



# REPUBLIC OF TAJIKISTAN

April 2024

## REQUEST FOR A TWENTY-TWO-MONTH POLICY COORDINATION INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE REPUBLIC OF TAJIKISTAN

In the context of the Request for a twenty-two-month Policy Coordination Instrument (PCI) with the Republic of Tajikistan, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 28, 2024, following discussions that ended on January 12, 2024, with the officials of the Republic of Tajikistan on economic developments and policies underpinning the PCI. Based on information available at the time of these discussions, the staff report was completed on February 15, 2024.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for the Republic of Tajikistan.

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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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Approved a Policy Coordination Instrument (PCI) for Tajikistan

FOR IMMEDIATE RELEASE

**Washington, D.C. - February 28, 2024:** On February 28, 2024, The Executive Board of the International Monetary Fund (IMF) approved a twenty-two-month Policy Coordination Instrument (PCI)<sup>1</sup> for Tajikistan.

Tajikistan's favorable post-pandemic economic performance continued in 2023, with strong, broad-based growth and low inflation. The fiscal deficit has remained anchored within the authorities' medium-term deficit target, contributing to a further reduction in the public-debt-to-GDP ratio. The outlook for 2024 appears favorable, although there remains considerable uncertainty over the external environment.

The authorities requested approval of a twenty-two-month program supported by the Policy Coordination Instrument (PCI) to anchor economic policies and support implementation of vital structural reforms. The PCI aims to maintain macroeconomic stability, strengthen the authorities' policy frameworks and support their efforts to foster more sustainable and inclusive growth. Program reviews will take place on a semi-annual fixed schedule. While the PCI involves no use of IMF resources, a favorable performance under the program would signal to development partners and private investors Tajikistan's commitment to strong economic and structural policies, catalyzing financing for high-priority social and infrastructure projects.

The authorities' reform priorities under the program will focus on three key pillars: (i) strengthen revenue mobilization, spending efficiency and monitoring of fiscal risks related to state-owned enterprises to improve fiscal resilience and preserve debt sustainability while prioritizing essential social and development spending; (ii) modernize monetary, exchange rate and financial sector policies to increase their contribution to growth and resilience, and; (iii) advance broad-based structural reforms to foster more inclusive growth through augmented targeting of social assistance, improved governance of the central bank and state-owned enterprises and stronger anti-money laundering and anti-corruption frameworks.

Following the Executive Board's discussion, Ms. Antoinette Sayeh, Deputy Managing Director, issued the following statement:

"Tajikistan has returned to strong growth following the COVID-19 pandemic but there is uncertainty over the outlook in the context of heightened geopolitical risks. Public debt is sustainable, anchored by the authorities' commitment to a medium-term fiscal deficit target of 2.5 percent of GDP, but the risk of debt distress remains high while sizeable public investment needs reduce fiscal space for critical social and development spending.

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<sup>1</sup> The PCI is available to all IMF members that do not need Fund financial resources at the time of approval. It is designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors. (see <https://www.imf.org/en/About/Factsheets/Sheets/2017/07/25/policy-coordination-instrument>).

“Against this backdrop, the authorities’ economic program under the Policy Coordination Instrument focuses on policies to anchor macroeconomic stability and strengthen resilience against shocks while advancing governance and transparency reforms to foster more diversified and inclusive growth. The program, supported by capacity development, sends a strong signal of the authorities’ commitment to sound policies and reforms, and would help catalyze additional support by development partners.

“The program focuses on improving fiscal resilience to increase space for priority social and development spending while keeping public debt on a downward trajectory. Fiscal reforms under the program increase revenue mobilization and spending efficiency and strengthen social protection of the most vulnerable. Debt sustainability is anchored in medium-term revenue and debt management strategies supported by electricity sector reforms and domestic debt market development to support more efficient resource allocation.

“Monetary, exchange rate and financial sector policies aim to strengthen the economy’s resilience to shocks. Improvements in exchange rate flexibility and monetary policy transmission will enhance shock absorption and facilitate a gradual transition toward inflation targeting. Financial sector reforms will expand the use of macroprudential instruments, forward-looking analytical tools and beneficial ownership information in supervision and macroprudential analysis to reinforce financial stability.

“Broad-based governance and transparency reforms foster an enabling environment for sustainable and inclusive growth. Priorities supported under the program include improved central bank governance and strengthened oversight and management of fiscal risks related to state-owned enterprises, more efficient AML-CFT and anti-corruption frameworks, and enhanced extractive sector transparency, financial inclusion and resilience to climate risks to raise Tajikistan’s long-term growth potential.”

