024, significantly below the program ceiling. The authorities are continuing to work with the World Bank to mobilize financing for the Rogun HPP from multilateral and bilateral development partners.[9] Rogun-related loan agreements have been signed so far this year with the Islamic Development Bank (US$150 million), the Saudi Fund for Development (US$100 million) and OPEC (US$25 million) and loan negotiations are underway with other Arab Development Funds (the Kuwait Fund for Development and Abu Dhabi Fund for Development).[10]

Fiscal Deficit and Public Debt
(percent of GDP)



Source: National authorities.
Note: Fiscal deficit and deficit target (LHS); Debt (RHS).

Box 1. Key Medium-term Revenue Plan Measures, 2024-2026

	2024	2025	2026
Tax exemptions			
Increase budget revenue incrementally by reducing and revoking inefficient tax exemptions	X	X	X
Tax administration			
Ensure that all taxpayers are equipped with new generation cash registers	X	X	
Ensure compliance with goods labelling rules	X	X	
Expand the use of tax administration diagnostic tools to increase revenue collection	X	X	X
Introduce amendments to relevant legislation to improve state revenue collection		X	X
Expand cashless payments in the country to ensure transparency of financial transactions	X		
Customs			
Improve transparency and quality of customs services	X		
Bring the operations of the customs authorities in compliance with WCO standards		X	
State-owned Enterprises			
Introduce International Financial Reporting Standards at large SOEs and mandatory annual audits		X	
Set up supervisory boards at all large SOEs to control expenditures and ensure efficiency		X	

Source: National authorities.

Note: Improving the efficiency of SOEs would help reduce tax arrears and strengthen their ability to service loans guaranteed or on-lent by the government.

[9] Additional spending of about US$6.4 billion (about half of 2023 GDP) is needed to complete construction by the year 2033, of which about US$3 billion will be financed through loans and grants on broadly concessional terms.

[10] The authorities expect the prospective loan agreements with Arab funds to be on broadly concessional terms. The loan agreement signed with OPEC for US$25 million represents the first tranche of a total financing allocation of US$100 million which will be implemented in four tranches each in the amount of US$25 million.

Improving Revenue Mobilization And Spending Efficiency

17. Continuing to streamline tax expenditures is critical to achieve the authorities' medium-term revenue targets. The 2021 Tax Code curtailed the provision of new individual tax exemptions and reduced the concessionality and duration of sectoral exemptions.[11] Accordingly, under the Tax Code new exemptions have been granted at reduced preferential rates and for up to 5 years and will begin to expire over the next few years. The authorities' MTRP for 2024-2029 (**October 2024 RT)** aims to raise total revenues by at least 2 percentage points to 26 percent of GDP in 2026 through a combination of tax policy, tax administration and SOE reform measures (Box 1).

18. To support MTRP implementation, the authorities published a report taking stock of existing tax exemptions. The report estimates the forgone revenue from tax expenditures in 2022 at close to 11 percent of GDP, reflecting relatively equal contributions from tax exemptions and customs preferences **(September 2024 RT)**. The identified tax incentives are concentrated in the industrial sector. In this context, rationalizing tax expenditures has the potential to considerably strengthen the authorities' capacity to achieve the MTRP's revenue objectives. Fund TA will assist with the preparation of a timebound medium-term action plan to streamline tax exemptions and customs preferences beginning in 2025 (**proposed March 2025 RT**).

19. Tax administration reforms should proceed apace with support from Fund TA. In line with the MTRP, the authorities are taking steps to introduce tax administration measures aiming to improve revenue mobilization through digitalization of payments for government services, and a large roll-out of next generation cash registers and electronic labeling of excisable goods. Recent Fund TA has recommended introducing a targeted instalment scheme to clear collectable tax arrears and improving compliance risk management for large taxpayers and other at-risk groups. The authorities' estimates suggest that clearing tax arrears over the next 2-3 years could bring potential revenue gains of close to 0.8 percent of 2025 GDP. An IMF 5-year CD plan envisages using the Tax Administration Diagnostic Assessment Tool (TADAT) with IMF support during the first fiscal year of the plan to assess progress in tax administration reforms since the 2019 assessment and set up new baseline and reform priorities.[12]

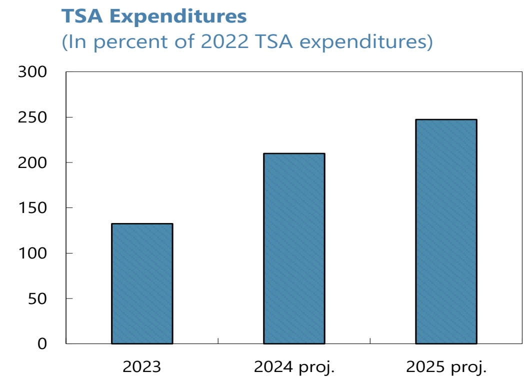
20. There is scope to increase the efficiency of capital spending. Rationalizing capital expenditures, which remain high relative to regional peers, is essential to increase space for investment in human capital. The 2023 Public Investment Management Assessment (PIMA) found the public investment management framework to be overall sound but with some critical gaps in project appraisal and selection of internally financed projects. In addition, the climate PIMA recommended integrating climate projects in an overarching institutional public investment framework. The authorities are committed to implementing the PIMA recommendations with support from development partners (including the ADB and World Bank). Key reform priorities

[11] The exemption rates were reduced from 100 percent to 50 percent and their duration was capped at up to 5 years.

[12] The assignment of an IMF resident advisor to the Tax Committee starting from May 2025 is pending approval by the GPFP Steering Committee in January 2025.

include aligning externally- and internally funded projects, including climate projects, in a single framework for project oversight and management with clear and enforceable appraisal guidelines.

21. Improved revenue mobilization and spending efficiency are key to increasing space for social spending. Targeted social assistance (TSA) remains low by regional standards and risks being crowded out by large infrastructure spending. The reforms under the PCI aim to scale up social protection of the most vulnerable. A new means testing formula, developed with World Bank support, has expanded coverage of the poorest decile of the population from 38 to 63 percent. In addition, regulatory changes have improved the targeting of social assistance by ensuring that TSA amounts vary with the number of children per family. Under the program, the TSA allocation in 2024 has doubled in comparison to 2022 and further increases are projected in 2025.

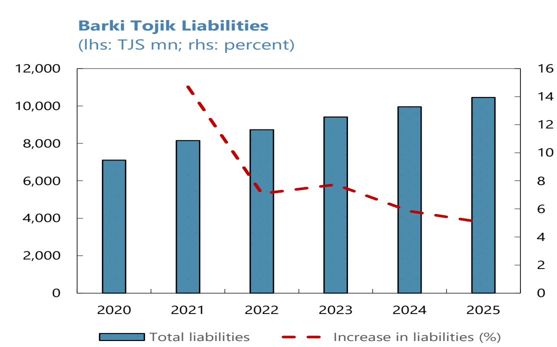


Sources: National authorities and Fund staff calculations.

Addressing SOE-Related Fiscal Risks

22. Reducing SOE-related fiscal risks remains a key priority under the program. Large SOEs play an important role in key sectors of Tajikistan's economy. Loss-making SOEs' borrowing through sub-loan arrangements with the government poses fiscal risks as unmet obligations can have a budgetary impact, especially in the macro-critical electricity sector where tariffs are set below cost recovery. The SOE-related measures under the program aim to (i) mitigate fiscal risks stemming from SOEs, and (ii) strengthen SOE oversight and transparency in line with the recently adopted with Fund support Medium-term Fiscal Risk Management Program for 2023-2027.

23. Improving the financial condition of the state electricity generation company Barki Tojik (BT) is central to program objectives. Low tariffs and technical and commercial losses have impaired BT's financial performance and resulted in large arrears to suppliers and creditors, estimated at about 7.5 percent of 2023 GDP. Addressing BT's financial losses is thus critical to mitigate SOE-related fiscal risks and strengthen the company's long-term financial viability. Although the June ceiling under the PCI on BT's arrears to the private sector was missed by a relatively small amount (US$14 million) due to large unplanned expenditures for repairs on two thermal power plants, the authorities have



Sources: National authorities and Fund staff calculations.
Note: Total liabilities exclude liabilities to MOF.

approved new financing measures, including budget transfers, to help clear BT's cross-debts with other enterprises and ensure compliance with the program's target for December.[13]

24. Reducing electricity sector losses will require continued effort to bring tariffs to cost recovery and increase collection. Tajikistan has committed to annual electricity tariff adjustments under the World Bank Power Utility Financial Recovery Program with a view to reaching cost recovery by 2027. Electricity tariffs were raised in 2023 and 2024 by 17 percent and 15 percent respectively and further tariff adjustments are expected in 2025 to underpin the targeted improvement in financial performance. Meanwhile, recent upgrades to the metering infrastructure have helped the electricity distribution company STB increase the overall collection rate to 89 percent during January-August 2024 from 78 percent in the first half of 2023. Further steps to boost collection rates and adjust tariffs, especially for large consumers, including SOEs, are crucial for improving STB's financial performance and reducing its liabilities to BT.

25. Program measures have broadened the scope of SOE oversight. The authorities have expanded the perimeter of SOEs monitored by the MOF to 77 entities from 27 companies monitored previously. Under the PCI, all companies with a minimum of 20 percent state ownership have started providing monthly expense reports to the SOE Monitoring Division (SOEMD). SOEMD is working on incorporating the expanded SOE list in the 2024 Statement of Fiscal Risks **(proposed May 2025 RT).**[14] To streamline SOE analysis, it is crucial to broaden the use of digital solutions, including the analytical tools recommended by recent Fund TA.

26. The authorities are taking steps to improve SOE transparency. To increase the transparency of state ownership, the MOF is working on an updated list of SOEs and joint stock companies with state shareholdings of at least 10 percent and intends to complete a sectorization exercise to distinguish SOEs that are part of the public sector from those that are general government entities **(June 2025 RT)**. In addition, the authorities have committed to publishing quarterly fiscal data for 2022 and 2023 in line with GFS2014 **(November 2024 RT)** and preparing an assessment of the financial condition of the state-owned Tajik Air (**May 2025 RT).**

Deepening Domestic Debt Markets

27. Expanding the domestic debt market is key to diversifying budget financing sources over the medium term. Under the program, the authorities have launched market-based auctions of government securities **(June 2024 RT)** in line with the Debt Management Strategy (DMS) for 2024-2026 (**May 2024 RT**). Issuance thus far has comprised government securities with maturities of 6, 12 and 24 months placed with commercial banks with auction yields broadly aligned with the interest rates of certificates of deposit used in the NBT's open market operations. The authorities

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[13] Meeting the target would require stemming any further increase in liabilities in H2 and bringing down the level already accrued in H1.

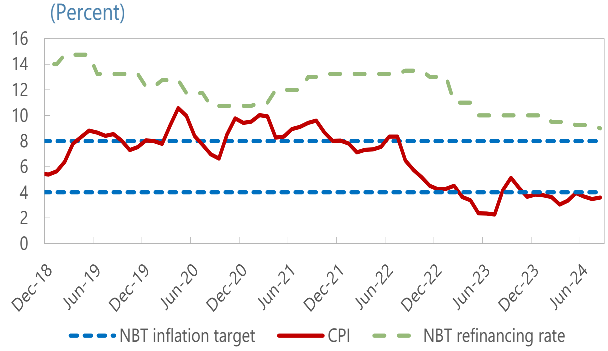
[14] The authorities were not able to include the updated list of SOEs in the 2023 Financial Risk Statement as envisaged initially under the program because the statement had to be finalized before the target's deadline to supplement the 2023 budget execution report.

have raised 280 million somoni in six auctions conducted in the first half of the year, with total issuance in 2024 projected to reach 600 million somoni. Deepening the domestic debt market is crucial for reducing Tajikistan's reliance on external borrowing and improving budget flexibility. Expanding the range of investors in domestic government debt and extending debt maturity could facilitate short-term liquidity management in the context of large Eurobond payments coming due during 2025-2027.

B. Pillar II. Modernizing Monetary, Exchange Rate and Financial Policies

28. Inflation has remained below the NBT's target range during 2024, but large FX inflows and strong credit growth warrant caution. In line with subdued inflation, the NBT has lowered the policy rate by a total of 100 basis points during 2024 to 9 percent in August, but the real policy rate has remained relatively high, above 5 percent (Text Figure).[15] Monetary policy should remain data driven to ensure that inflation pressures remain well-contained and there is sufficient space to respond to external shocks. While a more accommodative policy stance would be appropriate if inflation remains consistently below the lower bound of the NBT's target range of 6 (±2) percent, caution is warranted as large financial inflows have contributed to strong credit growth and domestic demand. The authorities reiterated their commitment to refrain from monetary financing of the fiscal deficit, in line with the amendments to the NBT Law approved earlier this year.

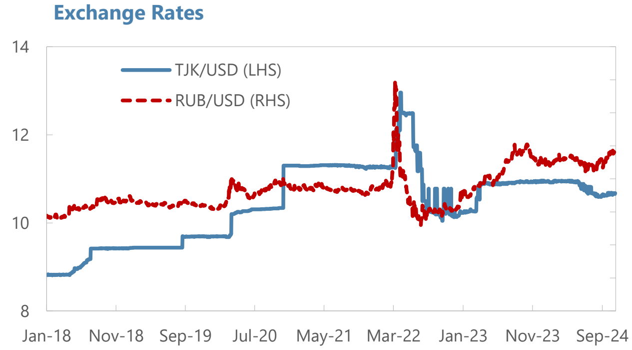
Inflation and NBT Refinancing Rate
(Percent)



Source: National authorities, and IMF staff estimates.

29. Strong monetary growth calls for greater exchange rate flexibility and more proactive liquidity management to reduce the impact of FX inflows on the money supply. Although the NBT stepped up open market operations after the significant increase in domestic liquidity in June and July, continued sterilization efforts will be required to ensure that the QT on reserve money for December 2024 is achieved. In this context, greater exchange rate flexibility can help cushion the impact of FX inflows on the money supply (Text Figure).

Exchange Rates



Source: National authorities, and IMF staff estimates.

[15] The real policy rate estimate is based on realized end-period twelve-month inflation (y/y).

30. Further progress in modernizing the monetary policy framework is essential to improve transmission. To improve the effectiveness of monetary policy and facilitate a gradual transition to inflation targeting, the NBT has continued to modernize the monetary policy framework. An initial pilot model has been developed to facilitate implementation of banks' required reserves averaging mechanism recommended by Fund TA and plans are underway to introduce respective amendments to internal NBT regulations **(May 2025 RT)**. To enhance policy communication, the NBT started publishing press releases discussing the economic rationale underpinning the policy decisions of the Monetary Policy Committee. To strengthen monetary policy transmission, further steps are needed to streamline open market operations linked to the policy rate and improve the efficiency of standing facilities in line with recent Fund TA.

31. The authorities are taking steps to improve the functioning of the interbank FX market. From March 28, 2024, the NBT ceased auctioning off Russian ruble inward transfers (paid without opening a bank account) and ensured that all such transfers are transmitted to the bank executing the transfer in their respective currency **(April 2024 RT).** In addition, the NBT developed an improved mechanism for executing public sector FX transactions including to reflect prevailing market rates (**May 2024 RT)** that became effective on September 19, 2024, and which removed the 1.5 percent fee applicable to the official exchange rate in cases of the sale of FX by NBT to "other budgetary institutions and organizations". Staff also noted that introducing price-based auctions for FX interventions would facilitate market-based price discovery **(December 2024 RT)** and reviewed progress on dissemination of real time market exchange rate information to the public. These FX RTs under the program are predicated on Fund TA and are intended to improve the FX market, therefore changes to the FX system arising from the implementation of these RTs are carved out from the standard continuous target on the non-introduction or modification of MCPs (TMU, ¶19).

32. Supervisory vigilance and strong macroprudential oversight are critical to safeguard financial stability. Although the overall financial condition of the banking sector has improved, potential risks to financial stability from geopolitical tensions and volatile financial flows warrant supervisory vigilance. Strong household lending calls for monitoring of borrowers' debt-servicing capacity and banks' loan-to-value and credit-to-stable funding ratios. To ensure prudent lending standards, it is critical to press ahead with the plan to phase in these macroprudential tools **(May 2025 RT).** In addition, the NBT is strengthening its liquidity stress testing capacity with support from World Bank TA to proactively monitor risks from volatile financial flows **(June 2025 RT).**

33. The authorities continue to strengthen banking supervision and crisis management in line with program targets and FSSR recommendations. The NBT has prepared a draft internal guidance note on integration of ultimate beneficial ownership information in banking supervision **(April 2025 RT)** with Fund TA expected to support implementation. The Banking Supervision Department is also working on implementing the organizational changes recommended by the 2022 FSSR. To further strengthen the crisis management framework, the NBT has developed and approved crisis management guidelines with support from World Bank TA. The authorities are committed to pressing ahead with Basel III implementation, including the countercyclical capital buffer as agreed under the program **(June 2025 RT)** and improving information sharing between the banking supervision and financial stability departments in line with the FSSR recommendations.

C. Pillar III. Enhancing Governance and Transparency

34. Broad-based governance and transparency reforms are key to fostering a favorable business climate. The authorities' structural reform agenda under the PCI aims to strengthen SOE governance and AML-CFT standards, enhance control of corruption and extractive sector transparency, and more broadly, foster financial inclusion and resilience to climate change.

35. Improving governance is key to mitigating SOE-related fiscal risks. Enhanced corporate governance in the SOE sector is critical to improving internal risk monitoring. The authorities have committed to establishing supervisory boards of directors in the 27 largest SOEs and enacting with Fund TA support regulations to ensure that all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and established rules for determining their remunerations and evaluating their performance (**December 2024 RT**).

36. Harmonizing domestic regulations with the AML-CFT Law is key to ensuring effective monitoring of ultimate beneficial ownership. The AML-CFT Law has brought the AML-CFT framework in line with international standards. Next, the authorities, with support from Fund TA, will align the Law on State Registration of legal persons with the new AML/CFT Law with respect to (i) the definition of beneficial owner; (ii) the verification and sanctioning powers of the Unified State Registry, and (iii) access to beneficial ownership information to competent authorities (supervisory, financial intelligence, law enforcement and procurement authorities), and AML reporting institutions (**December 2024 RT**).

37. The authorities are pressing ahead with the implementation of the National Anticorruption Strategy 2021-2030 (NAS) and have issued periodical reviews of progress made and challenges pending. The NAS envisages 77 corrective actions to eradicate corruption across a number of areas. Steps have been taken in the implementation of key actions with potential macro-economic impact, especially those connected with the revenue administration, central bank, SOEs, and asset declaration of public officials. Authorities have also tightened sanctions for non-compliance with state procurement regulations, establishing an integrated system for electronic procurement and expanding the anticorruption training curriculum for law enforcement officers. As part of the engagement with the World Bank on the Rogun HPP, authorities reviewed procurement processes of existing contracts and introduced measures to ensure compliance with international best practices going forward. Staff encourages authorities to continue steadfast implementation of reforms aimed at addressing corruption vulnerabilities in key state functions.

38. The program aims to further strengthen the anti-corruption framework. In line with the strategic priorities agreed under the program, the authorities are focusing on amending the legal provisions of the asset declaration (AD) regime to ensure that all high-level officials are obliged to file ADs that are accessible online, and that a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information **(June 2025 RT)**.[16] In addition, the penal code would be amended as needed to ensure that corruption is criminalized in line with Chapter III of the UN Convention Against Corruption.

39. Improved transparency is critical to promote a favorable investment climate in the extractive sector. Tajikistan's EITI membership has been reinstated following a publication of an EITI report covering the years 2019-2021. While a new EITI validation has been underway since June 2024, the authorities published the fourth national EITI report which shows significant progress in implementing the 11 corrective actions recommended by the second validation process related to data disclosure, beneficial ownership transparency, governance of SOEs, and public access to information, while work on other areas, such as full contract disclosure, is still ongoing.