### **Executive Board Assessment<sup>2</sup>**

Executive Directors commended Tajikistan on the continued strong economic performance in 2023. They noted that although resilient remittance inflows and public investment have supported broad-based growth, there is significant uncertainty over the outlook in the context of heightened geopolitical risks. In that context, Directors welcomed the request for a Policy Coordination Instrument (PCI) which would send a strong signal of the authorities’ commitment to ensuring macroeconomic stability and fostering more inclusive economic growth. The PCI will also help catalyze critical development financing.

Directors welcomed the authorities’ commitment to a fiscal deficit anchor of 2.5 percent of GDP, supported by credible medium-term revenue and debt management strategies to safeguard debt sustainability. They commended the authorities’ plans to increase domestic revenue mobilization, including phasing out tax exemptions, and improve spending efficiency to create space for critical development and social spending. Directors also encouraged the authorities to press ahead with efforts to develop the domestic debt market to support more efficient resource allocation.

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

Directors welcomed the authorities' focus on improved transparency and governance of state-owned enterprises (SOE), including measures to strengthen SOE oversight and improve the financial position of the electricity sector.

Directors noted that advancing reforms to modernize monetary, exchange rate and financial sector policies is critical to improve resilience to external shocks. They agreed that a gradual transition to an inflation targeting framework will require further efforts to improve policy transmission and deepen financial markets. Measures to enhance the central bank's governance and capacity would also be important. Directors also commended the authorities' plans to reinforce financial stability, including by expanding the use of macroprudential instruments and beneficial ownership information.

Directors emphasized the importance of broad-based governance and transparency reforms to foster sustainable and inclusive growth. They noted that enhancements to the AML-CFT and anti-corruption frameworks, extractive sector transparency, financial inclusion and resilience to climate risks are essential to promote an enabling environment for job-rich growth. Directors noted that the authorities are considering a request for IMF support under the Resilience and Sustainability Trust to support implementation of their climate policy priorities.



# REPUBLIC OF TAJIKISTAN

## REQUEST FOR A TWENTY-TWO-MONTH POLICY COORDINATION INSTRUMENT

February 15, 2024

### KEY ISSUES

**Context.** Tajikistan's economic performance remains favorable as remittance inflows and public investment continue to support domestic demand but there is uncertainty over the outlook in the context of heightened geopolitical tensions. Public debt is sustainable but sizeable investment needs constrain fiscal space, and the risk of debt distress remains high due to upcoming Eurobond repayments. Adherence to a deficit target of 2.5 percent of GDP is essential to anchor debt sustainability, while advancing reforms to increase space for priority social and development spending. The authorities have requested a twenty-two-month arrangement under the Policy Coordination Instrument (PCI) to anchor macroeconomic policies and foster inclusive growth. Staff supports the request for the new arrangement. The Letter of Intent and Program Statement set out policies to support the program's objectives.

#### Main Policy Commitments

- **Strengthen fiscal resilience.** Improve revenue mobilization, spending efficiency and SOE oversight to limit the fiscal deficit to 2.5 percent of GDP and keep debt on a downward trajectory while creating space for priority social and development spending. Anchor debt sustainability in credible medium-term revenue and debt management strategies and develop a domestic government securities market.
- **Modernize monetary, exchange rate and financial policy frameworks.** Enhance exchange rate flexibility and monetary policy transmission to strengthen resilience to shocks and support a gradual transition towards an interest rate-based framework. Employ new macroprudential tools, forward-looking stress tests, and beneficial ownership information to better monitor and manage financial sector risks.
- **Improve governance and transparency to foster inclusive growth.** Implement broad-based governance and transparency reforms to improve SOE risk management, bolster the NBT's autonomy, strengthen the AML-CFT and anti-corruption frameworks, foster financial inclusion and resilience to climate risks.

**Risks.** Tajikistan is reliant on remittances, primarily from Russia, to support domestic demand and provide a source of foreign exchange. Risks to the outlook are tilted to the downside in the context of heightened geopolitical tensions and sanctions on Russia.

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

Discussions were held in Dushanbe during May 10-23, 2023; January 8-12, 2024; and remotely from Washington, D.C. The staff team comprised Matthew Gaertner (head), Kady Keita, Farid Talishli, and Kalin Tintchev (all MCD); Dmitry Plotnikov and Yorbol Yakhshilikov (both SPR); Emrah Sagkol and Sergei Dodzin (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. Marcel Peter (Executive Director), and Ilhomjon Rajabov (Advisor, OED) participated in some of the discussions.