PROGRAM MODALITIES

40. The attached Program Statement (PS) details the authorities' policy commitments under the PCI. The program will continue to be monitored through QTs, RTs and standard continuous targets (PS Tables 1-2), as detailed in the Technical Memorandum of Understanding. QTs are set on the general government fiscal deficit, targeted social assistance, external disbursements, net international reserves, gross credit to general government and reserve money (PS Table 1). Continuous QTs set ceilings on external government arrears, new non-concessional external debt and BT's arrears to the private sector. The December QT on reserve money is proposed to be modified at the request of the authorities in line with the updated 2024 growth projections which suggest increased transaction demand for money. Staff also supports the authorities' request to modify the scope and date of the RT on SOE sectorization. In addition, new QTs are proposed for June 2025 (PS Table 1). Two new RTs, on streamlining tax exemptions and customs preferences and expanding the SOE coverage in the 2024 Statement of Fiscal Risks are proposed in PS Table 2.

41. Risks to program implementation are manageable and mitigated by Tajikistan's favorable economic performance, good track record and strong program ownership at all policy levels. The program is fully financed for the next 12 months with good prospects of financing for the remaining period of the program.

42. Program implementation is supported by Fund TA. Tajikistan's TA priorities for 2025 are aligned with program objectives and aim to (i) streamline tax exemptions and customs preferences and improve tax administration, (ii) phase in macroprudential tools, (iii) strengthen governance and anti-corruption practices and (iv) enhance the quality of fiscal statistics.

43. Article IV consultation. It is recommended that the next Article IV consultation take place on a 24-month cycle in the second quarter of 2025, in conjunction with the Second Review under the PCI.

[16] This reform target falls under the purview of the Civil Service Agency.

STAFF APPRAISAL

44. Tajikistan has shown considerable resilience to persistent geopolitical challenges. The economy has continued to experience strong growth and low inflation in 2024 despite lingering global and regional geopolitical tensions. Large financial inflows have contributed to strong domestic demand and comfortable levels of FX reserves, while prudent fiscal policy has resulted in low fiscal deficits and anchored a continued reduction in public debt. Improved banking soundness has bolstered confidence in the banking system, supporting financial deepening.

45. Policies should aim to build on recent macroeconomic performance to strengthen resilience against external risks and address structural vulnerabilities to growth. Broad-based governance and transparency reforms are central to improving the investment climate and supporting more diversified private sector-led growth.

46. Inflation remains well-contained, but large FX inflows and strong credit growth warrant caution. Strong monetary growth calls for greater exchange rate flexibility and proactive liquidity management to help manage financial inflows. Meanwhile, financial stability can be further strengthened by expanding the use of macroprudential tools and beneficial ownership information in banking supervision.

47. Improved revenue mobilization and spending efficiency are key to increasing fiscal space for priority social and development projects. A continued focus on streamlining tax exemptions and customs preferences is central to balancing large development spending needs and debt sustainability objectives and would reinforce ongoing efforts to improve tax administration. Improved appraisal, selection and oversight of internally financed capital projects is crucial for enhancing the efficiency of public investment in line with the PIMA recommendations. Well-functioning government securities markets are also essential to enhance budget flexibility and reduce reliance on external debt.

48. Pressing ahead with broad-based SOE reforms is critical to mitigate fiscal risks and create space for private sector led growth. Continued effort to improve the financial position of the state electricity generation company is essential to expand the role of the hydropower sector as a source of sustainable, green growth. Enhancing SOE governance and oversight can go a long way in raising productivity to unlock the economy’s long-term potential and promote more diversified and inclusive growth.

49. Staff supports the completion of the First Review under the PCI and the authorities’ request for modification of a quantitative target and a reform target. The program remains broadly on track as the observed deviations from targets are small and largely due to unforeseen circumstances and one-off factors. In addition, the authorities have approved remedial measures, including a strategy to clear the state electricity generation company’s cross-debts with other enterprises. Staff supports the authorities’ request for small modifications of the December QT on reserve money, which is in line with staff's updated growth projections,[17] and the RT on SOE sectorization given the authorities' capacity constraints and the need for additional Fund TA.[18] Staff also supports the proposed June 2025 QTs and two new RTs on streamlining tax exemptions and customs preferences and expanding the SOE coverage of the 2024 Statement of Fiscal Risks.

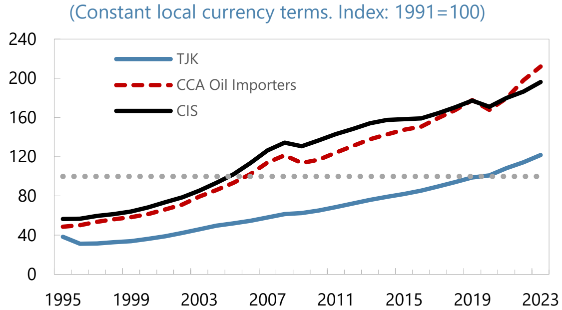
[17] The upward revision to nominal GDP growth is driven by the strong real GDP growth in the first eight months of 2024 which implies increased transaction demand for money.

[18] A recently completed Fund TA mission did not cover the SOE sectorization topic and a follow-up TA mission has been planned for the next year.

Figure 1. Tajikistan: Growth and Inflation

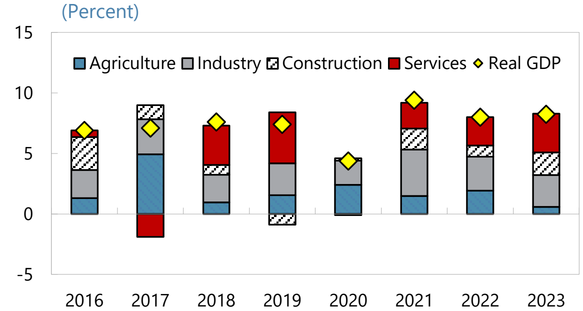
Recovery from the COVID-19 shock…

GDP per Capita
(Constant local currency terms. Index: 1991=100)



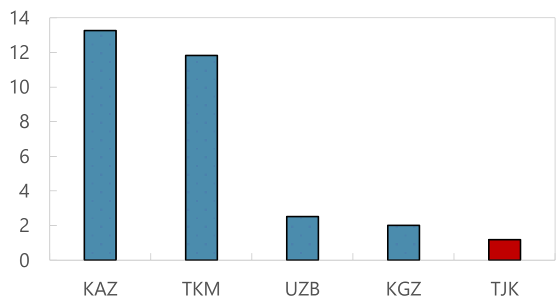
…has been driven by services, industry and agriculture.

Contributions to GDP Growth
(Percent)



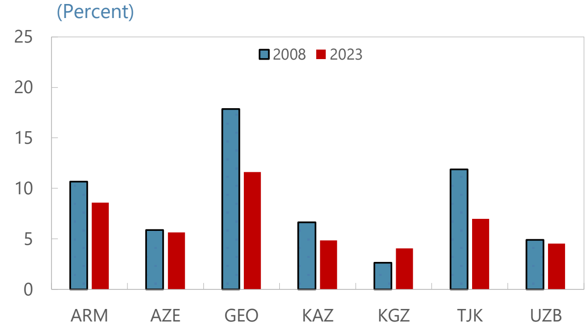
However, per capita income is still low…

2023 GDP per Capita
(In thousands of U.S dollars)



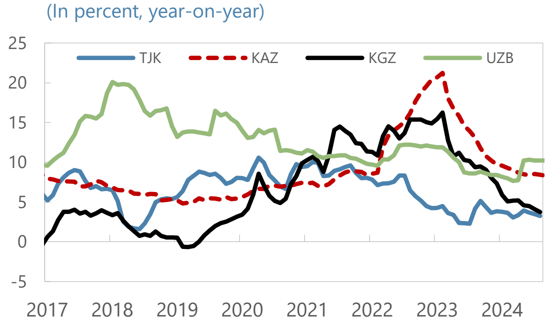
…and unemployment elevated.

Unemployment Rate
(Percent)



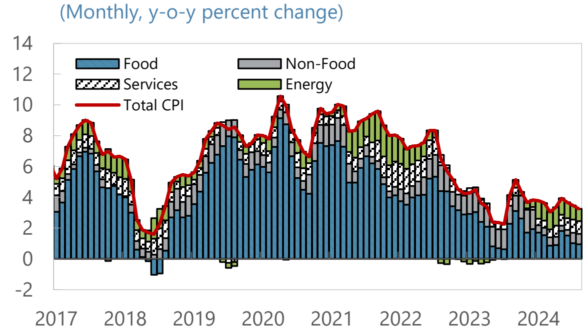
Inflation has trended downwards…

Central Asia CPI
(In percent, year-on-year)



…as food price inflation has been subdued.

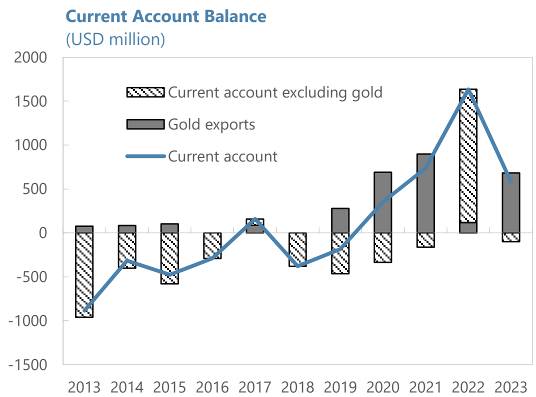
Contributions to CPI
(Monthly, y-o-y percent change)



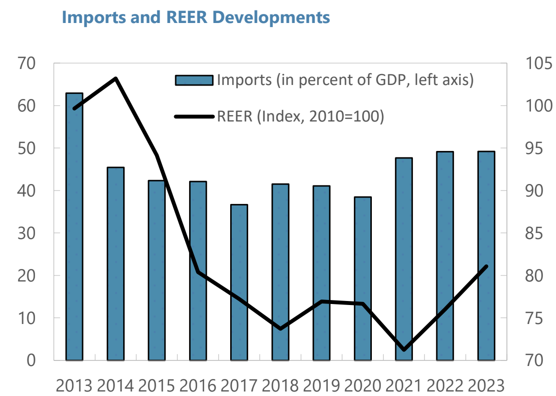
Sources: National authorities, Haver Analytics, and IMF staff estimates.

Figure 2. Tajikistan: External Sector Developments

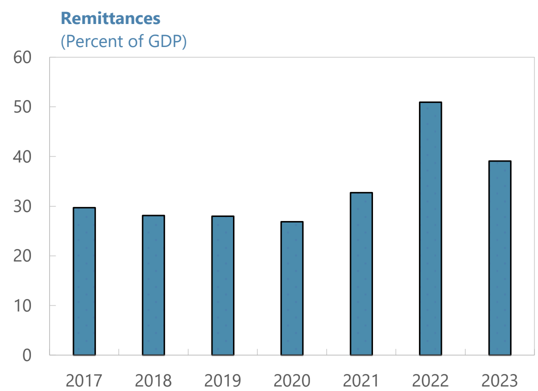
The current account balance has improved on the back of strong remittances…



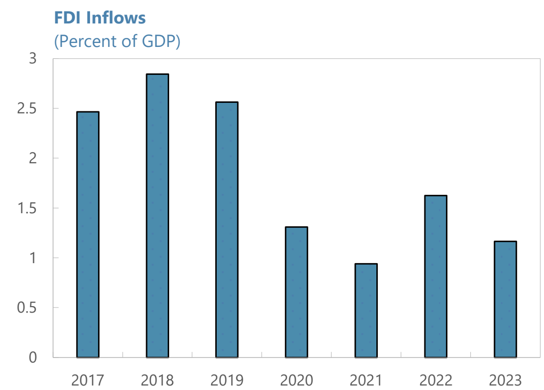
… and import substitution effects from REER depreciation.



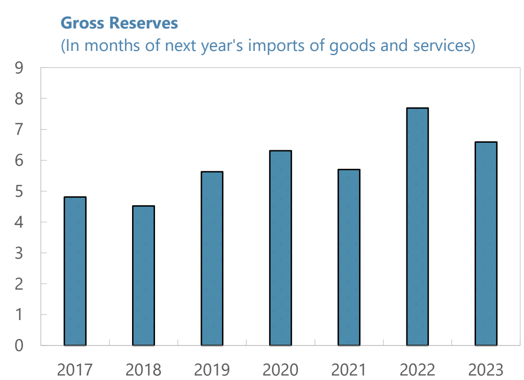
The importance of remittances in the economy has increased recently…



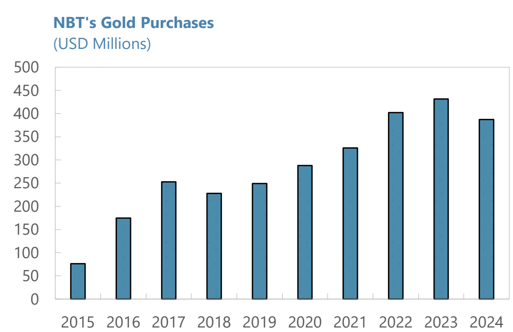
…while FDI inflows remain below pre- pandemic levels.



Reserves are above adequacy metrics…



…supported by NBT's domestic gold purchases.

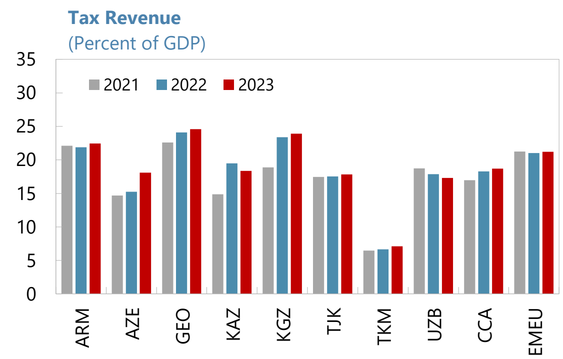


Note: 2024 does not include Q4.

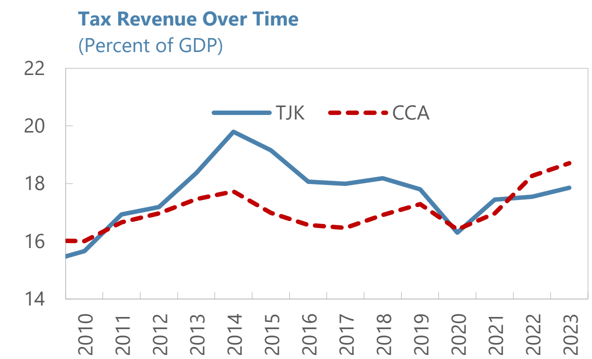
Sources: Tajikistan authorities, Haver Analytics, and IMF staff estimates.

Figure 3. Tajikistan: Fiscal Developments

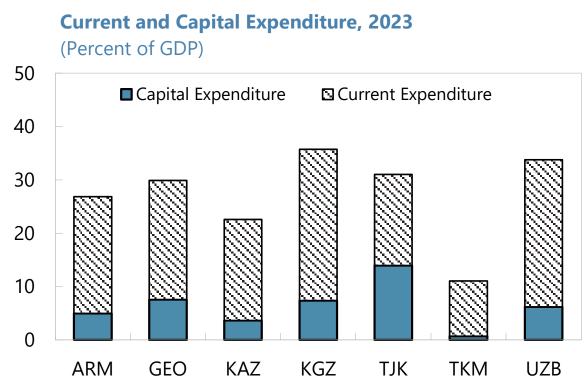
Tax revenues are close to the regional average…



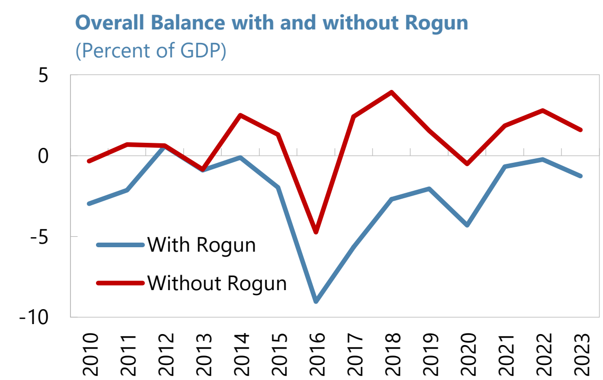
…and have stabilized over the last several years.



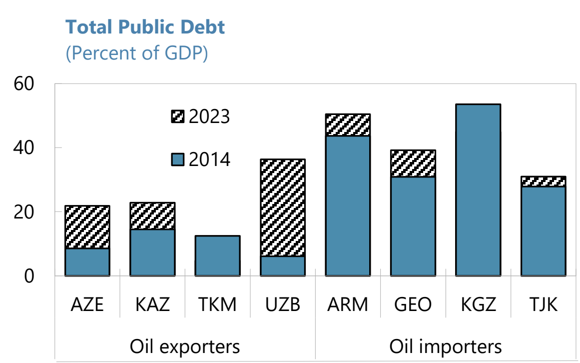
Capital expenditures are high relative to peers…



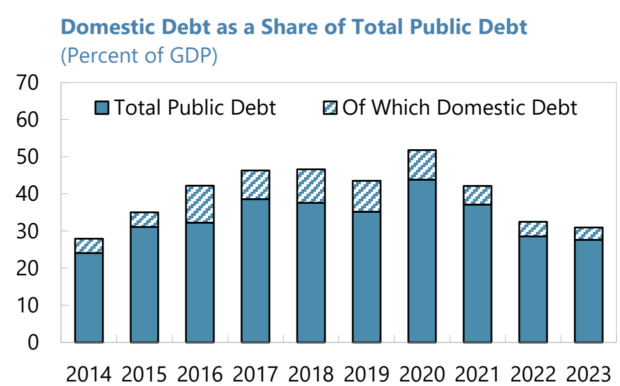
…and a major contributor to the deficits.



Debt performance has improved…



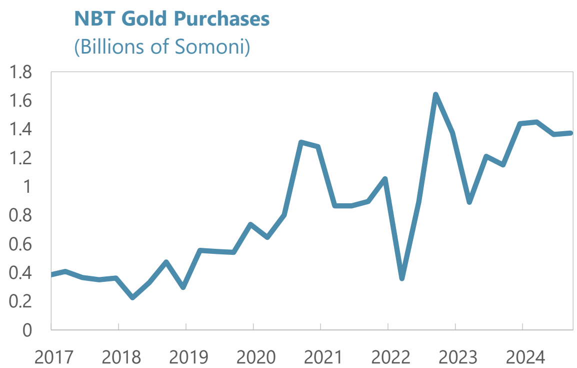
…driven by repayment of external debt.



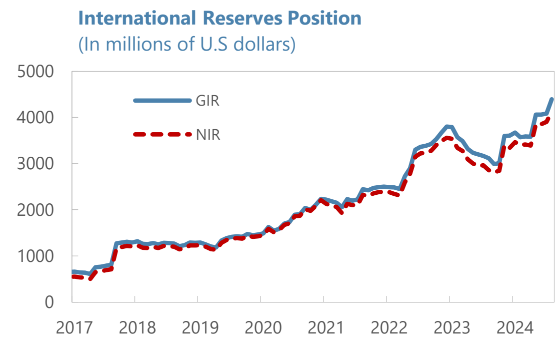
Sources: Tajikistan authorities, IMF World Economic Outlook, and IMF staff estimates.

Figure 4. Tajikistan: Monetary Developments

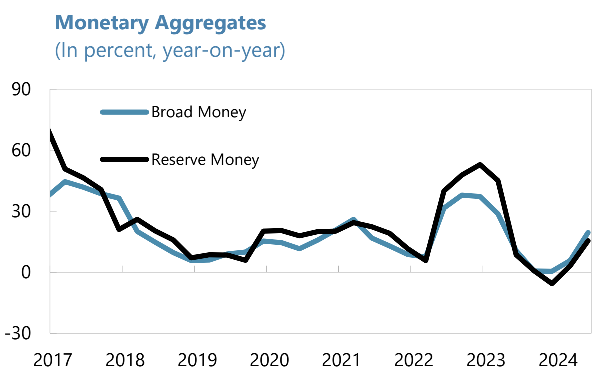
NBT gold purchases have increased…



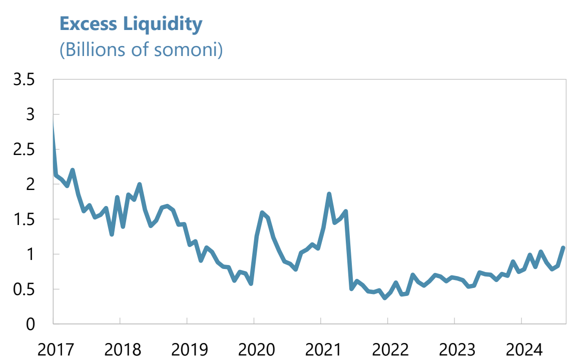
…supporting reserve accumulation.



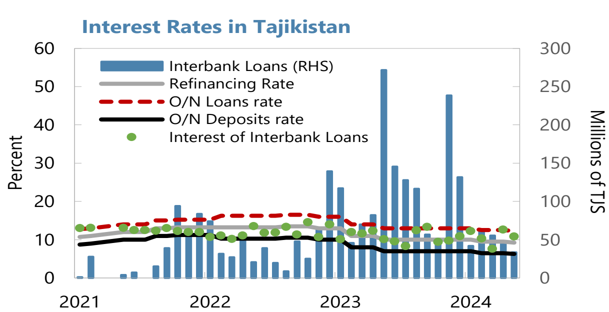
Fueling a deceleration in monetary aggregates…



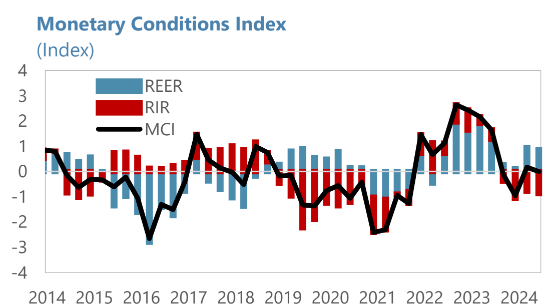
…while excess systemic liquidity remains stable.



Despite a reduction in the refinancing rate…



…monetary conditions have remained in balance.

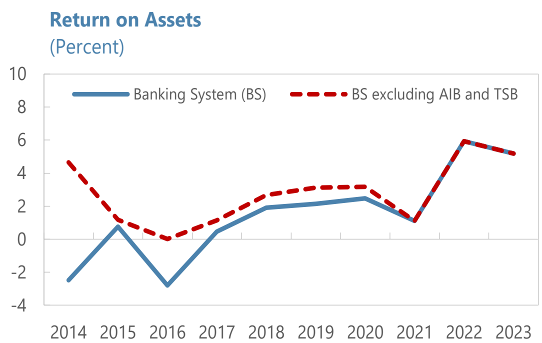


Note: Increase denotes tightening.

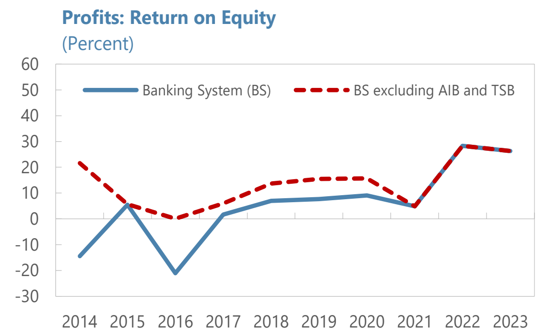
Sources: Tajikistan authorities, Haver Analytics, and IMF staff estimates.

Figure 5. Tajikistan: Financial Sector

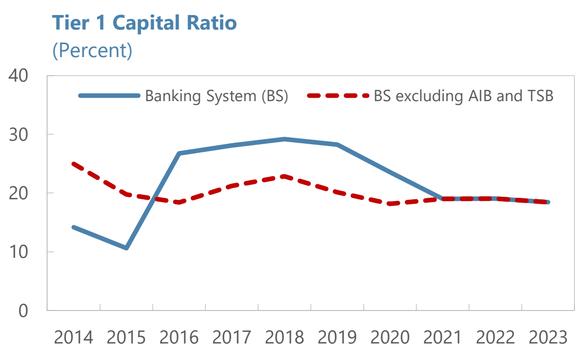
The banking system remains profitable …



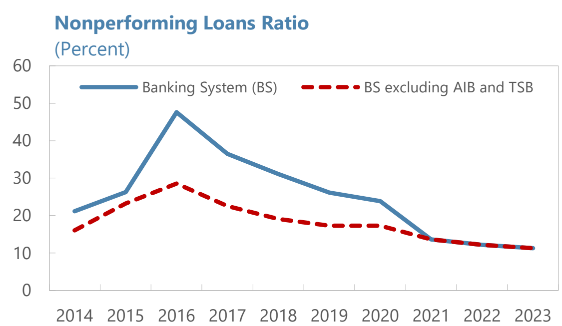
…as illustrated by ROA and ROE indicators…



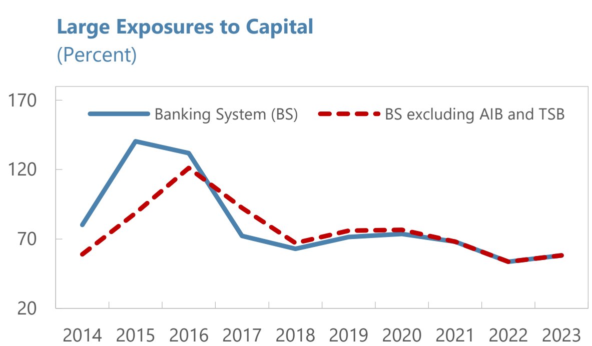
…allowing banks to shore up their capital buffers.



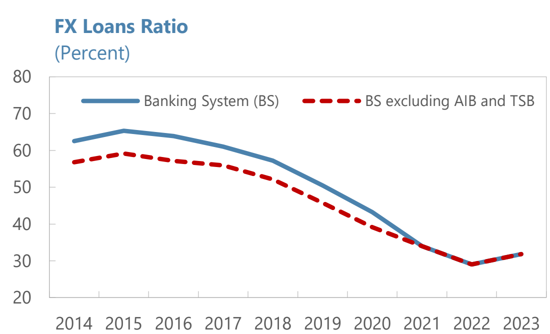
Despite a decrease, NPLs remain elevated.



Large exposures are trending down…



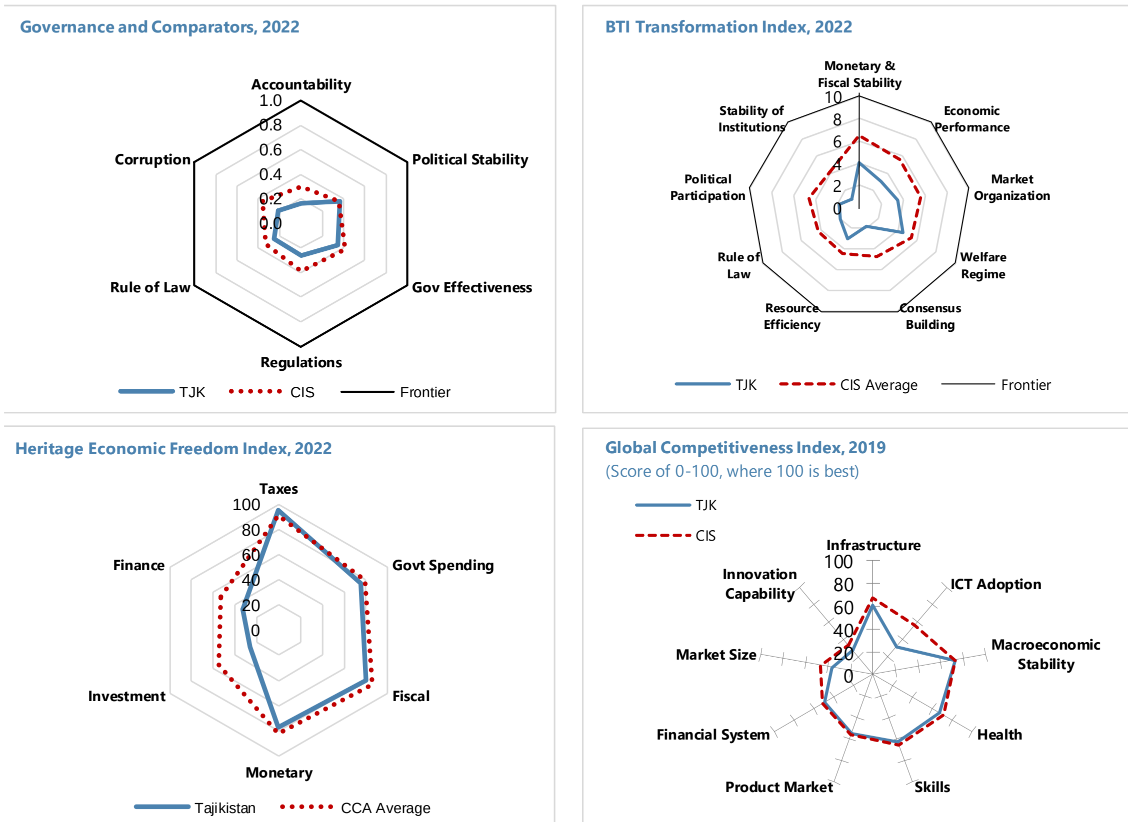
…as is the degree of financial sector dollarization.



Sources: Tajikistan authorities and IMF staff estimates.
Note: The two lines converge in 2021Q3 owing to the closures of AIB and TSB.

Figure 6. Tajikistan: Structural Characteristics

Despite some recent progress, Tajikistan still scores below peers on governance, business environment, competitiveness, and transition quality indicators.



Sources: World Governance Indicators, Bertelsmann Transformation Index, The Heritage Foundation, World Economic Forum, EBRD, and IMF staff estimates. Some of the indicators used in the figure are survey-based and hence reflect responders' perception rather than actual data (for example Global Competitiveness Index). Other partially contain expert judgment (for example, EBRD transition quality index) and reported with uncertainty bounds (for example, World Governance Indicators).

Table 1. Tajikistan: Selected Economic Indicators, 2020-29

(Quota: SDR 174 million)
(Population: 10 million; 2022)
(Per capita GDP: US$1055; 2022)
(Poverty rate: 23 percent; 2021)
(Main exports: aluminum, gold, cotton)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				PCI request	SR	PCI request	SR			Proj.		
				(Annual percent change; unless otherwise indicated)								
National accounts												
Real GDP	4.4	9.4	8.0	8.3	8.3	6.5	8.3	6.7	5.0	4.8	4.5	4.5
GDP deflator (cumulative)	1.7	10.0	6.0	3.0	3.0	4.4	3.4	5.0	5.5	6.0	6.0	6.0
Headline CPI inflation (end-of-period)	9.4	8.0	4.2	3.8	3.8	6.0	5.0	6.0	6.5	6.5	6.5	6.5
Headline CPI inflation (period average)	8.6	9.0	6.7	3.5	3.7	4.9	4.4	5.5	6.2	6.5	6.5	6.5
				(In percent of GDP; unless otherwise indicated)								
General government finances												
Revenue and grants	24.8	27.0	27.7	27.7	29.8	27.1	27.7	27.8	27.9	28.1	27.5	27.4
Tax revenue	18.3	19.5	19.7	19.6	20.0	19.3	19.9	20.1	20.5	20.7	21.4	21.6
Expenditure and net lending	29.2	27.6	28.0	28.7	31.0	29.6	30.2	30.3	30.5	30.6	30.0	29.9
Current	17.1	16.4	16.3	17.5	17.1	16.4	17.2	17.4	17.1	16.9	16.8	16.8
Capital	12.1	11.3	11.6	11.3	13.9	13.2	13.0	12.9	13.4	13.7	13.1	13.1
Overall balance (excl. PIP and stat. discrepancy)	-2.2	0.0	1.5	1.2	0.8	1.6	1.5	2.0	1.7	1.5	0.7	0.9
Overall balance (incl. PIP and stat. discrepancy)	-4.3	-0.7	-0.2	-1.0	-1.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Domestic financing	-2.1	-0.1	0.0	0.0	0.7	0.2	0.3	0.8	1.0	0.9	0.2	0.0
External financing	5.8	0.8	0.2	1.0	0.6	2.3	2.2	1.7	1.5	1.5	2.3	2.5
Total public and publicly-guaranteed debt	51.8	42.1	32.5	30.9	30.9	30.8	29.4	28.3	28.0	27.6	27.9	28.4
Monetary sector												
Broad money (12-month percent change)	18.4	8.2	40.4	-0.8	-0.8	13.1	21.0	17.0	11.3	11.3	11.3	11.3
Reserve money (12-month percent change)	20.2	11.6	52.9	-5.6	-5.6	17.1	27.7	17.0	10.0	10.0	10.0	10.0
Credit to private sector (12-month percent change)	19.9	-5.2	18.6	31.9	31.9	12.0	20.0	12.0	10.0	10.0	10.0	10.4
Velocity of broad money (eop)	3.2	3.6	2.9	3.3	3.3	...	...	...	...	...	...	...
Refinancing rate (in percent, eop/ latest value)	10.8	13.3	13.0	10.0	10.0	...	...	...	...	...	...	...
External sector				(In percent of GDP; unless otherwise indicated)								
Exports of goods and services (U.S. dollar, percent change)	13.3	53.4	-18.9	4.1	20.1	-2.7	-0.8	-5.3	3.1	7.8	8.8	8.2
Imports of goods and services (U.S. dollar, percent change)	-8.3	36.2	23.5	13.9	12.7	1.7	25.0	2.6	4.9	7.5	8.1	8.5
Current account balance	4.3	8.2	15.6	-0.7	4.9	-2.2	2.6	-0.6	-1.0	-1.2	-1.5	-2.1
Trade balance (goods)	-17.8	-19.2	-28.2	-29.8	-28.0	-27.9	-34.6	-32.8	-31.9	-31.5	-31.4	-31.4
FDI (net)	0.4	0.4	1.5	0.2	0.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total public and publicly guaranteed external debt	43.8	37.1	28.5	27.6	27.6	27.8	26.4	25.6	25.0	24.3	24.8	25.5
Exports of goods and services, in millions of U.S. dollars	1,409	2,161	1,753	1,825	2,105	1,776.1	2,088	1,977	2,038	2,197	2,391	2,588
Imports of goods and services, in millions of U.S. dollars	-3,125	-4,258	-5,261	-5,991	-5,931	-6,093.1	-7,412	-7,608	-7,982	-8,578	-9,272	-10,062
Current account balance, in millions of U.S. dollars	354	736	1,635	-88	584	-283.6	344	-89	-169	-209	-292	-426
Total public and publicly guaranteed external debt (US dollar, million	3,257	3,312	3,238	3,253	3,253	3,561.8	3,562	3,794	4,000	4,232	4,682	5,209
Gross official reserves (in millions of U.S. dollars)	2,238	2,499	3,803	3,607	3,607	3,646.9	4,485	4,677	4,947	5,347	5,797	6,142
In months of next year's imports	6.3	5.7	7.7	7.1	5.8	6.9	7.1	7.0	6.9	6.9	6.9	6.8
In percent of broad money	96.3	99.6	97.3	99.9	99.9	91.2	100.4	91.3	88.8	88.1	87.7	85.3
Memorandum items:												
Nominal GDP (in millions of somoni)	83,958	101,076	115,739	128,983.9	128,984	143,365	144,403	161,774	179,068	199,007	220,440	244,181
Nominal effective exchange rate (Index 2010=100)	60.2	54.1	60.1	65.6	65.6	...	...	...	...	...	...	...
Real effective exchange rate (Index 2010=100)	76.7	71.2	75.5	79.2	79.2	...	...	...	...	...	...	...
Average exchange rate (somoni per U.S. dollar)	10.3	11.3	11.0	10.9	10.9	...	...	...	...	...	...	...

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

Table 2. Tajikistan: General Government Operations, 2020–29
(In millions of somoni, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				PCI request	SR	PCI request	SR			Proj.		
Overall revenues and grants	20,842	27,266	32,084	35,735.7	38,391	38,878.7	39,937	45,009	50,002	55,968	60,558	67,025
Total revenues	19,025	24,136	28,102	31,149.6	31,417	33,916.7	35,090	39,530	44,654	50,031	57,038	63,428
Tax revenues	15,356	19,666	22,858	25,305.2	25,767	27,633.3	28,762	32,441	36,671	41,252	47,253	52,858
Income and profit tax	3,577	4,700	5,660	6,232.0	6,232	7,296.9	7,377	8,464	9,569	10,835	12,425	13,764
Payroll taxes	1,668	2,035	2,553	2,440.1	2,740	2,362.2	2,768	2,901	3,211	3,568	4,094	4,535
Property taxes	374	457	612	823.2	823	1,060.4	1,066	1,278	1,407	1,555	1,768	1,950
Taxes on goods and services	9,033	11,516	12,606	14,274.7	14,436	15,687.3	16,042	18,178	20,643	23,243	26,692	30,088
International trade and operations tax	704	958	1,426	1,535.1	1,535	1,226.5	1,509	1,620	1,841	2,051	2,273	2,521
Nontax revenues	3,669	4,470	5,244	5,844.4	5,650	6,283.3	6,328	7,090	7,983	8,779	9,785	10,570
Grants	1,817	3,130	3,982	4,586.1	6,974	4,962.0	4,847	5,479	5,348	5,936	3,520	3,597
Total expenditures and net lending	24,485	27,940	32,354	37,077.7	40,026	42,454.7	43,568	49,075	54,542	60,890	66,090	73,091
Current expenditures	14,322	16,543	18,888	22,545.1	22,048	23,474.5	24,866	28,138	30,590	33,543	37,134	41,014
Expenditures on goods and services	9,409	11,134	12,230	13,741.7	16,296	14,710.5	17,826	20,134	21,967	23,996	26,765	29,132
Interest payments	775	874	825	1,022.8	917	1,047.1	1,028	1,067	1,195	1,292	1,225	1,752
Transfers and subsidies	4,138	4,534	5,833	7,780.7	4,835	7,716.9	6,013	6,936	7,428	8,255	9,144	10,129
Capital expenditures	10,163	11,397	13,466	14,532.6	17,978	18,980.2	18,702	20,938	23,952	27,347	28,956	32,078
Externally financed (PIP and Rogun)	3,652	5,174	4,905	6,925.4	9,045	10,164.0	9,902	12,218	12,348	13,304	10,542	11,836
Domestically financed	6,511	6,223	8,560	7,607.2	8,933	8,816.3	8,800	8,719	11,604	14,043	18,415	20,242
Net lending	0	0	0	0.0	0	0.0	0	0	0	0	0	0
Overall balance (incl. PIP)	-3,643	-674	-270	-1,342.0	-1,635	-3,576.0	-3,631	-4,066	-4,540	-4,922	-5,532	-6,066
Overall balance (excl. PIP and PIP-related grants)	-1,808	0	1,757	1,541.3	980	2,354.9	2,152	3,273	3,060	3,045	1,489	2,173
Overall balance (incl. PIP and excl. bank recapitalization)	-3,643	-674	-270	-1,342.0	-1,635	-3,576.0	-3,631	-4,066	-4,540	-4,922	-5,532	-6,066
Total financing (incl. PIP)	3,283	674	270	1,342.0	1,635	3,576.0	3,631	4,066	4,540	4,922	5,532	6,066
Net external	4,839	791	268	1,292.6	785	3,321.4	3,231	2,714	2,686	3,040	5,090	6,113
Disbursements	6,185	2,281	2,026	3,108.3	2,615	5,631.6	5,484	7,039	7,200	7,468	7,613	8,756
Amortization	-1,346	-1,490	-1,758	-1,815.8	-1,830	-2,210.1	-2,152	-4,325	-4,514	-4,428	-2,523	-2,643
Net domestic	-1,778	-117	1	49.6	850	254.6	400	1,352	1,854	1,883	442	-47
Of which: deposits with commercial banks	551	551	-503	-875.2	-78	266.0	0	0	0	0	0	0
Of which: deposits with the NBT	-2,238	-718	-786	1,232.8	1,233	0.0	382	1,365	647	834	263	-354
Of which : new credit	100	0	0	0.0	0	450.0	480	420	1,500	1,340	360	396
Of which : net asset sales 1/	-192	50	1,291	-308.0	-305	-461.0	-461	-426	-300	-300	-100	-100

Sources: Tajikistan authorities, and Fund staff estimates.

1/ Includes privatization proceeds and repayment of debt toward NBT through sales of repossessed bank assets.

Table 3. Tajikistan: General Government Operations, 2020–29
(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				PCI request	SR	PCI request	SR			Proj.		
Overall revenues and grants	24.8	27.0	27.7	27.7	29.8	27.1	27.7	27.8	27.9	28.1	27.5	27.4
Total revenues	22.7	23.9	24.3	24.2	24.4	23.7	24.3	24.4	24.9	25.1	25.9	26.0
Tax revenues	18.3	19.5	19.7	19.6	20.0	19.3	19.9	20.1	20.5	20.7	21.4	21.6
Income and profit tax	4.3	4.6	4.9	4.8	4.8	5.1	5.1	5.2	5.3	5.4	5.6	5.6
Payroll taxes	2.0	2.0	2.2	1.9	2.1	1.6	1.9	1.8	1.8	1.8	1.9	1.9
Property taxes	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Taxes on goods and services	10.8	11.4	10.9	11.1	11.2	10.9	11.1	11.2	11.5	11.7	12.1	12.3
International trade and operations tax	0.8	0.9	1.2	1.2	1.2	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Nontax revenues	4.4	4.4	4.5	4.5	4.4	4.4	4.4	4.4	4.5	4.4	4.4	4.3
Grants	2.2	3.1	3.4	3.6	5.4	3.5	3.4	3.4	3.0	3.0	1.6	1.5
Total expenditure and net lending	29.2	27.6	28.0	28.7	31.0	29.6	30.2	30.3	30.5	30.6	30.0	29.9
Current expenditures	17.1	16.4	16.3	17.5	17.1	16.4	17.2	17.4	17.1	16.9	16.8	16.8
Expenditures on goods and services	11.2	11.0	10.6	10.7	12.6	10.3	12.3	12.4	12.3	12.1	12.1	11.9
Interest payments	0.9	0.9	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.7
Transfers and subsidies	4.9	4.5	5.0	6.0	3.7	5.4	4.2	4.3	4.1	4.1	4.1	4.1
Capital expenditures	12.1	11.3	11.6	11.3	13.9	13.2	13.0	12.9	13.4	13.7	13.1	13.1
Externally financed (PIP and Rogun)	4.4	5.1	4.2	5.4	7.0	7.1	6.9	7.6	6.9	6.7	4.8	4.8
Domestically financed	7.8	6.2	7.4	5.9	6.9	6.1	6.1	5.4	6.5	7.1	8.4	8.3
Overall balance	-4.3	-0.7	-0.2	-1.0	-1.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Overall balance (excl. PIP and PIP-related grants)	-2.2	0.0	1.5	1.2	0.8	1.6	1.5	2.0	1.7	1.5	0.7	0.9
Overall balance (incl. PIP and excl. bank recapitalization)	-4.3	-0.7	-0.2	-1.0	-1.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Total financing (incl. PIP)	3.9	0.7	0.2	1.0	1.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Net external	5.8	0.8	0.2	1.0	0.6	2.3	2.2	1.7	1.5	1.5	2.3	2.5
Disbursements	7.4	2.3	1.8	2.4	2.0	3.9	3.8	4.4	4.0	3.8	3.5	3.6
Amortization	-1.6	-1.5	-1.5	-1.4	-1.4	-1.5	-1.5	-2.7	-2.5	-2.2	-1.1	-1.1
Net domestic	-2.1	-0.1	0.0	0.0	0.7	0.2	0.3	0.8	1.0	0.9	0.2	0.0
Of which: deposits with commercial banks	0.7	0.5	-0.4	-0.7	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Of which : deposits with the NBT	-2.7	-0.7	-0.7	1.0	1.0	0.0	0.3	0.8	0.4	0.4	0.1	-0.1
Of which : New credit	0.1	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.8	0.7	0.2	0.2
Of which: net asset sales 1/	-0.2	0.0	1.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.2	-0.2	0.0	0.0

Sources: Tajikistan authorities, and Fund staff estimates.

1/ Includes privatization proceeds and repayment of debt toward NBT through sales of repossessed bank assets.

Table 4. Tajikistan: Central Bank Survey, 2020–29
(End-year stocks, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				PCI request	SR	PCI request	SR			Proj.		
						(In millions of somoni)						
Net foreign assets	24,245	24,798	35,646	36,340	36,340	37,536	46,191	49,505	54,023	60,201	67,206	73,233
Gross assets	25,781	28,792	39,074	40,035	40,035	41,307	49,786	52,976	57,155	62,978	69,610	75,246
Gross liabilities	1,536	3,994	3,427	3,695	3,695	3,771	3,594	3,471	3,132	2,777	2,404	2,014
Net international reserves	24,967	26,977	36,315	36,585	36,585	37,753	45,339	48,314	52,222	57,681	63,903	69,184
Gross international reserves	25,293	28,236	38,797	39,523	39,523	40,785	48,028	51,179	55,320	61,102	67,693	73,288
Gross reserve liabilities	326	1,259	2,481	2,938	2,938	3,032	2,689	2,865	3,097	3,421	3,790	4,103
Net domestic assets	-1,711	339	2,800	-53	-53	4,964	142	4,705	5,627	5,434	5,014	6,234
Net claims on general government	-638	-1,356	-2,579	-1,651	-1,651	-2,112	-1,730	-791	-442	94	259	-195
Net claims on financial corporations	-1,628	-1,027	-854	-444	-444	-444	-724	-724	-724	-724	-724	-724
Credit to the private sector	725	480	508	423	423	423	453	453	453	453	453	453
Other items net	-171	2,243	5,725	1,619	1,619	7,097	2,144	5,768	6,340	5,612	5,027	6,701
Reserve money	22,534	25,138	38,447	36,287	36,287	42,500	46,333	54,210	59,650	65,635	72,220	79,467
Reserve money in domestic currency	21,202	23,612	35,767	33,204	33,204	38,889	43,384	50,759	55,852	61,457	67,623	74,408
Currency in circulation	19,059	22,110	32,460	30,053	30,053	35,198	39,414	46,114	50,741	55,833	61,435	67,599
Bank reserves	3,206	2,553	5,824	6,112	6,112	7,158	6,898	8,070	8,880	9,771	10,752	11,831
Bank deposits in domestic currency	1,987	1,254	3,155	3,045	3,045	3,567	3,962	4,636	5,101	5,613	6,176	6,796
Bank deposits in foreign currency	1,219	1,299	2,669	3,067	3,067	3,592	2,936	3,435	3,779	4,158	4,576	5,035
Other deposits	269	474	163	122	122	143	22	25	28	31	34	37
Other deposits in domestic currency	155	248	152	106	106	124	8	9	10	11	12	13
Other deposits in foreign currency	113	226	10	16	16	19	14	16	18	20	22	24
						(12-month growth in percent)						
Reserve money	20.2	11.6	52.9	-5.6	-5.6	17.1	27.7	17.0	10.0	10.0	10.0	10.0
Net foreign assets	84.8	2.3	43.7	1.9	1.9	3.3	27.1	7.2	9.1	11.4	11.6	9.0
Gross international reserves	78.3	11.6	37.4	1.9	1.9	3.2	21.5	6.6	8.1	10.5	10.8	8.3
Net international reserves	80.9	8.0	34.6	0.7	0.7	3.2	23.9	6.6	8.1	10.5	10.8	8.3
						(12-month growth in percent of reserve money)						
Reserve money (12-month percent change)	20.2	11.6	52.9	-5.6	-5.6	17.1	27.7	17.0	10.0	10.0	10.0	10.0
Net foreign assets	59.4	2.5	43.2	1.8	1.8	3.3	27.1	7.2	8.3	10.4	10.7	8.3
Gross international reserves	59.2	13.1	42.0	1.9	1.9	3.5	23.4	6.8	7.6	9.7	10.0	7.7
Net international reserves	59.6	8.9	37.1	0.7	0.7	3.2	24.1	6.4	7.2	9.2	9.5	7.3
Net domestic assets	-39.1	9.1	9.8	-7.4	-7.4	13.8	0.5	9.8	1.7	-0.3	-0.6	1.7
Net credit to general government	-11.9	-3.2	-4.9	2.4	2.4	-1.3	-0.2	2.0	0.6	0.9	0.3	-0.6
Credit to the private sector	1.7	-1.1	-0.2	-0.2	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0
NBT bills	-0.3	3.3	1.1	1.1	1.1	0.0	-1.0	-0.1	0.0	0.0	0.0	0.0
Other items net	-28.3	10.7	13.9	-10.7	-10.7	15.1	1.4	7.8	1.1	-1.2	-0.9	2.3
Memorandum items:												
Net international reserves (percent of broad money)	95.1	95.0	91.1	92.5	92.5	84.4	94.7	86.3	83.8	83.2	82.8	80.5
Official exchange rate (somoni/U.S. dollars; eop)	11.3	11.3	10.2	10.96	11.0	…	…	…	…	…	…	…

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

Table 5. Tajikistan: Monetary Survey, 2020–29

(End-year stocks, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				PCI request	SR	PCI request	SR			Proj.		
						(In millions of somoni, end-of-period stock)						
Net foreign assets	23,857	25,038	35,096	34,996	34,996	36,186	44,899	48,213	52,730	58,908	65,914	71,942
National Bank of Tajikistan	24,245	24,798	35,646	36,340	36,340	37,536	46,191	49,505	54,023	60,201	67,206	73,233
Commercial banks	-389	240	-550	-1,344	-1,344	-1,350	-1,292	-1,292	-1,293	-1,293	-1,292	-1,291
Net domestic assets	5,811	7,671	9,170	9,463	9,463	14,097	8,896	14,727	17,323	19,061	20,866	24,643
Net credit to general government	-2,154	-2,320	-4,046	-3,997	-3,997	-3,742	-3,975	-3,599	-1,034	655	1,750	2,316
National Bank of Tajikistan	-638	-1,356	-2,579	-1,651	-1,651	-2,112	-1,730	-791	-442	94	259	-195
Commercial banks	-1,516	-964	-1,468	-2,346	-2,343	-1,630	-2,245	-2,808	-592	561	1,491	2,511
Net credit to public non-financial corporations	2,533	2,294	2,088	2,406	2,406	2,540	2,550	2,703	2,848	3,006	3,168	3,339
Credit to the private sector	10,657	10,108	11,985	15,805	15,805	17,701	18,966	21,241	23,366	25,702	28,273	31,200
Net credit to other financial corporations	-185	-142	-167	-188	-188	-188	-188	-188	-188	-188	-188	-188
Other items net	-5,041	-2,719	-690	-4,563	-4,563	-2,214	-8,456	-5,430	-7,668	-10,114	-12,137	-12,024
Broad money	26,253	28,400	39,884	39,549	39,549	44,729	47,854	55,989	62,316	69,357	77,195	85,918
Somoni broad money	22,618	25,234	35,254	34,586	34,586	39,537	42,299	49,489	55,082	61,306	68,234	75,944
Currency outside banks	18,058	20,874	32,460	26,974	26,974	33,232	35,553	41,597	46,298	51,530	57,352	63,833
Deposits	4,559	4,361	5,622	7,612	7,612	6,305	6,745	7,892	8,784	9,776	10,881	12,111
Foreign currency deposits	3,635	3,166	4,630	4,963	4,963	5,192	5,555	6,500	7,234	8,051	8,961	9,974
Non-liquid liabilities	3,414	3,859	4,382	4,910	4,910	5,554	5,942	6,952	7,737	8,611	9,585	10,668
						(12-month growth in percent of broad money)						
Broad money	18.4	8.2	40.4	-0.8	-0.8	13.1	21.0	17.0	11.3	11.3	11.3	11.3
Net foreign assets	53.0	2.8	37.0	-0.3	-0.3	3.0	25.0	6.9	8.1	9.9	10.1	7.8
National Bank of Tajikistan	50.2	2.1	38.2	1.7	1.7	3.0	24.9	6.9	8.1	9.9	10.1	7.8
Commercial banks	2.8	2.4	-2.8	-2.0	-2.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-30.1	7.1	5.3	0.7	0.7	11.7	-1.4	12.2	4.6	2.8	2.6	4.9
Net credit to general government	-11.0	-0.6	-6.1	0.1	0.1	0.6	0.1	0.8	4.6	2.7	1.6	0.7
Credit to the private sector	8.0	-2.1	6.6	9.6	9.6	4.8	8.0	4.8	3.8	3.7	3.7	3.8
Other items net	-26.2	8.8	7.1	-9.7	-9.7	5.9	-9.8	6.3	-4.0	-3.9	-2.9	0.1
Memorandum items:												
Deposit dollarization (in percent)	44.6	46.1	45.9	46.4	46.4	…	…	…	…	…	…	…
Velocity	3.2	3.6	2.9	3.3	3.3	…	…	…	…	…	…	…
Credit to the private sector (percent of GDP)	12.7	10.0	10.4	12.3	12.3	…	…	…	…	…	…	…
Money multiplier	1.2	1.0	1.2	1.2	1.2	…	…	…	…	…	…	…

Sources: National authorities and Fund staff estimates.

Table 6. Tajikistan: Balance of Payments, 2020–29

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				PCI request	SR	PCI request	SR			Proj.		
	(In millions of U.S. dollars, unless otherwise indicated)											
Current account	354	736	1,635	-88	584	-284	344	-89	-169	-209	-292	-426
Balance on goods and services	-1,716	-2,097	-3,508	-4,165	-3,826	-4,317	-5,323	-5,631	-5,944	-6,381	-6,881	-7,474
Balance on goods	-1,445	-1,712	-2,960	-3,529	-3,322	-3,616	-4,630	-4,900	-5,173	-5,553	-5,988	-6,504
Exports	1,271	2,015	1,615	1,681	1,861	1,626	1,847	1,748	1,802	1,943	2,114	2,288
Of which: gold	690	897	119	353	684	170	385	285	296	309	329	344
Imports	2,716	3,727	4,576	5,210	5,183	5,242	6,477	6,648	6,975	7,495	8,102	8,792
Balance on services	-271	-385	-548	-637	-505	-701	-693	-731	-771	-828	-893	-970
Balance on income	1,382	1,822	3,497	2,624	3,083	2,605	3,989	3,906	4,065	4,344	4,638	4,979
Balance on transfers	688	1,011	1,645	1,453	1,327	1,429	1,679	1,637	1,710	1,827	1,951	2,069
Capital and financial account	768	475	-566	-108	255	324	534	281	439	609	742	771
Capital transfers	189	267	283	372	482	396	396	402	359	472	305	276
FDI	36	36	162	28	101	189	199	223	241	262	284	308
Portfolio Investment	0	1	-1	0	-2	0	0	-167	-167	-167	50	44
Other capital flows	543	172	-1,009	-507	-325	-261	-62	-178	5	42	103	144
Errors and omissions	-133	213	104	...	89	...	...	...	...	...	...	...
Overall balance	1254	998	965	-196	751	40	878	192	270	400	450	345
	(in percent of GDP, unless otherwise indicated)											
Current account	4.3	8.2	15.6	-0.7	4.9	-2.2	2.6	-0.6	-1.0	-1.2	-1.5	-2.1
Balance on goods and services	-21.1	-23.5	-33.4	-35.1	-32.3	-33.3	-39.7	-37.7	-36.7	-36.2	-36.1	-36.1
Balance on goods	-17.8	-19.2	-28.2	-29.8	-28.0	-27.9	-34.6	-32.8	-31.9	-31.5	-31.4	-31.4
Exports	15.6	22.5	15.4	14.2	15.7	12.6	13.8	11.7	11.1	11.0	11.1	11.1
Imports	33.4	41.7	43.6	43.9	43.7	40.5	48.3	44.5	43.1	42.6	42.5	42.5
Balance on services	-3.3	-4.3	-5.2	-5.4	-4.3	-5.4	-5.2	-4.9	-4.8	-4.7	-4.7	-4.7
Balance on income	17.0	20.4	33.3	22.1	26.0	20.1	29.8	26.1	25.1	24.7	24.3	24.1
Balance on transfers	8.5	11.3	15.7	12.3	11.2	11.0	12.5	11.0	10.6	10.4	10.2	10.0
Capital and financial account	9.4	5.3	-5.4	-0.9	2.2	2.5	4.0	1.9	2.7	3.5	3.9	3.7
Capital transfers	2.3	3.0	2.7	3.1	4.1	3.1	3.0	2.7	2.2	2.7	1.6	1.3
FDI	0.4	0.4	1.5	0.2	0.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.1	-1.0	-0.9	0.3	0.2
Other capital flows	6.7	1.9	-9.6	-4.3	-2.7	-2.0	-0.5	-1.2	0.0	0.2	0.5	0.7
Errors and omissions	-1.6	2.4	1.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	15.4	11.2	9.2	-1.7	6.3	0.3	6.6	1.3	1.7	2.3	2.4	1.7
Memorandum items:												
Nominal GDP (In millions of U.S. dollars)	8,134	8,934	10,493	11,855	11,854	12,953	13,397	14,944	16,193	17,603	19,081	20,684
Remittances, inflows (In millions of U.S. dollars)	2,187	2,922	5,346	4,460	4,634	4,443	5,948	5,902	6,182	6,614	7,070	7,558
(in percent of GDP)	26.9	32.7	50.9	37.6	39.1	34.3	44.4	39.5	38.2	37.6	37.1	36.5
Current account balance (In percent of GDP)	4.3	8.2	15.6	-0.7	4.9	-2.2	2.6	-0.6	-1.0	-1.2	-1.5	-2.1
Net international reserves (In millions of U.S. dollars)	2210	2387	3559	3339	3339	3376	4234	4415	4670	5047	5472	5798
Gross reserves	2238	2499	3803	3607	3607	3647	4485	4677	4947	5347	5797	6142
(in months of next year's imports of goods and services)	6.3	5.7	7.7	7.1	5.8	6.9	7.1	7.0	6.9	6.9	6.9	6.8
(in percent of IMF's Reserve Adequacy metric: Fixed)	110.8	120.1	172.2	162.2	160.9	161.4	194.5	191.2	190.4	194.0	199.1	198.9
(in percent of IMF's Reserve Adequacy metric: Floating)	140.3	153.1	213.9	202.6	201.8	201.2	243.0	237.9	236.2	241.2	247.8	247.9
Total Public and Publicly Guaranteed (PPG) external debt	3,257	3,312	3,238	3,253	3,253	3,562	3,562	3,794	4,000	4,232	4,682	5,209
(in percent of GDP)	43.8	37.1	28.5	27.6	27.6	27.8	26.4	25.6	25.0	24.3	24.8	25.5
Debt service on PPG external debt (In millions of U.S. dollars)	203	204	233	256	256	281	281	483	489	477	312	349
(in percent of exports of goods and services)	14.4	9.4	13.3	14.0	12.2	15.8	13.4	24.4	24.0	21.7	13.1	13.5

Sources: Tajik authorities; and Fund staff estimates.

Table 7. Tajikistan: Financial Soundness Indicators, 2019–2024Q2

(In percent unless otherwise indicated)

	2019	2020	2021	2022	2023	2024Q2
Capital adequacy						
Regulatory capital to risk-weighted assets	21.4	18.2	23.4	25.3	21.3	21.4
Regulatory Tier 1 capital to risk-weighted assets	28.2	23.5	19.0	19.1	17.1	18.0
Asset quality 1/						
Nonperforming loans net of provisions to regulatory capital	17.0	16.2	3.2	-0.5	1.0	2.3
Nonperforming loans to total gross loans	26.1	23.8	13.7	12.2	12.7	12.2
Earnings and profitability						
Return on assets (ROA) 2/	2.1	2.5	1.1	5.9	3.7	4.7
Return on equity (ROE) 2/	7.7	9.1	4.8	28.3	19.2	25.2
Interest margin to gross income	66.4	73.5	60.9	42.6	62.0	63.0
Noninterest expenses to gross income	60.3	61.9	64.6	49.3	54.7	56.8
Liquidity						
Liquid assets to total assets	27.7	30.0	31.9	43.4	37.2	39.8
Liquid assets to short-term liabilities	67.4	70.5	87.7	94.9	81.0	80.6
Sensitivity to market risk						
Net open position in foreign exchange to regulatory capital	-1.7	-11.5	4.7	2.3	2.7	7.1
Additional						
Capital to total assets	27.4	26.3	20.9	19.5	18.3	18.3
Large exposures to regulatory capital	71.4	73.5	68.0	53.5	58.4	48.0
Trading income to total income	14.4	6.1	7.8	1.0	0.3	0.2
Personnel expenses to noninterest expenses	60.0	58.6	58.7	55.0	59.8	59.4
Customer deposits to gross customer loans	102.5	107.6	87.2	117.0	111.5	111.3
Foreign-currency-denominated loans to total gross loans	50.5	43.2	34.0	29.0	33.2	31.5
Foreign-currency-denominated liabilities to total liabilities	46.7	48.2	49.4	46.2	47.6	42.9

Source: National Bank of Tajikistan.

Note: There is a statistical break starting from 2021Q2 when two large banks (AIB and TSB) were closed and removed from the banking system totals.

1/ Nonperforming loans include 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	LICs Average
Growth		
GDP per capita growth (percent; 2020-23 average)	5.1	1.9
Gross Fixed Capital Formation (percent of GDP; 2018-20 average)	31.5	24.3
Poverty and Inequality		
Poverty headcount ratio at $3.20/day (percent of population; 2015)	25.7	40.5
Multidimensional poverty (percent of population)	n.a.	n.a.
Prevalence of stunting (% of children under 5, 2017)	17.5	30.2
GINI Index (2021)	34.0	37.6
Child mortality (per 1,000, 2021)	31.4	54.7
Growth in mean consumption (growth, %, bottom 40th percentile)	n.a.	n.a.
Human Development and Access to Services		
Human Development Index (2020)	0.7	0.5
Life expectancy at birth (years, 2020)	68.0	64.1
Access to electricity (% of population, 2020)	99.8	60.2
Net school enrollment, secondary, total (% population, 2011)	83.2	59.6
Individuals using internet (% population, 2017)	22.0	22.2
Literacy rate (% population, 2014)	99.8	70.2
Government		
Commitment to reducing inequality index (2020)	0.41	0.33
Government spending on social safety net programs (percent of GDP, 2018)	0.8	1.3
Coverage of social safety net programs in poorest quintile (% population, 2011)	13.0	22.5
Government expenditure on education, total (% GDP, 2020)	5.9	4.2
Health expenditure, domestic general government (% of GDP, 2019)	1.9	1.7

	Indicator	LICs Average
Labor Markets (ILO estimates)		
Unemployment rate (% of total labor force, 2021)	7.7	7.0
Female (% of female labor force, 2020)	6.3	8.3
Youth (% of total labor force ages 15-24, 2020)	17.0	13.3
Labor force participation (% of total population ages 15+, 2020)	41.2	61.6
Female (% of female population ages 15+, 2020)	31.3	54.2
Youth (% of population ages 15-24, 2020)	25.5	41.7
Governance[1]		
Government Effectiveness (WGI, 2022)	-0.8	-0.8
Regulatory Quality (WGI, 2022)	-1.2	-0.7
Rule of Law (WGI, 2022)	-1.3	-0.7
Control of Corruption (WGI, 2022)	-1.4	-0.7
Corruption Perceptions Index (2022)	24.0	29.5
Gender Equity and Inclusion		
Account at a financial institution (female vs male, %, 2021)	99.6	80.2
Female employment to population ratio (%, 2021)	29.3	50.5
Literacy rate (female vs male, %, 2014)	n.a.	n.a.
Net school enrollment, secondary (female vs male, %, 2011)	90.1	101.2
Gender Gap Index (2021)	0.6	0.7
Female seats in Parliament (share of total seats, 2021)	23.8	23.4
Access to Finance		
Account at a financial institution (% age 15+, 2021)	39.5	45.6
Domestic credit to private sector (% GDP, 2020)	11.8	26.1

Better than LICs Average (green shading) | **Worse than LICs 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.

Table 9. Tajikistan: Sustainable Development Goals, 2005-Latest

	2005	2010	2015	2020	Latest
Zero Hunger					
Prevalence of undernourishment (percent of population)	37.6	26.8	16.3	9.3	9.3
Good Health and Well-Being					
Maternal mortality ratio (modeled estimate, per 100,000 live births)	14	7	7	…	7
Mortality rate, under-5 (per 1,000 live births)	56	43	38	32.4	30
Incidence of tuberculosis (per 100,000 people)	196	128	86	79	78
Immunization, measles (percent of children ages 12-23 months)	85	94	97	98	98
Quality Education					
Primary completion rate, total (percent of relevant age group)	99	101	92	…	90
Lower secondary completion rate, total (percent of relevant age group)	85	92	98	…	88
Literacy rate, adult total (percent of people ages 15 and above)	…	…	…	…	100
Gender Equality					
School enrollment, primary (gross), gender parity index (GPI)	0.97	0.98	0.99	…	0.99
School enrollment, secondary (gross), gender parity index (GPI)	0.84	0.87	…	…	0.87
School enrollment, tertiary (gross), gender parity index (GPI)	0.46	0.51	0.65	…	0.73
Proportion of seats held by women in national parliaments (percent)	17	19	19	24	27
Clean Water and Sanitation					
People using at least basic drinking water services (percent of population)	63	69	76	82	82
People using at least basic sanitation services (percent of population)	92	93	95	97	97
Affordable and Clean Energy					
Access to electricity (percent of population)	99	99	98	100	100
Renewable electricity output (percent of total electricity output)	99	100	98	…	98
Decent Work and Economic Growth					
Employment in agriculture (percent of total employment) (modeled ILO estimate)	55	52	48	45	44
Wage and salaried workers, total (percent of total employment) (modeled ILO estimate)	66	66	69	72	73
Industry, Innovation, and Infrastructure					
CO2 emissions (metric tons per capita)	0.36	0.32	0.58	1.0	0.98
Researchers in R&D (per million people)	…	…	…	…	…
Sustainable Cities and Communities					
PM2.5 air pollution, mean annual exposure (micrograms per cubic meter)	33	35	39	…	38
Responsible Consumption and Production					
Total natural resources rents (percent of GDP)	1	2	2	5	9
Life on Land					
Forest area (percent of land area)	2.9	2.9	3	3	3
Technology					
Individuals using the Internet (percent of population)	0	12	19	…	22

Source: The World Bank

Table 10. Tajikistan: Schedule of Reviews Under the Policy Coordination Instrument, 2024-2025

Program Review	Test date	Review date
Board discussion of PCI request		February 2024
First Review	June 30, 2024	September 30, 2024
Second Review	December 31, 2024	March 31, 2025
Third Review	June 30, 2025	September 30, 2025

Table 11. Tajikistan: Quantitative Targets Under the PCI, 2024-2025
(TJS; million unless otherwise indicated)

	end-Jun 2024			end-Dec 2024	end-Jun 2025
	Prog.	Actual	Status	Prog.	Prog.
I. Quantitative targets (QT)					
1. Floor on NBT stock of net international reserves (USD mn) [1/]	2500	3361	Met	2700	3000
2. Ceiling on gross credit to general government from NBT	4021	4028	Not met 6/	3808	3595
3. Ceiling on the stock of reserve money	41000	40500	Met	46500	52000
4. Ceiling on general government overall fiscal deficit [2/]	2400	185	Met	3655	2790
5. Floor on general government expenditure on targeted social assistance [2/]	122	122	Met	244	144
6. Ceiling on the disbursements of external debt (USD mn) [2/] [3/]	510	76	Met	510	650
II. Continuous targets [2/]					
7. Ceiling on increase in external general government arrears	0	0	Met	0	0
8. Ceiling on new non-concessional external debt contracted or guaranteed by the central government (USD mn) [4/]	0	60	Met	0	0
9. Ceiling on Barki Tojik's new arrears to the private sector	550	712	Not met	550	500
III. Memorandum items					
Issuance of domestic debt at positive real rates	100	280		300	300
Collection rate of electricity distribution company (STB), overall (in percent)		89.1 7/			
Collection rate of electricity distribution company (STB), SOEs (in percent)		[...]			
Overall fiscal and quasi-fiscal deficit (including BT arrears)	2950	897			
Non-concessional borrowing exception on newly contracted external Rogun-related loans (USD mn)	1800	0		1800	2120
IV. Standard continuous targets					
Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.					
Not to introduce or modify multiple currency practices.					
Not to conclude bilateral payment agreements which are inconsistent with Article VIII.					
Not to impose or intensify import restrictions for balance of payment reasons.					
Program exchange rate (TJS/US dollar) [5/]	10.95			10.95	10.95
Program gold price per ounce (US dollars) [5/]	2029			2029	2029

1/ Net international reserves exclude FX liabilities to non-residents, IMF, the government and commerical banks.

2/ Cumulative, from the beginning of the year.

3/ Given the country's capacity constraints related to the recording and calculations of grant elements and present values of external debt, these figures are being presented and monitored in nominal terms and are inclusive of all disbursements of debt contracted for Rogun HPP. Planned Fund TA will aim to improve the recording and reporting of public debt.

4/ A zero NCB limit with exceptions applying exclusively to new non-concessional debt contracted for the Rogun HPP, which is capped at US$1800mn for June and Dec. 2024 and US$ 2120 for June 2025 (cumulative since the start of the program). This figure is the full non-concessional loan amount to be disbursed in installments during the project implementation. This amount is based on the latest World Bank assumptions.

5/ Closing price as of January 23, 2024 according to Bloomberg which will be fixed throughout the program period.

6/ The QT on repayment of outstanding debt to NBT was missed by a small amount (7 million somoni) at the end of June, but was met on July 4th.

7/ For January-August 2024.

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025

Policy Objective	Reform Target	Date	Responsibility	Status
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT	Met
A. Fiscal sector				
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives.	end-September 2024	MOF	Met
2. Enhance domestic revenue mobilization	Expand the mandate of the PFM committee to include developing a Medium-Term Revenue Program (MTRP) and overseeing implementation.	end-March 2024	MOF	Met
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF	Met
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with *GFSM2014*, including a breakdown of mining-related revenues and transfers to SOEs.	end-November 2024	MOF	2nd Review
5. Development of domestic debt market	Prepare an updated Debt Management Strategy for the period 2024-2026, including a plan for expanding domestic issuance and managing government obligations.	end-May 2024	MOF	Met
6. Development of domestic debt market	Begin market-based issuance of government securities at positive real rates (according to amounts specified in Table on Quantitative Targets).	end-June 2024	MOF	Met
**Enhance domestic revenue mobilization*	*Prepare and adopt a medium-term time-bound action plan to streamline tax exemptions and customs preferences beginning in 2025 based on tax expenditure analysis conducted with support from Fund TA.*	*end-March 2025*	*MOF*	*New target proposed for the 2nd Review*
B. Monetary sector				
7. Strengthen monetary policy transmission	Adopt amendments to the active NBT instruction #244 "On required reserves of credit institutions" to introduce the required reserve averaging mechanism in line with Fund TA recommendations.	end-May 2025	NBT	3rd Review

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

8. Improve the functioning of the FX market and enhance exchange rate flexibility	Develop improved mechanism to execute government and other public sector foreign exchange transactions to better reflect prevailing market rates. This mechanism will ensure that transactions are carried out at the valid official rate during the same day or at the prevailing market rate, with the intention of transactions being carried out in the first half of the business day. In the event when a transaction request at an official rate violates the one-day delay limitation, the applicable official rate will be the official rate that is valid on the day the transaction is executed.	end-May 2024	NBT	Met
9. Improve the functioning of the FX market and enhance exchange rate flexibility	Introduce price–based auctions for NBT FX interventions. To limit incentives for excessive overbidding or underbidding, the sales price of the auction will be calculated as follows: the price for those bids below a weighted average price of the bids will be a weighted average price of all bids; the price of those bids above weighted average price of all bids will be actual price of the bid.	end-December 2024	NBT	2nd Review
10. Improve the functioning of the FX market and enhance exchange rate flexibility	Stop conducting ruble auctions of NPCR transfers and instead transmit all the amounts of the transfer in the respective currency to the bank executing the transfer.	end-April 2024	NBT	Met
C. Financial sector				
11. Improve governance and transparency	Issue an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process.	end-April 2025	NBT	3rd Review
12. Strengthen macroprudential oversight	Approve a plan for phasing in new macroprudential tools (including debt service to income (DSTI), loan to value (LTV) and credit to stable funding (CSFR) ratios) and countercyclical capital buffer (CCB) based on 2022 FSSR.	end-June 2025	NBT	3rd Review
13. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests.	end-June 2025	NBT	3rd Review

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

D. Structural				
14. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in: (i) the list of SOEs monitored by the Ministry of Finance; and (ii) the 2023 Statement of Fiscal Risks. Require SOEs monitored by the MOF to provide detailed expense reports to the SOEMD monthly.	end-April 2024	MOF	Met
15. Improve governance and transparency of SOEs	Complete a report assessing the financial viability of OJSC Tajik Air based on Fund TA and providing a timebound action plan for addressing its financial losses.	end-May 2025	MOF/Civil Aviation Agency	3rd Review
16. Improve governance and transparency of SOEs	Publish an updated list of SOE and joint stock companies with state shareholding of at least 10 percent, specifying sector and legal basis; and complete a sectorization exercise for the 27 large SOEs monitored by the SOEMD to distinguish SOEs that are part of public sector from those that are general government entities.	end-June 2025	MOF/State Committee on Investment and State Property Management	3rd Review
17. Improve governance and transparency of SOEs	Based on the revised SOE Law and following international standards and best practice, enact regulations that ensure all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and set out rules for determining their remunerations and evaluating their performance, and establish supervisory boards in the 27 large SOEs currently monitored by the SOEMD in line with those procedures.	end-December 2024	MOF	2nd Review
**Improve governance and transparency of SOEs*	*Include all companies with a minimum of 20 percent state ownership in the 2024 Statement of Fiscal Risks.*	*end-May 2025*	*MOF*	*New target proposed for 3rd Review*

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Concluded)

18. Anti-corruption	Enact legislation strengthening the asset declaration regime to ensure that (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials.	end-June 2025	MOF/Civil Service Agency	3rd Review
19. Transparency of beneficial ownership information	Amend the Law on State Registration of Legal Persons to align with the definition of beneficial ownership in the new requirements of the AML/CFT international standard (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions.	end-December 2024	MOF/Tax Committee	2nd Review

Annex I. Risk Assessment Matrix

Risk 1/	Description	Likelihood/ Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
		External Risks and Spillovers		
Intensification of regional conflicts.	Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High** **Short-Term**	**High** Tajikistan is vulnerable to direct and indirect spillovers from the war given its close economic linkages with Russia and Ukraine. Confidence in economic prospects will be reduced. Adverse impact on fiscal and external positions and economic growth.	Strengthen policy frameworks, improve revenue mobilization, and reprioritize spending to preserve fiscal and debt sustainability. Use the exchange rate as a shock absorber while smoothing excess volatility. Diversify trade and financial linkages over the medium term to limit impact of sanctions on domestic economy.
Commodity price volatility.	Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**High** **Short-Term**	**High** Tajikistan depends heavily on commodity revenue and oil imports and commodity price volatility would adversely affect its external and fiscal positions and growth prospects.	Strengthen revenue mobilization, reduce nonpriority spending, and mobilize donor support to safeguard debt sustainability. Provide targeted assistance to the vulnerable. Allow greater exchange rate flexibility to facilitate the external adjustment. Tighten monetary policy if there is a risk of de-anchoring of inflation expectations.

Risk 1/	Description	Likelihood/ Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
Global slowdown **EMDEs.**	Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	**Medium** **Medium-Term**	**Medium** Reduced confidence in economic prospects. Adverse impact on fiscal and external positions (disorderly migration, reduced exports (including electricity), and cuts in foreign direct investment), slower economic growth.	Reprioritize expenditure. Provide targeted social assistance to the vulnerable. Allow greater exchange rate flexibility to facilitate external adjustment. Tighten financial supervision, stand ready to provide liquidity to solvent and viable banks.
Climate change.	Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium** **Medium-Term**	**Medium** Tajikistan is susceptible to climate risks, especially risks of natural disasters (flooding, landslides). The agriculture sector—the main employer and key driver of recent growth —is especially exposed to climate-related risks.	Advance the National Climate Change Adaptation Strategy and Green Development Strategy to increase resilience to climate change, especially in the agriculture sector, and facilitate the greening of key economic sectors. Ramp up multilateral support for climate financing.
		Domestic Risks		
Fiscal slippages and a rise in debt	Existing tax exemptions result in lower tax revenues. Quasi-fiscal activities, poor SOE fiscal controls, and Rogun-related spending pressures result in higher expenditures.	**Medium** **Medium-Term**	**High** The revenue losses coupled with increased spending demands would result in higher deficits and a need for more budgetary financing. Higher debt service could squeeze out critical social and development spending. Alternatively, fiscal consolidation could slow, raising concerns about debt sustainability.	Additional revenue and expenditure measures to ensure deficits are consistent with the deficit target and a declining medium-term debt path. Strengthen fiscal frameworks and transparency, implement structural fiscal reforms. Progress on SOE reforms to raise efficiency and governance.

Risk 1/	Description	Likelihood/ Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
Financial sector risks materialize	A significant slowdown in remittances could cause asset quality to deteriorate, weakening banking sector soundness.	**Medium** **Medium-Term**	**High** Given credit concentrations, NPLs may rise, reducing bank profitability and raising solvency concerns. With a large SOE sector, contingent fiscal liabilities could increase.	Stand ready to provide liquidity to solvent banks. Strengthen accounting, reporting, and provisioning standards. Improve risk-based supervision and macroprudential analysis.
SOE reforms are delayed or poorly implemented	SOE performance continues to be weak and governance reforms are delayed.	**High** **Short-Term**	**Medium** A reform slowdown could result in lower investment and productivity and slower growth. Popular frustration could grow.	Stress the need for SOE reform and market liberalization. Focus on the highest priority reforms (SOE and banking sector governance, and improvements to the social protection system and business environment).

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. "Short term" and "medium term" are meant to indicate that the risk could materialize within one year and three years, respectively.

Appendix I. Program Statement
Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dushanbe, November 25, 2024

Dear Ms. Georgieva:

Tajikistan's economic performance has remained favorable during 2024, with strong growth and low inflation reflecting our commitment to sound macroeconomic policies. Real GDP increased 8.4 percent during January-September, marking the fourth consecutive year of growth above 8 percent. The external position remains strong, with resilient financial inflows and strong exports contributing to comfortable levels of international reserves. Monetary policy has been effective in maintaining inflation well contained, below the NBT's target range. The fiscal deficit has been kept well below the program target of 2.5 percent of GDP, anchoring a meaningful reduction in public debt.

Program implementation under the Policy Coordination Instrument (PCI) during the first half of the year has been on track. Most of the quantitative targets (QT) have been met and all reform targets (RT) observed. The floor on net international reserves and the ceiling on the overall fiscal deficit were met comfortably. The QT on the increase in the liabilities of Barki Tojik (the state electricity generation company) was missed by a relatively small amount due to large unplanned expenditures for repairs on the two thermal power plants that are needed to meet electricity demand during the winter months. We are committed to achieving the December target and have identified corresponding remedial measures. An electricity tariff increase, expected by the end of 2024, would help ensure continued improvement in Barki Tojik's financial performance.

Improvements in revenue mobilization and debt management remain critical to increase space for social and development spending. Fiscal reforms focused on quantifying losses from inefficient tax exemptions and adopting an updated Medium-Term Revenue Plan and Debt Management Strategy. To diversify financing sources, the Ministry of Finance (MOF) started issuing domestic marketable securities. To improve monitoring of fiscal risks from state-owned enterprises (SOEs), we have brought all companies with state ownership of at least 20 percent under the purview of the SOE Monitoring Division. We have also implemented reforms to modernize foreign exchange markets, including measures to (i) discontinue Russian ruble auctions and instead ensure that all money transfers are transmitted directly to the bank executing the transfer in their respective currency, in order to facilitate market-based decisions by banks, and (ii) develop an improved mechanism for executing government foreign exchange transactions to reflect prevailing market rates.

Completing the Rogun Hydropower Project remains a key national development objective. In 2024, we signed new Rogun-related financing arrangements with the Islamic Development Bank, the Saudi Fund for Development, OPEC and received financing commitments from other Arab Development Funds, including the Kuwait Fund for Development and Abu Dhabi Fund for Development. We remain committed to keeping the overall Rogun financing package on concessional terms to ensure that public debt remains firmly on a downward path. We expect that steadfast program implementation would help catalyze additional development funding for priority social and infrastructure projects to foster sustainable and more inclusive growth.

The Program Statement attached to this letter details the macroeconomic policies and structural reforms that we will implement to achieve the objectives of the IMF-supported program. This includes measures to further strengthen the resilience of our economy under the three pillars of the PCI: (i) improve fiscal resilience, (ii) modernize monetary, exchange rate and financial sector policies, and (iii) promote governance and transparency to foster sustainable and more inclusive growth. Program implementation will continue to be monitored through QTs and RTs, as detailed in the attached Technical Memorandum of Understanding (TMU). QTs and RTs for subsequent reviews are shown in Tables 1 and 2. We request modifications of the December QT on reserve money in line with our updated growth projections and the RT on SOE sectorization in line with recent Fund technical assistance. We also request approval for the proposed June 2025 QTs, and two new RTs focused on streamlining tax and customs preferences and expanding SOE coverage in the 2024 Statement of Fiscal Risks.

The Government believes that the policies set forth in the attached Program Statement (PS) are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. We will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the PS, in accordance with the Fund's policies on such consultation. We remain committed to providing timely information needed to monitor economic developments and program implementation.

In line with our commitment to transparency, we agree to the publication of this Letter of Intent, the attached Program Statement and Technical Memorandum of Understanding, and the IMF staff report on the first review following approval by the IMF Executive Board.

Sincerely yours,

/s/	/s/
Faiziddin Qahhorzoda	Firdavs Tolibzoda
Minister	Chairman
Ministry of Finance of Tajikistan	National Bank of Tajikistan

Attachments: Program Statement
Technical Memorandum of Understanding

Attachment I. Program Statement

1. In February 2024, the IMF Executive Board approved Tajikistan's request for a program under the Policy Coordination Instrument (PCI). This nonfinancial instrument aims to anchor Tajikistan's macroeconomic policies and support the government's reform efforts. The IMF program has garnered broad-based domestic political support and has been received positively by multilateral and bilateral development partners and private investors. The program is expected to continue to catalyze multilateral and bilateral financing for priority social and infrastructure projects.

2. The PCI has helped advance the government's structural reform agenda. We have made progress, with assistance from the IMF, in a number of areas, including the adoption of an updated Medium-Term Revenue Plan for 2024-2026 and Debt Management Strategy, the development of a domestic government securities market, and improvements in the monitoring of state-owned enterprises (SOEs), coverage of targeted social assistance and functioning of foreign exchange markets.

3. This Program Statement sets out our economic program for the remaining period of the PCI. We are fully committed to achieving the remaining reform targets to attain more sustainable and inclusive growth for the benefit of all Tajik citizens. In line with the policy objectives outlined in our Program Statement dated February 9, 2024, the economic program is organized around three pillars: (i) improving fiscal resilience; (ii) modernizing monetary, foreign exchange and financial sector policy frameworks; and (iii) fostering sustainable and more inclusive growth.

I. Recent Economic Developments

4. Growth remains strong, supported by the government's economic reform program and continued momentum in the services, construction and agriculture sectors. Real GDP increased by 8.3 percent in 2023 and 8.4 percent during January-September 2024, marking the fourth consecutive year of growth above 8 percent. Growth remains broad based, with strong momentum in the industry, services and agriculture sectors underpinned by strong domestic demand, including public and private investment as construction of key infrastructure projects moves forward.

5. Inflation has been contained well below the NBT's target range. Inflation pressures eased further in 2024 as lower prices for food imports and a recent appreciation of the somoni helped keep headline inflation below the lower bound of the NBT's target range of 6 (±2) percent. Nevertheless, the NBT has been cautious in easing monetary policy in the context of global uncertainty and robust domestic demand, with the real policy rate declining moderately to 5.4 percent in August from 6.2 percent at end-2023. As a result, twelve-month inflation (y/y) cooled to 3.1 percent in September from 3.8 percent at the end of December, in line with the moderation in international food prices which constitute a large share of the domestic consumption basket.

6. The external position was stronger than anticipated in 2023 and the first half of 2024. Tajikistan recorded a higher-than-expected current account surplus of 4.9 percent in 2023 supported by strong financial inflows. Financial inflows increased further in the first half of 2024, which together with the NBT's monetization of gold purchased from domestic producers, boosted FX reserves to US$ 4.5 billion at the end of August, keeping reserves' import cover above 6 months of imports.

7. Fiscal performance remains anchored within program targets. The overall deficit was 1.3 percent of GDP in 2023 and 0.1 percent of GDP in the first half of 2024, well below the program target of 2.5 percent of GDP. Tajikistan's favorable fiscal performance was underpinned by stable revenue growth amid continued improvements in tax and customs administration, mobilization of investment grants and other reforms. Capital spending, on the other hand, was constrained by temporary delays in Rogun financing awaiting World Bank approval by the end of the year. Tajikistan's commitment to sound macroeconomic policies under the program has contributed to a narrowing of the sovereign spread to 450 basis points in mid-October from close to 1000 basis points at end-2023.

8. The financial sector is stable amid strong growth in monetary and credit aggregates. After contracting in 2023, reserve and broad money returned to double digit growth in 2024 reflecting strong financial inflows and the NBT's purchases of domestic gold output. The monetary expansion, coupled with increased confidence in the banking system in the wake of the ongoing liquidation of two commercial banks, has contributed to strong growth in bank deposits and credit to the private sector. The acceleration in FX inflows since April prompted the NBT to start purchasing excess foreign exchange from banks close to breaching prudential limits on net open FX position. Since August, the NBT has begun to sterilize the FX purchases to reduce upward pressure on reserve money, in line with the program target for December.

II. Outlook and Risks

9. Tajikistan's economic outlook is favorable notwithstanding the challenging external environment. Real GDP growth is expected to reach about 8.3 percent in 2024, supported by public and private investment and financial inflows. Inflation is projected to rise moderately in the second half of 2024 but nevertheless remain below the mid-point of the NBT's target range, reflecting base effects from the stabilization of international oil prices after the declines of 2023. Over the medium term, the structural reforms under the program are expected to lift potential growth by 0.5 percentage points to 4.5 percent and keep inflation anchored within the NBT's target range.

10. Risks to the outlook are tilted to the downside. External geopolitical risks and global trade conflicts weigh on the short-term outlook with regional tensions requiring increased budget outlays for border security. Financial inflows are projected to gradually return toward historical levels after the strong inflows experienced in recent years, but a more pronounced decline, including due to the outlook for migration policies in Russia, would have a negative impact on growth, FX reserve accumulation and budget performance. Tajikistan is also very vulnerable to climate change and large losses from more frequent and intense natural disasters could strain budget resources. On the upside, prompt repayment of the Eurobond over the next few years would increase resilience while a continued increase in gold prices would help build a countercyclical buffer against external shocks.

III. Performance Under The PCI

11. Our program implementation under the PCI is broadly on track. All quantitative targets for end-June 2024 and all standard continuous targets were met, except for the ceilings on gross credit to general government from NBT which was met with a slight delay on July 3 due to technical reasons.[1] The ceiling on accumulation of new arrears by the state-owned electricity company Barki Tojik to the private sector was missed due to insufficient time to finalize reform measures, leading to some receivables not materializing during the first review period and some unexpected and sizable costs for repairs on the two thermal power plants that are needed during the winter months. The payment that was missed (US$14 million) represents only a small fraction of the total amount that was due. Overall, Barki Tojik repaid about two thirds of its new liabilities to the private sector. To ensure that the December RT on Barki Tojik's liabilities is met, we have approved a strategy envisaging the use of budget transfers, including from budget support, to help clear Barki Tojik's cross-debts with other enterprises.

12. All reform targets were broadly met.

- To enhance domestic revenue mobilization, the MOF published a report quantifying revenue losses from tax exemptions and preferential customs duties on the MOF's website. In addition, the government expanded the mandate of the PFM committee to develop a Medium-Term Revenue Plan (MTRP) and oversee its implementation. The government approved an MTRP for 2024-2029, including a time-bound plan of implementation for 2024-2029.

- To develop domestic debt markets, the MOF prepared an updated Debt Management Strategy, including a plan for managing government obligations and developing a domestic government securities market. In 2024, the MOF launched market-based issuance of government securities in line with the amounts specified in Table 1).

- To enhance the functioning of FX markets and encourage greater exchange rate flexibility, the NBT developed an improved mechanism to execute government and other public sector foreign exchange transactions that allows to better reflect prevailing market rates. In addition, the NBT stopped conducting ruble auctions of NPCR transfers and instead started transmitting all transfers in the respective currency to the bank executing the transfer, thus facilitating market-based decisions by banks.[2]

[1] The small delay in making the final payment to the NBT reflected technical delays in executing collateral related to the liquidation of two banks. In order to avoid this recurring in the future, the MOF will ensure a sufficient budget allocation to ensure that the payment is made on time.

[2] "Money transfers" refer to RUB inward remittances without opening a bank account.

- To strengthen governance and transparency of state-owned enterprises (SOEs), the MOF brought all companies with a minimum of 20 percent state ownership under the monitoring mechanism of the SOEMD and ensured that they provide detailed monthly expense reports.

IV. Policies Under the PCI

13. Our program aims to maintain macroeconomic stability and strengthen policy frameworks while advancing governance reforms to foster more inclusive growth. Risks of spillovers from regional geopolitical tensions remain elevated while fiscal space is constrained by the need to balance sizeable Rogun expenditures with significant socio-economic needs. Reform priorities under the PCI are organized around three main pillars: (i) strengthening fiscal resilience to create space for priority social and development spending; (ii) modernizing the monetary, exchange rate and financial sector policy frameworks; and (iii) advancing governance and transparency reforms to achieve more sustainable and inclusive growth. Program implementation is monitored through a combination of quantitative targets (QTs) and reform targets (RTs).

A. Pillar I. Improving Fiscal Resilience

14. We remain committed to steadfast implementation of the program's fiscal QTs to anchor medium-term debt sustainability. We will continue to pursue prudent fiscal policy anchored in QTs on the overall fiscal balance and external disbursements as well as continuous ceilings on the nominal value of non-concessional external borrowing, external government arrears, and Barki Tojik's overdue financial obligations toward the private sector. Importantly, we will aim to maintain an annual fiscal deficit within the program target of 2.5 percent of GDP, keeping internal Rogun expenditures within a sustainable budget envelope, with an annual limit of 3-3.5 percent of GDP, and developing contingency plans to safeguard against downside risks to revenue. We will refrain from contracting non-concessional debt, except for loans related to the Rogun HPP in consultation with the IMF, which will remain within the program ceiling and only if alternative concessional financing is not available.

15. Continued fiscal discipline is key to keeping public debt firmly on a downward path. Tajikistan's debt is sustainable despite upcoming Eurobond repayments falling due during 2025-2027. To reduce debt vulnerabilities, we have kept the fiscal deficit well below our medium-term anchor of 2.5 percent of GDP in the post-COVID period. Fiscal discipline, coupled with strong GDP growth and sizeable repayment of external debt, helped bring the public debt-to-GDP ratio to 30.9 percent in 2023 from close to 52 percent at the end of 2020. In the first half of 2024, external disbursements amounted to US$76 million, significantly below the program ceiling of US$510 million. New Rogun loans were signed in 2024 with the Islamic Development Bank (US$150 million) and the Saudi Fund for Development (US$100 million) (Table 1). To promote transparency, we will report the amount of contracted non-concessional Rogun-related loans as a memorandum item to the Table on Quantitative Targets (Table 1).

16. We plan to use the policy space created under the program to enhance social protection of the most vulnerable to foster inclusive growth. The government has adopted a new means testing formula, developed with World Bank support, to expand coverage of the poorest decile of the population from 38 to 63 percent. The formula has helped improve the targeting of eligible households and enhanced the quality of social assistance. We plan to further increase budget allocations for targeted social assistance in line with the floor agreed under the program (Table 1). To facilitate implementation, we will expand the social registry and integrate related information technology (IT) systems to better capture information on eligible applicants.

17. Tax policy will focus on improving revenue mobilization to increase space for priority social and development spending. We have prepared an updated MTRP for 2024-2026 and a timebound action plan that aim to raise total revenue, excluding grants, to 26 percent of GDP by 2026 through a combination of tax policy and tax administration measures (RT for the 1st Review). To anchor improved revenue mobilization, we are laying the groundwork for a comprehensive tax reform that aims to broaden the tax base by phasing out inefficient tax exemptions and refraining from granting new inefficient tax exemptions, except for the exemptions outlined in existing legislation. As a next step, we intend to analyze the fiscal cost of tax exemptions and preferential customs duties and develop a concrete and timebound action plan to streamline inefficient tax exemptions and customs preferences in 2025 and over the medium term based on upcoming technical assistance from the IMF (proposed RT for the 2nd Review).

18. Continued tax administration reforms will reinforce tax policy measures. In line with recent Fund TA, we plan to introduce a targeted instalment scheme to clear collectible tax arrears and strengthen compliance risks management for large taxpayers and other at-risk taxpayer groups. To reduce the footprint of the cash-based economy, we have advanced digitalization, transitioning all government services to electronic payments and launching a large-scale roll-out of new generation cash registers and electronic labeling of excisable goods which have helped increase tax collection rates. Further tax administration reforms will be guided by the recently approved five-year IMF capacity development (CD) project covering tax policy, tax administration and customs and supported by a Fund resident advisor to the Tax Committee starting from next fiscal year. Under the CD project a tax administration assessment using the Tax Administration Diagnostic Assessment Tool (TADAT) methodology will be undertaken, with IMF support, to measure the progress in tax administration since the previous TADAT assessment (December 2019), set up new baseline, and further inform the reform priorities for the MTRP implementation.

19. We plan to rationalize capital expenditures in line with the 2023 PIMA recommendations. While the 2023 PIMA found Tajikistan's public investment management framework to be overall sound, it also identified some critical gaps in project appraisal and selection of internally financed projects. The additional C-PIMA module also stressed the need to integrate climate projects in an overarching institutional framework. We are committed to swift implementation of the PIMA recommendations to improve capital spending efficiency and align externally- and internally funded projects, including climate projects, in a single, comprehensive framework for project oversight and management with clear and enforceable appraisal guidelines.

20. Deepening the domestic debt market is key to improving budget flexibility and diversifying sources of financing. Developing a well-functioning local government securities market is key to improving budget flexibility while diversifying sources of financing to reduce reliance on external FX-denominated debt. In this context, we have completed legislative changes to pave the way for gradually increasing the stock of marketable domestic debt. In line with our updated Debt Management Strategy (DSM) (RT for the 1st Review), we have launched issuance of government securities at market rates in accordance with the schedule in Table 1 (RT for the 1st Review). To support DSM implementation, we have developed a plan to manage government obligations, including upcoming repayments of the 2017 Eurobond (US$500 million) during 2025-2027, which will be financed through a combination of budgetary resources, drawdowns of government deposits, and issuance of new domestic debt.

21. Improving the financial position of the state-owned electricity company Barki Tojik (BT) is critical to addressing SOE-related fiscal risks. We have used the incremental revenue from the 2023 increase in tariffs to slow growth in BT's arrears to the private sector (Table 1). We will continue to execute our plan of gradual tariff adjustments to bring electricity tariffs to cost recovery by 2027 in line with our commitments under the World Bank Power Utility Financial Recovery Program. We plan to complete another 15-percent tariff adjustment by end-2024 while taking steps to mitigate the impact on the most vulnerable to higher energy prices. Meanwhile, we have increased the overall collection rate of the electricity distribution company (STB) to 89.1 percent during January-August 2024 from 78 percent for the first half of 2023 (Table 1). We will aim to make further progress in reducing collection losses, especially at large SOEs. In this context, we plan to continue to closely monitor the STB's collection rates, both overall and for SOEs, which are included as memorandum items to Table 1.

22. The MOF will continue to improve fiscal reporting. The MOF has been building capacity to prepare and publish quarterly fiscal statistics for 2022 and 2023 in line with GFSM2014 (RT for the 2nd Review) and has already compiled preliminary quarterly data with support from Fund TA. Given the importance of transparent disclosure of mining revenues and electricity sector losses, we will identify and report separately mining revenues and transfers to the SOE sector.

23. We will continue to enhance SOE monitoring in line with program objectives. Our new Fiscal Risk Management Strategy, drafted with Fund support, provides a roadmap to strengthen monitoring of SOEs and align their reporting and auditing practices with IFRS requirements. We remain committed to regular preparation, presentation to parliament and publication of SOEs' Fiscal Risk Statements and intend to publish the 2023 Fiscal Risk Statement. Under the program, all companies with a minimum of 20 percent state ownership have been brought into the list of SOEs monitored by the MOF (RT for 1st Review) and started providing monthly expense reports to the SOE Monitoring Division (SOEMD). In line with our commitment to fiscal transparency, we will incorporate them in the 2024 Statement of Fiscal Risks (new RT for the 3rd Review).[3]

[3] We were not able to include the updated list of SOEs in the 2023 Financial Risk Statement as envisaged initially under the program because the statement had to be finalized before the target's deadline to supplement the 2023 budget execution report.

24. To further improve fiscal transparency, **we plan to publish an updated list of SOEs and joint stock companies with state shareholding of at least 10 percent**. The list will specify sector and legal basis and support completion of a sectorization exercise to distinguish SOEs that are part of public sector from those that are general government entities. Given our capacity constraints and to ensure sufficient time for additional technical support from the IMF, we request to modify the scope of the sectorization exercise to cover the 27 largest SOEs and the RT's date to June 2025 in line with recent Fund TA recommendations (RT for the 3rd Review). In addition, with assistance from a recent Fund TA, we will prepare a report assessing the financial viability of OJSC Tajik Air and develop a timebound action plan for addressing its financial losses (RT for the 3rd Review). In this context, we intend to engage professional auditors to assess Tajik Air's net worth and realizable value of assets and liabilities and prepare a timebound action plan for the company's restructuring or liquidation, with assistance from sector experts.

B. Pillar II. Modernizing Monetary, Exchange Rate and Financial Policy Frameworks

25. Monetary policy will aim to keep inflation firmly anchored within the NBT's target range. We have been cautious in easing monetary conditions, despite reduced inflation pressures, to safeguard against upside risks from geopolitical tensions and rapid credit growth. In 2024, we lowered the policy rate by a total of 100 basis points to 9 percent in August, in line with subdued inflation, but the real policy rate has remained relatively high, above 5 percent.[4] Our monetary policy will remain data driven to ensure that inflation pressures are well-contained and there is sufficient policy space to respond to shocks. While a more accommodative policy stance would be appropriate if inflation remains consistently below the lower bound of the NBT's target range of 6 (±2) percent, caution is warranted in the context of continued strong credit growth and domestic demand.

26. In line with our commitment to price stability, we will anchor monetary policy in the QTs agreed under the PCI. Monetary policy under the program aims to maintain inflation within the NBT's target range of 6 (±2) percent through quantitative ceilings on growth in reserve money and the stock of gross NBT credit to the government. The latter will ensure a gradual reduction in outstanding government obligations towards the NBT. We will also continue to refrain from monetary financing of the fiscal deficit, in line with the amendments to the NBT Law approved earlier this year as a prior action. In addition, we intend to use open market operations and the NBT's standing facilities as needed to mop up excess liquidity and sterilize FX inflows, in line with the program target on reserve money. The quantitative target floor on net international reserves will support the quantitative reserve money ceiling and serve as our policy commitment to maintain adequate external buffers in the volatile external environment.

27. The NBT will continue to build capacity to gradually transition to an inflation targeting framework. To strengthen monetary policy transmission, the NBT has laid the groundwork needed

[4] The real policy rate estimate is based on end-period twelve month realized inflation (y/y).

to implement banks' required reserves averaging mechanism recommended by Fund TA. To finalize the mechanism of averaging required reserves, the NBT is conducting pilot studies with three credit institutions based on the proposed corrections. Currently, the mechanism is in the second stage of implementation. In parallel, work is also underway to introduce additions and changes to the regulatory framework in accordance with current regulatory requirements. We plan to adopt amendments to the active NBT instruction #244 "On required reserves of credit institutions" to introduce the reserve averaging mechanism (RT for the 3rd Review) while continuing to streamline open market operations linked to the policy rate and improve the effectiveness of standing facilities in line with recent Fund TA. This also involves checking compliance with regulations and standards established by the National Bank of Tajikistan. Work is also being carried out to automate the process of averaging required reserves and simplify monitoring to reduce operational risks.

28. We intend to broaden the use of the exchange rate as a buffer against external shocks. Large FX inflows into the banking system have boosted money supply growth and contributed to the somoni's appreciation against the US dollar.[5] In this context, the NBT has resorted to FX purchases from banks close to breaching prudential FX limits amounting to US$660 million at end-August. Meanwhile, the NBT has launched liquidity absorbing operations to sterilize the impact of FX purchases on the money supply. Although the June QT on reserve money was met, continued exchange rate flexibility is essential to cushion the impact of FX inflows on the money supply and reduce sterilization pressures.

29. Modernizing the foreign exchange market remains critical to improving monetary policy transmission. The NBT implemented all measures to improve the functioning of FX market as scheduled so far under the PCI: (i) discontinued in March Russian ruble auctions of NPCR transfers and began transmitting all such transfers in the respective currency to banks executing the transfers (RT for the 1st Review)[6], (ii) developed in May an improved mechanism for executing public sector FX transactions including to better reflect prevailing market rates (RT for the 1st Review). We will provide the country team with all the information and data needed under the new MCP policy.

30. We will continue modernizing FX markets in line with Fund TA and forthcoming measures under the PCI program. To further advance FX market reforms, we intend to move to greater exchange rate flexibility and introduce price-based auctions for FX interventions (RT for the 2nd Review). In addition, we plan to (i) make FX quotes by FX market segments available to the public in continuous time; (ii) update the NBT Instruction #228 "On the procedure for determining and declaring the official ER of the national currency to foreign currencies" related to the activity of the Foreign Exchange Group to explicitly limit any corrections to the official exchange rate to exceptional circumstances; and require any corrections with justification to be published in the publicly available record of group meetings; and (iii) strengthen the responsibilities of FX market participants to execute transactions for their clients in the FX market. The NBT will issue a corresponding circular (order) to require banks to enter the interbank market to execute a client

[5] The somoni's appreciation against the US dollar since the beginning of the year is estimated at about 2.5 percent.

[6] "Money transfers" refer to RUB inward remittances without opening a bank account.

transaction if the bank is unable to execute the transaction with its own position, and explicitly inform the client of the result and the existence of the NBT website that provides the internet link to the market quotes.

31. Supervisory vigilance is key to increasing the financial system's resilience to shocks. In line with our commitments under the PCI and the 2023 FSSR, we will continue to enhance risk-based supervision in line with Basel III standards to ensure that banks maintain adequate buffers against potential risks from rapid credit growth and volatile financial inflows. To improve risk monitoring, we are building capacity to implement forward-looking stress tests, starting with liquidity stress tests, with support from World Bank TA (RT for the 3rd Review). To mitigate risks from exposures to related parties, we are working on issuing an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process (RT for the 3rd Review). In addition, the NBT continues to facilitate the timely and transparent final resolution of AIB and TSB banks in line with the recommendations in the 2022 IMF Article IV report.

32. We will continue to refine our macroprudential toolkit to reinforce supervisory policies. Robust growth of credit to the private sector continued during 2024. We are closely monitoring banks' credit quality, especially loans in foreign currency and large exposures to ensure that banks maintain prudent lending standards and adequate capital and liquidity buffers. To preemptively address potential risks from rapid credit growth, we also intend to develop, with support from the recently appointed IMF long-term resident advisor and with technical assistance from the IMF under the FSSR as needed, a plan for phasing in a countercyclical capital buffer and macroprudential limits on the leverage assumed by banks and their clients (debt service-to-income (DSTI), loan-to-value (LTV) and credit to stable funding ratio (CSFR)) (RT for the 3rd Review).

C. Pillar III. Enhancing Governance and Transparency

33. We have launched broad-based governance and transparency reforms to support sustainable and inclusive growth in line with the National Development Strategy. The ultimate objective of our National Development Strategy for the period up to 2030 is to raise the standards of living of the population through sustainable economic development. Key priorities under the strategy include (i) education; (ii) health care; (iii) employment; (iv) inequality; (v) combating corruption; (vi) food security and nutrition; (vii) good governance; (viii) social welfare; (ix) prevention of potential conflicts; (x) energy security, environmental protection and management of demographic processes. To fulfil our development objectives, we are pressing ahead with reforms in key areas, including SOE monitoring and governance, AML-CFT standards, control of corruption and transparency of the extractive sector, financial inclusion, and resilience to climate change.

34. Strengthening governance is a key element of our SOE strategy. We have amended the SOE Law to ensure that all SOEs establish supervisory boards of directors to improve corporate governance. We will ensure that the 27 largest SOEs enact regulations that ensure all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and set out rules for determining their remunerations and evaluating their performance. Following such regulations, we will establish clear and competitive criteria for supervisory boards in the 27 largest SOEs (RT for the 2nd Review). As part of our engagement with the World Bank on the Rogun HPP, we have also conducted a review of procurement on the existing contracts for work already in progress and introduced measures to ensure compliance with international best practices going forward.

35. We are committed to swift implementation of the new AML-CFT framework. A new AML/CFT Law, drafted with Fund TA support and enacted in March 2023 has brought the AML-CFT framework in line with international best practices. Next, we plan to align the Law on State Registration of legal persons with the new requirements of the AML/CFT international standards (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions (RT for the 2nd Review). In this context, we will welcome technical assistance from the IMF.

36. Strengthening control of corruption is key to fostering a more growth-friendly business environment. Our National Anticorruption Strategy for 2021-2030 focuses on eradicating corruption across a number of areas, including public service, education and healthcare, taxes and customs, and public procurement. For the first phase of the strategy (2021-2025), we have developed an action plan with 22 actions, of which 14 actions have been completed and the remaining 8 actions will be completed by the end of 2024 and have published annual progress reports. We also plan to amend the legal provisions of the asset declaration (AD) regime, with forthcoming technical assistance from the IMF, to ensure that: (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials (RT for the 3rd Review). In addition, we intend to amend the penal code as needed to criminalize corruption consistent with Chapter III of the United Nations Convention Against Corruption.

37. We will continue to improve governance and transparency in the extractive sector in line with international best practices. The EITI second validation process noted that Tajikistan achieved meaningful progress in implementing the EITI Standard 2016, including development of an online mining cadaster, systematic disclosure of data about the extractive sector, and improvements in the dialogue between different stakeholders including civil society. The publication of the 4th National EITI report on Tajikistan for 2019-2021 has helped reinstate our EITI membership. Following the publication, a third validation process is ongoing and expected to be completed by the end of 2024 to assess Tajikistan's compliance with EITI standards. Meanwhile, we have made progress in implementing the 11 corrective actions recommended by the second validation process.

38. Deepening financial inclusion is central to our efforts to support private sector development and foster inclusive growth. We continue to advance the financial reforms envisaged under the National Financial Inclusion Strategy for 2022-2026 to remove barriers to accessing financial products and broaden the availability of financial services. Our key priorities are to strengthen digital infrastructure, diversify the financial services offered by banks, support innovative financial solutions that address the needs of small and medium-sized enterprises, including female-led businesses and improve financial literacy. As a first step, we have established the Coordination Council, Executive Committee and working groups on various aspects of the strategy. We will continue to bolster public trust in the financial system to support gains in financial intermediation through enhanced banking supervision, macroprudential oversight and financial safety nets.

39. Building resilience to climate change is a key priority of our National Development Strategy. Our Green Development Strategy for 2023-2037 is aimed at reducing Tajikistan's carbon footprint and expanding the green economy to promote domestic job creation and foster sustainable and inclusive growth. We plan to continue to develop Tajikistan's ample renewable energy potential to support the environmental sustainability of our industrial development strategy. We are also advancing our reform agenda under the National Strategy for Adaptation to Climate Change for 2020-2030 to strengthen the resilience of the economy to climate change and ensure adequate social protection of populations in disaster-prone areas.

V. Program Monitoring

40. The program will be monitored through a combination of quantitative and reform targets. Quantitative targets are set on the general government overall fiscal deficit and targeted social assistance, external loan disbursements, NBT's net international reserves and gross credit to general government and reserve money (Table 1). Continuous targets will set ceilings on new general government external payment arrears, new non-concessional external debt and on Barki Tojik's new arrears to the private sector. Definitions of key concepts and indicators, and reporting requirements, are detailed in the accompanying TMU. Table 2 shows the reform targets for the three reviews and their status of implementation. Completion of the quantitative targets is assessed at each test date (Tables 1 and 3) and implementation of reform targets is evaluated as of the dates specified in Table 2 at each forthcoming review.

Table 1. Tajikistan: Quantitative Targets Under the PCI, 2024-2025
(In millions of TJS somoni unless otherwise indicated)

	end-Jun 2024			end-Dec 2024	end-Jun 2025
	Prog.	Actual	Status	Prog.	Prog.
I. Quantitative targets (QT)					
1. Floor on NBT stock of net international reserves (USD mn) 1/	2500	3361	Met	2700	3000
2. Ceiling on gross credit to general government from NBT	4021	4028	Not met 6/	3808	3595
3. Ceiling on the stock of reserve money	41000	40500	Met	46500	52000
4. Ceiling on general government overall fiscal deficit 2/	2400	185	Met	3655	2790
5. Floor on general government expenditure on targeted social assistance 2/	122	122	Met	244	144
6. Ceiling on the disbursements of external debt (USD mn) 2/ 3/	510	76	Met	510	650
II. Continuous targets 2/					
7. Ceiling on increase in external general government arrears	0	0	Met	0	0
8. Ceiling on new non-concessional external debt contracted or guaranteed by the central government (USD mn) 4/	0	60	Met	0	0
9. Ceiling on Barki Tojik's new arrears to the private sector	550	712	Not met	550	500
III. Memorandum items					
Issuance of domestic debt at positive real rates	100	280		300	300
Collection rate of electricity distribution company (STB), overall (in percent)		89.1 7/			
Collection rate of electricity distribution company (STB), SOEs (in percent)		[…]			
Overall fiscal and quasi-fiscal deficit (including BT arrears)	2950	897			
Non-concessional borrowing exception on newly contracted external Rogun-related loans (USD mn)	1800	0		1800	2120
IV. Standard continuous targets					
Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.					
Not to introduce or modify multiple currency practices.					
Not to conclude bilateral payment agreements which are inconsistent with Article VIII.					
Not to impose or intensify import restrictions for balance of payment reasons.					
Program exchange rate (TJS/US dollar) 5/	10.95			10.95	10.95
Program gold price per ounce (US dollars) 5/	2029			2029	2029

1/ Net international reserves exclude FX liabilities to non-residents, IMF, the government and commerical banks.
2/ Cumulative, from the beginning of the year.
3/ Given the country's capacity constraints related to the recording and calculations of grant elements and present values of external debt, these figures are being presented and monitored in nominal terms and are inclusive of all disbursements of debt contracted for Rogun HPP. Planned Fund TA will aim to improve the recording and reporting of public debt.
4/ A zero NCB limit with exceptions applying exclusively to new non-concessional debt contracted for the Rogun HPP, which is capped at US$1800mn for June and Dec. 2024 and US$ 2120 for June 2025 (cumulative since the start of the program). This figure is the full non-concessional loan amount to be disbursed in installments during the project implementation. This amount is based on the latest World Bank assumptions.
5/ Closing price as of January 23, 2024 according to Bloomberg which will be fixed throughout the program period.
6/ The QT on repayment of outstanding debt to NBT was missed by a small amount (7 million somoni) at the end of June, but was met on July 4th.
7/ For January-August 2024.

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025

Policy Objective	Reform Target	Date	Responsibility	Status
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT	Met
A. Fiscal sector				
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives.	end-September 2024	MOF	Met
2. Enhance domestic revenue mobilization	Expand the mandate of the PFM committee to include developing a Medium-Term Revenue Program (MTRP) and overseeing implementation.	end-March 2024	MOF	Met
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF	Met
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with *GFSM2014*, including a breakdown of mining-related revenues and transfers to SOEs.	end-November 2024	MOF	2nd Review
5. Development of domestic debt market	Prepare an updated Debt Management Strategy for the period 2024-2026, including a plan for expanding domestic issuance and managing government obligations.	end-May 2024	MOF	Met
6. Development of domestic debt market	Begin market-based issuance of government securities at positive real rates (according to amounts specified in Table on Quantitative Targets).	end-June 2024	MOF	Met
**Enhance domestic revenue mobilization*	*Prepare and adopt a medium-term time-bound action plan to streamline tax exemptions and customs preferences beginning in 2025 based on tax expenditure analysis conducted with support from Fund TA.*	*end-March 2025*	*MOF*	*New target proposed for the 2nd Review*
B. Monetary sector				
7. Strengthen monetary policy transmission	Adopt amendments to the active NBT instruction #244 "On required reserves of credit institutions" to introduce the required reserve averaging mechanism in line with Fund TA recommendations.	end-May 2025	NBT	3rd Review

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

8. Improve the functioning of the FX market and enhance exchange rate flexibility	Develop improved mechanism to execute government and other public sector foreign exchange transactions to better reflect prevailing market rates. This mechanism will ensure that transactions are carried out at the valid official rate during the same day or at the prevailing market rate, with the intention of transactions being carried out in the first half of the business day. In the event when a transaction request at an official rate violates the one-day delay limitation, the applicable official rate will be the official rate that is valid on the day the transaction is executed.	end-May 2024	NBT	Met
9. Improve the functioning of the FX market and enhance exchange rate flexibility	Introduce price–based auctions for NBT FX interventions. To limit incentives for excessive overbidding or underbidding, the sales price of the auction will be calculated as follows: the price for those bids below a weighted average price of the bids will be a weighted average price of all bids; the price of those bids above weighted average price of all bids will be actual price of the bid.	end-December 2024	NBT	2nd Review
10. Improve the functioning of the FX market and enhance exchange rate flexibility	Stop conducting ruble auctions of NPCR transfers and instead transmit all the amounts of the transfer in the respective currency to the bank executing the transfer.	end-April 2024	NBT	Met
C. Financial sector				
11. Improve governance and transparency	Issue an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process.	end-April 2025	NBT	3rd Review
12. Strengthen macroprudential oversight	Approve a plan for phasing in new macroprudential tools (including debt service to income (DSTI), loan to value (LTV) and credit to stable funding (CSFR) ratios) and countercyclical capital buffer (CCB) based on 2022 FSSR.	end-June 2025	NBT	3rd Review
13. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests.	end-June 2025	NBT	3rd Review

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

D. Structural				
14. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in: (i) the list of SOEs monitored by the Ministry of Finance; and (ii) the 2023 Statement of Fiscal Risks. Require SOEs monitored by the MOF to provide detailed expense reports to the SOEMD monthly.	end-April 2024	MOF	Met
15. Improve governance and transparency of SOEs	Complete a report assessing the financial viability of OJSC Tajik Air based on Fund TA and providing a timebound action plan for addressing its financial losses.	end-May 2025	MOF/Civil Aviation Agency	3rd Review
16. Improve governance and transparency of SOEs	Publish an updated list of SOE and joint stock companies with state shareholding of at least 10 percent, specifying sector and legal basis; and complete a sectorization exercise for the 27 large SOEs monitored by the SOEMD to distinguish SOEs that are part of public sector from those that are general government entities.	end-June 2025	MOF/State Committee on Investment and State Property Management	3rd Review
17. Improve governance and transparency of SOEs	Based on the revised SOE Law and following international standards and best practice, enact regulations that ensure all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and set out rules for determining their remunerations and evaluating their performance, and establish supervisory boards in the 27 large SOEs currently monitored by the SOEMD in line with those procedures.	end-December 2024	MOF	2nd Review
**Improve governance and transparency of SOEs*	*Include all companies with a minimum of 20 percent state ownership in the 2024 Statement of Fiscal Risks.*	*end-May 2025*	*MOF*	*New target proposed for 3rd Review*

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Concluded)

18. Anti-corruption	Enact legislation strengthening the asset declaration regime to ensure that (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials.	end-June 2025	MOF/Civil Service Agency	3rd Review
19. Transparency of beneficial ownership information	Amend the Law on State Registration of Legal Persons to align with the definition of beneficial ownership in the new requirements of the AML/CFT international standard (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions.	end-December 2024	MOF/Tax Committee	2nd Review

Table 3. Tajikistan: Schedule of Reviews Under the Policy Coordination Instrument, 2024-2025

Program Review	Test date	Review date
Board discussion of PCI request		February 2024
First Review	June 30, 2024	September 30, 2024
Second Review	December 31, 2024	March 31, 2025
Third Review	June 30, 2025	September 30, 2025

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the quantitative targets, the continuous targets, the memorandum items, and the standard continuous targets discussed in the Program Statement that will be used to assess performance in the framework of Tajikistan's program under the Policy Coordination Instrument (PCI) adopted on February 28, 2024 and covering the period from February 2024 to December 2025[1]. The TMU also describes the program's data reporting requirements, defines the program exchange rates, and program terms and concepts.

2. Semi-annual program reviews will assess the observance of program targets on the specified dates and on an ongoing basis. Specifically, three reviews will evaluate the quantitative targets at each test date (end-June 2024, end-December 2024, and end-June 2025).

Conditionality

3. Quantitative targets to be monitored over the course of the program are provided in Table 1 of the Program Statement attached to the Letter of Intent. The reform targets for the three reviews are detailed in Table 2 of the Program Statement.

Definitions

4. **Public sector:** Unless otherwise indicated, the public sector refers to general government and public nonfinancial corporations. General government includes the central government and state and local governments. Central government is defined as in the 2014 Government Finance Statistics Manual (GFSM, 2014), comprised of the budgetary central government, the extra-budgetary central government and the social security fund.

5. **External sector:** For purposes of this TMU, "external "and "external sector" are defined respectively as the non-resident and non-resident sector.

6. **A State-Owned Enterprise (SOE)** is a commercial or industrial unit fully or partially owned by the central government or its bodies that sells goods and services to the public.

QUANTITATIVE TARGETS

7. **The quantitative targets** provided in the list below are specified in Table 1 of the Program Statement. Unless otherwise indicated, all quantitative targets defined on a flow basis will be evaluated cumulatively from the beginning of each calendar year until the relevant test date specified in Table 3 of the Program Statement. All quantitative targets defined on a stock basis will be assessed based on the levels as of the test dates.

[1] The terms of the program are subject to updates in subsequent reviews. If the terms of the program need to be updated, the new terms will be discussed with authorities to reach an agreement.

8. For program purposes, the applicable exchange rates and gold price will be those in the IMF rates database and Bloomberg, respectively, as of January 23, 2024 (See Table 1 for major currencies).

Table 1. Tajikistan: Program Exchange Rates and Gold Price (from January 23, 2024)

Currency	USD per Currency Unit, unless otherwise indicated
Euro	1.087
Chinese Yuan (per USD)	7.171
British Pound	1.271
Japanese Yen (per USD)	148.1
Swiss Franc	0.865
Tajik Somoni (per USD)	10.95
SDR	1.331
Gold price/ounce (in USD)	2,029

9. Floor on NBT stock of net international reserves (USD mn)

- ***Definition:*** Program Net international reserves (NIR) of the NBT are defined as its reserve assets (gross international reserves) minus its reserve liabilities. In terms of breakdown, the NBT's reserve assets, as defined in the IMF BOP Manual (6th edition) include: (i) monetary gold; (ii) holdings of SDRs; (iii) the reserve position at the IMF; (iv) all holdings of foreign exchange; and (v) other liquid and marketable assets readily available to the monetary authority. The reserve liabilities include (i) short-term foreign currency liabilities to non-residents, (ii) outstanding IMF purchases and loans, (iii) liabilities to residents in foreign currency (banks and the central government). The template for the calculation of the program NIR is displayed in Table 2. Program NIR are monitored in USD, and for program monitoring purposes, assets and liabilities in currencies other than USD dollars will be converted into dollar equivalent values using the program exchange rates as displayed in Table 1. Monetary gold will be valued in USD at the exchange rates and gold prices prevailing on the start date of the program (Table 1).

- ***Information Requirements:*** The NBT will report to IMF staff monthly data on international reserve assets and liabilities. The NBT will also provide a quarterly cash flow table to account for the change in international reserves, according to the template provided by the Fund. NIR for each test date under the program should be verified and provided by the NBT's Internal Audit Department. Monthly data reporting should be completed within two weeks after the end of the month and provided by the NBT's International Reserves Management and Exchange Rate Policy Department.

Table 2. Tajikistan: Net International Reserves (US dollars, millions)

	Jun-24	Dec-24	Jun-25
Reserve Assets			
Monetary gold			
SDR holdings			
Reserve position at the IMF			
Holdings of foreign exchange			
Other liquid and marketable assets			
Reserve liabilities			
Short-term FX liabilities to non-residents			
Outstanding IMF purchases and Loans			
Liabilities to residents in FX			
Liabilities to banks in FX			
Required reserves and clearing balances			
Other liabilities to banks in FX			
Liabilities to central government in FX			

Note: Liabilities to central government in FX should exclude any unused balances on IMF purchases and loans.

10. Ceiling on gross credit to general government from NBT

- ***Definition:*** Gross outstanding credit (claims) to general government is defined as the NBT's holdings of government securities plus NBT's loans to the general government. It is different from net credit to general government which deducts from the claims the central bank's liabilities to general government (such as deposits of the general government at the NBT).

- ***Information requirements:*** The NBT will report to the IMF staff monthly data on NBT's claims on general government as part of the central bank balance sheet. The monthly data should be provided within two weeks after the end of the month.

11. Ceiling on the stock of reserve money

- ***Definition:*** Reserve money is defined in the monetary statistics reported to the IMF. It includes domestic currency in circulation and total deposits of depository corporations at the central bank (including reserves and other deposits) in both domestic and foreign currency. Reserve money in foreign currency will be converted to domestic currency using the program exchange rates in Table 1.

- ***Information requirements:*** Monthly data will be reported by the NBT to IMF staff as part of the central bank's balance sheet within two weeks of the end of each month.

12. Ceiling on general government overall fiscal deficit

- ***Definition:*** Under the program, the general government fiscal deficit is defined as the general government's cumulative overall fiscal balance from the beginning of the year: the overall revenues, including tax revenue and grants minus overall expenditures, including current and capital expenditures. Current expenditures include interest payments and capital expenditures include Rogun spending.

- ***Information requirements:*** The MoF will report monthly data on revenues, expenditures, and the overall fiscal balance of the general government. The data will be provided within five weeks after the end of the month.

13. Floor on general government expenditure on targeted social assistance *Definition*: Targeted social assistance benefits are defined as social assistance benefits dedicated to the poorest and vulnerable part of the population as per the national legislation and definitions. Social assistance benefits follow the GFSM 2014 classification. They will be defined as the *Social Benefits and Social Assistance* subcomponent of the *Transfers to Households* account of the central government yearly budget.

The floor of public expenditures on targeted social assistance will be equated to the quantitative target indicator in accordance with Table 1 of the program statement. However, considering that the new mechanism for providing targeted social assistance from July 1st 2023 provides for payments based on the number of children in family and the annual indexation of payments for targeted social assistance, and the possibilities of the existing system for providing targeted social assistance, during program monitoring the target indicator will be considered to be the actual paid targeted social assistance.

- ***Information requirements:*** The MoF/Ministry of Health and Social Protection will prepare and share with the IMF staff quarterly data on the Social Benefits and Social Assistance account and its components. The data will be provided within five weeks after the end of the quarter.

14. Ceiling on the disbursements of external debt (USD mn)

- ***Definition:*** This ceiling applies to disbursements on concessional and non-concessional external debt contracted or guaranteed by the general government. This target does not apply to rescheduling agreements. This target is monitored in USD, external disbursements in currencies other than USD will be converted to USD using the program exchange rates detailed in Table 1.

- ***Information requirements:*** The MoF will report quarterly to the IMF staff any new external disbursements and their respective terms, including amount, maturity, and interest rate within five weeks of the disbursement.

CONTINUOUS TARGETS

15. Continuous targets are applied on an ongoing basis over the program's duration. The continuous targets under the program are defined below.

16. Ceiling on increase in external general government arrears

- ***Definition:*** External general government arrears are defined as external debt payments due but not paid by the general government to all its external lenders after a 90-day grace period. The program target requires no new external arrears be accumulated under the program.

- ***Information requirements:*** The MoF will report to the IMF staff quarterly data on general government external arrears, with detailed characteristics, within five weeks after the end of each quarter.

17. Ceiling on new non-concessional external debt contracted or guaranteed by the general government (USD mn)

- ***Definition:*** New non-concessional external debt is defined as new external debt with a grant element lower than 35 percent. The grant element is calculated as the difference between the loan's nominal value (face value) and the sum of the discounted future debt-service payments (present value), expressed as a percentage of the loan's face value, converted at the program exchange rate. The discount rate to be used to calculate the loan's present value is 5 percent per annum, in line with the IMF-World Bank Guidance Note on Debt Sustainability Analysis in Low Income Countries. The program target establishes a zero limit on new non-concessional external debt contracted or guaranteed by the general government with exceptions applying to new non-concessional external debt contracted or guaranteed by the general government for the Rogun HPP which are subject to a continuous cumulative non-zero ceiling specified in the Program Statement (Table 1). In the situation where a borrowing contracted by a public entity such as a State-Owned-Enterprise on non-concessional terms is guaranteed by the general government, the amount that is guaranteed will be considered as a new non-concessional external debt under this target.

- ***Information requirements:*** The MoF will provide to the IMF staff a quarterly report on government external borrowing and guaranteed borrowing, with detailed information on interest rates, currency, and maturity, within five weeks after the end of the quarter.

18. Ceiling on Barki Tojik’s new arrears to the private sector

- ***Definition:*** The arrears of Barki Tojik to the private sector include all its financial liabilities to independent energy producers, financial institutions, and other suppliers and creditors of the private sector that have not been paid after a 90-day grace period as of the start date of the program. The program terms require that no new arrears to the private sector be recorded over the program period.

- ***Information requirements:*** During the program duration, the MoF, the Ministry of Energy and Water Resources, Barki Tojik, Shabakahoi taqsimoti barq (the Electricity Distribution Company) will provide quarterly information on Barki Tojik’s financial obligations as part of its balance sheet and a table on the evolution of Barki Tojik’s arrears. The data should be transmitted within five weeks after the end of the quarter.

STANDARD CONTINUOUS TARGETS

19. In addition to the quantitative targets and continuous targets defined above, as for any Fund arrangements, the program implementation will be monitored through (nonquantitative) standard continuous targets which will be applied on a continuous basis during the duration of the program. The targets specifically require (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) not to introduce or modify multiple currency practices; (iii) not to conclude bilateral payments agreements that are inconsistent with Article VIII; and (iv) not to impose or intensify import restrictions for balance of payments reasons. The introduction of an improved mechanism for executing public sector FX transactions including to reflect prevailing market rates (May 2024 RT) and the introduction of price-based auctions for FX interventions to facilitate market-based price discovery (December 2024 RT), both being conducted in consultation with IMF staff, would not constitute an introduction or modification of multiple currency practices (MCPs).

MEMORANDUM ITEMS

20. **Memorandum items** are not part of the formal conditionality under the program but are reported in the table with quantitative targets to facilitate monitoring of overall program implementation. The memorandum items under the program are specified below:

21. Issuance of domestic debt at positive real rates

- ***Definition:*** Issuance of domestic debt at positive real rates is defined under the program as the general government issuance of short-term securities on the domestic primary market at real rates that are positive and determined by competitive auctions. The real rate being the nominal rate minus inflation rate. Issuances are comprised of domestically issued T-bills and other government securities. Under the program, the general government will gradually increase its issuance of market-based T-bills and other government securities. Issuance volumes are reported as a memorandum item and are not part of the formal conditionality under the program.

- ***Information requirements:*** During the program duration, the MoF will report to the IMF staff data on issuance of T-bills and other government securities including amounts, rates (yields) as well as calculated real rates, and maturity. The data will be transmitted within two weeks after the end of each test date.

22. Collection rate of electricity distribution company (STB), overall

- ***Definition:*** The overall collection rate of the electricity distribution company is defined as the ratio of the overall revenue effectively collected from sales of electricity in the country to the overall revenue that was expected to be collected.

- ***Information requirements:*** The MoF, the Ministry of Energy and Water Resources, Barki Tojik, and Shabakahoi taqsimoti barq (the Electricity Distribution Company) will report to IMF staff quarterly data on the overall collection rate of the electricity distribution company (STB). The data will be provided within five weeks after the end of the quarter.

23. Collection rate of electricity distribution company (STB), SOEs

- ***Definition:*** The collection rate of the electricity distribution company from SOEs is defined as the ratio of the revenue effectively collected from sales of electricity to SOEs to the revenue that was expected to be collected from SOEs.

- ***Information requirements:*** The MoF, the Ministry of Energy and Water Resources, Barki Tojik, Shabakahoi taqsimoti barq (the Electricity Distribution Company) will report to IMF staff quarterly data on the collection rate of the electricity distribution company from electricity sales to SOEs. The data will be provided within five weeks after the end of the quarter.

24. Overall fiscal and quasi-fiscal deficit (including Barki Tojik arrears)

- ***Definition:*** This indicator is defined as the sum of the overall fiscal deficit of the general government and the new Barki Tojik arrears (excluding arrears to the government).

- ***Information requirements:*** The MoF, the Ministry of Energy and Water Resources, Barki Tojik, Shabakahoi taqsimoti barq (the electricity distribution company) will report to IMF staff quarterly data on the overall fiscal balance of the general government including accumulated new BT arrears (excluding arrears to the government). The data will be provided within five weeks after the end of the quarter.

DATA REPORTING REQUIREMENTS

25. The data required to monitor observance of the quantitative targets under the program will be reported to IMF staff with the frequency specified in Table 3 below. In addition, all data revisions will be reported immediately to IMF staff. The authorities commit to keep IMF staff informed on progress achieved on reform targets (specified in Table 2 of the Program Statement) and overall program objectives. The authorities also commit to report within three weeks, at the Fund's request, any information or data not specified in the TMU but needed to monitor program implementation.

26. The principal data sources for program monitoring are as follows:

- The integrated monetary database provided by the National Bank of Tajikistan (NBT) to the IMF, including the standardized reporting forms, 1SR, 2SR.

- The general government provisional budget execution tables and the government debt tables provided by the Ministry of Finance.

- Barki Tojik’s balance sheet provided by the MoF, the Ministry of Energy and Water Resources, Barki Tojik and Shabakahoi taqsimoti barq (the electricity distribution company)

- Collection rate data provided by the Ministry of Energy and Water Resources, Barki Tojik and Shabakahoi taqsimoti barq (the electricity distribution company).

- Data on T-Bills and other government securities issuances from the MoF.

- Other data provided regularly by authorities (Table 3).

27. The authorities will report to IMF staff, in electronic format, and within the indicated deadlines (in Table 3 below), the following:

(i) Any decree, decision, circular, ordinance, or law that has implications for the program. This includes, particularly, all actions that modify budget allocations included in the budget law, actions that have implications for NBT's monetary policy, exchange rate policy or for the financial sector, actions that affect SOEs, actions that affect anticorruption and beneficial ownership or actions leading to the creation of a new agency or a new fund. The documents will be provided to the Fund within two weeks after adoption.

(ii) Preliminary data on:

- Monthly updates on general government budget operations.

- A quarterly update of the projected public debt service, with a breakdown of debt service by amortization and interest payments, by existing and newly disbursed debt and by creditor category (internal debt: loans, T-bills, and others (if any); external debt: multilateral, bilateral, and others (if any)).

- Quarterly report on public investment projects, including Rogun, detailing progress on implementation and execution of financing plans.

(iii) NBT will report to the staff of the IMF:

- The monthly balance sheet of the central bank.

- The monthly consolidated balance sheet of all banks.

- The monthly depository corporations survey (consolidated monetary survey).

- Monthly data on the lending and deposit interest rates of commercial banks.

Table 3. Tajikistan: Summary of Data Reporting Requirements

	Frequency of Data[2]	Frequency ofreporting[1]	Reporting deadline	Reporting Entity
International Reserve Assets and Liabilities of the NBT[3]	M	M	Two weeks	NBT-IRM-ERP
International reserves cash-flow table*	Q	Q	Two weeks	NBT
Reserve/Base Money	M	M	Two weeks	NBT
Central Bank Balance Sheet	M	M	Two weeks	NBT
Consolidated Balance Sheet of Banking System	M	M	Four weeks	NBT
Depository corporations survey	M	M	Four weeks	NBT
Revenue, Expenditure, Balance, and Composition of Financing[4] of the General Government	M	M	Five weeks	MoF
Budget Tables	Submitted to Parliament		Five weeks	MoF
Revised Budget Tables	Submitted to Parliament		Five weeks	MoF
New and planned external borrowing of the General Government or guaranteed by the General Government and its conditions	Q	Q	Five weeks	MoF
Disbursements of external debt (concessional and non-concessional) contracted or guaranteed by the General Government	Q	Q	Five weeks	MoF
Social Benefits and Social Assistance account and its components	Q	Q	Five weeks	MoF
External and domestic arrears of the General Government	Q	Q	Five weeks	MoF
Barki Tojik's balance sheet and table on arrears	Q	Q	Five weeks	MoF, the Ministry of Energy and Water Resources, Barki Tojik, the Electricity Distribution Company)
Overall fiscal balance of the general government including accumulated new Barki Tojik arrears (excluding arrears to the government)	Q	Q	Five weeks	MoF, the Ministry of Energy and Water Resources, Barki Tojik, the Electricity Distribution Company)

Table 3. Tajikistan: Summary of Data Reporting Requirements (Concluded)

Domestic T-bills and other government securities issuances with amounts, rates, and maturities	SA	SA	Two weeks after each test date	MoF
Revenue collection rate of the electricity distribution company on sales of electricity to SOEs	Q	Q	Five weeks	The Ministry of Energy and Water Resources, Barki Tojik, and the Electricity Distribution Company
Overall revenue collection rate of the electricity distribution company on sales of electricity to domestic consumers.	Q	Q	Five weeks	The Ministry of Energy and Water Resources, Barki Tojik, and the Electricity Distribution Company
Stocks of Public and Publicly Guaranteed debt[4]	Q	Q	Five weeks	MoF
Projected public debt service — domestic and external	Q	Q	Five weeks	MoF
Comprehensive report on progress of execution of public investment projects, and financing plans, including for Rogun	Q	Q	Five weeks	MoF
Interest Rates[5]	Q	Q	Two weeks	NBT
New decrees, decisions, circulars, ordinances, or laws	Submitted to Parliament		Two weeks	Ministry of Justice

[1] Monthly (M); Quarterly (Q); Semi-Annually (SA), Annually (A).
[2] Monthly (M); Quarterly (Q); Semi-Annually (SA), Annually (A).
[3] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[4] Also includes detailed information on currency and maturity composition.
[5] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

*Note: The international reserves cash-flow table will cover gold monetization, loan and grant disbursements to the government (budget support), FX purchases and sales by the NBT, conversion of NPCR receipts (until the NPCR is closed), and external debt service (separating principal and interest).

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

December 4, 2024

FIRST REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A QUANTITATIVE TARGET AND A REFORM TARGET—SUPPLEMENTARY INFORMATION

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Prepared by the Middle East and Central Asia Department in consultation with the Statistics Department and the Strategy, Policy and Review Department

- **This supplement updates the status of the November reform target on the publication of quarterly fiscal statistics for 2022 and 2023.** In line with their commitment to fiscal transparency, the authorities have compiled quarterly fiscal statistics for 2022 and 2023 in line with *GFSM2014* (end-November RT). On November 25, 2024, the quarterly fiscal statistics for 2021-2023 were published in the International Financial Statistics section of the IMF website. Staff verified the publication and evaluated the reform target as completed for the First Review under the PCI. This update does not alter the thrust of the staff appraisal.

- **An updated Table on Reform Targets is attached to this supplement.**

Table 1. Tajikistan: Reform Targets Under the PCI, 2024-2025

Policy Objective	Reform Target	Date	Responsibility	Status
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT	Met
A. Fiscal sector				
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives.	end-September 2024	MOF	Met
2. Enhance domestic revenue mobilization	Expand the mandate of the PFM committee to include developing a Medium-Term Revenue Program (MTRP) and overseeing implementation.	end-March 2024	MOF	Met
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF	Met
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with *GFSM2014*, including a breakdown of mining-related revenues and transfers to SOEs.	end-November 2024	MOF	Met
5. Development of domestic debt market	Prepare an updated Debt Management Strategy for the period 2024-2026, including a plan for expanding domestic issuance and managing government obligations.	end-May 2024	MOF	Met
6. Development of domestic debt market	Begin market-based issuance of government securities at positive real rates (according to amounts specified in Table on Quantitative Targets).	end-June 2024	MOF	Met
**Enhance domestic revenue mobilization*	*Prepare and adopt a medium-term time-bound action plan to streamline tax exemptions and customs preferences beginning in 2025 based on tax expenditure analysis conducted with support from Fund TA.*	*end-March 2025*	*MOF*	*New target proposed for the 2nd Review*
B. Monetary sector				
7. Strengthen monetary policy transmission	Adopt amendments to the active NBT instruction #244 “On required reserves of credit institutions” to introduce the required reserve averaging mechanism in line with Fund TA recommendations.	end-May 2025	NBT	3rd Review

Table 1. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

8. Improve the functioning of the FX market and enhance exchange rate flexibility	Develop improved mechanism to execute government and other public sector foreign exchange transactions to better reflect prevailing market rates. This mechanism will ensure that transactions are carried out at the valid official rate during the same day or at the prevailing market rate, with the intention of transactions being carried out in the first half of the business day. In the event when a transaction request at an official rate violates the one-day delay limitation, the applicable official rate will be the official rate that is valid on the day the transaction is executed.	end-May 2024	NBT	Met
9. Improve the functioning of the FX market and enhance exchange rate flexibility	Introduce price–based auctions for NBT FX interventions. To limit incentives for excessive overbidding or underbidding, the sales price of the auction will be calculated as follows: the price for those bids below a weighted average price of the bids will be a weighted average price of all bids; the price of those bids above weighted average price of all bids will be actual price of the bid.	end-December 2024	NBT	2nd Review
10. Improve the functioning of the FX market and enhance exchange rate flexibility	Stop conducting ruble auctions of NPCR transfers and instead transmit all the amounts of the transfer in the respective currency to the bank executing the transfer.	end-April 2024	NBT	Met
C. Financial sector				
11. Improve governance and transparency	Issue an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process.	end-April 2025	NBT	3rd Review
12. Strengthen macroprudential oversight	Approve a plan for phasing in new macroprudential tools (including debt service to income (DSTI), loan to value (LTV) and credit to stable funding (CSFR) ratios) and countercyclical capital buffer (CCB) based on 2022 FSSR.	end-June 2025	NBT	3rd Review

Table 1. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

13. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests.	end-June 2025	NBT	3rd Review
D. Structural				
14. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in: (i) the list of SOEs monitored by the Ministry of Finance; and (ii) the 2023 Statement of Fiscal Risks. Require SOEs monitored by the MOF to provide detailed expense reports to the SOEMD monthly.	end-April 2024	MOF	Met
15. Improve governance and transparency of SOEs	Complete a report assessing the financial viability of OJSC Tajik Air based on Fund TA and providing a timebound action plan for addressing its financial losses.	end-May 2025	MOF/Civil Aviation Agency	3rd Review
16. Improve governance and transparency of SOEs	Publish an updated list of SOE and joint stock companies with state shareholding of at least 10 percent, specifying sector and legal basis; and complete a sectorization exercise for the 27 large SOEs monitored by the SOEMD to distinguish SOEs that are part of public sector from those that are general government entities.	end-June 2025	MOF/State Committee on Investment and State Property Management	3rd Review
17. Improve governance and transparency of SOEs	Based on the revised SOE Law and following international standards and best practice, enact regulations that ensure all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and set out rules for determining their remunerations and evaluating their performance, and establish supervisory boards in the 27 large SOEs currently monitored by the SOEMD in line with those procedures.	end-December 2024	MOF	2nd Review
**Improve governance and transparency of SOEs*	*Include all companies with a minimum of 20 percent state ownership in the 2024 Statement of Fiscal Risks.*	*end-May 2025*	*MOF*	*New target proposed for 3rd Review*

Table 1. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Concluded)

18. Anti-corruption	Enact legislation strengthening the asset declaration regime to ensure that (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials.	end-June 2025	MOF/Civil Service Agency	3rd Review
19. Transparency of beneficial ownership information	Amend the Law on State Registration of Legal Persons to align with the definition of beneficial ownership in the new requirements of the AML/CFT international standard (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions.	end-December 2024	MOF/Tax Committee	2nd Review