## CONTENTS

<b>CONTEXT</b>	<b>4</b>
<b>RECENT ECONOMIC DEVELOPMENTS</b>	<b>5</b>
<b>OUTLOOK AND RISKS</b>	<b>7</b>
<b>POLICY DISCUSSIONS</b>	<b>7</b>
A. Pillar I. Improving Fiscal Resilience	8
B. Pillar II. Modernizing Monetary, Exchange Rate and Financial Policies	13
C. Pillar III. Enhancing Governance, Transparency and Other Structural Reforms	15
<b>PROGRAM MODALITIES AND RISKS</b>	<b>17</b>
<b>STAFF APPRAISAL</b>	<b>18</b>
<b>BOX</b>	
1. Improving Revenue Mobilization: FAD Recommendations	9
<b>FIGURES</b>	
1. Growth and Inflation	20
2. External Sector Developments	21
3. Fiscal Developments	22
4. Monetary Developments	23
5. Financial Sector	24
6. Structural Characteristics	25
<b>TABLES</b>	
1. Selected Economic Indicators, 2020-29	26
2. General Government Operations, 2020-29 (In millions of somoni)	27
3. General Government Operations, 2020-29 (In percent of GDP)	28
4. Central Bank Survey, 2020-29	29

5. Monetary Survey, 2020–29	30
6. Balance of Payments, 2020–29	31
7. Financial Soundness Indicators, 2019–2023Q3 (In percent)	32
8. Inclusive Growth Indicators	33
9. Sustainable Development Goals, 2000–Latest	34
10. Key Recommendations of the 2022 Article IV Consultation	35
11. Schedule of Reviews Under the Policy Coordination Instrument, 2024–2025	37
12. Quantitative Targets Under the PCI, 2024 (TJK somoni; million )	38
13. Proposed Prior Action and Reform Targets Under the PCI, 2024–2025	39

## ANNEXES

I. Risk Assessment Matrix	43
II. External Sector Assessment	46

## APPENDIX

I. Program Statement	49
Attachment I. Technical Memorandum of Understanding	63

## CONTEXT

1. **Tajikistan has made progress in reducing poverty over the last decade, but the outlook is subject to uncertainty in the context of heightened geopolitical tensions.**<sup>1</sup> Strong growth, averaging close to 7 percent over the last five years, has helped reduce the poverty rate to an estimated 12.4 percent of the population in 2022 from 32 percent in 2009.<sup>2</sup> Nevertheless, the economy remains undiversified, and mainly commodity based. Remittances, primarily from Tajik migrants working in Russia, (projected at about 38 percent of GDP in 2023) are an important driver of aggregate demand, leaving Tajikistan susceptible to spillovers from prolonged sanctions. Completing the Rogun Hydropower Project (HPP)<sup>3</sup> is expected to improve the reliability of electricity supply and support the authorities' plans for accelerated industrialization.
2. **The last Fund-supported program with Tajikistan was completed in 2012.** The authorities completed a Fund-supported arrangement under the Extended Credit Facility (ECF) in 2012. Tajikistan also received a disbursement under the Rapid Credit Facility (RCF) of SDR139.2 million (80 percent of quota) in 2020 to help meet balance of payments needs during the COVID-19 pandemic.
3. **The authorities requested a Policy Coordination Instrument (PCI) to help anchor macroeconomic policies and advance structural reforms.** The PCI is a suitable arrangement for Tajikistan in the context of strong external buffers and no balance of payments needs in the baseline that could warrant a financing arrangement. Nevertheless, the risk of debt distress remains high<sup>4</sup>, and fiscal space is constrained by sizeable spending commitments related to the Rogun HPP. The PCI aims to strengthen fiscal resilience, modernize monetary, exchange rate and financial policies, and improve governance and transparency to foster inclusive growth.
4. **A PCI could help catalyze financing for the Rogun HPP, a key priority under the authorities' development strategy.** The authorities are working with the World Bank to mobilize financing for the project from multilateral and bilateral development partners. Additional spending of about \$6.4 billion (about half of 2023 GDP) is needed to complete construction by the year 2035. The project could make a significant contribution to long-term growth, but Rogun spending plans need to be consistent with medium-term fiscal and debt sustainability objectives. In this context, improving the financial position of the electricity sector and securing power purchase agreements with neighboring countries are critical to support the project's long-term financial viability.

<sup>1</sup> A key objective of the National Development Strategy 2030 is to increase per capita incomes by 3.5 times and cut poverty by half.

<sup>2</sup> World Bank estimates based on the international poverty line of \$3.65 a day and 2017 PPP.

<sup>3</sup> The Rogun HPP is a 3,780MW hydroelectric power facility under construction on the Vakhsh River in Tajikistan. Upon completion, it would be the biggest hydropower station in Central Asia with the world's tallest embankment dam. Once the reservoir reaches the full supply level, its annual average generation is expected to be around 14,400 GWh.

<sup>4</sup> Although the public debt-to-GDP ratio remains below DSA benchmarks under the baseline, increased debt service from 2025-2027 results in a breach of the DSA threshold for the debt service-to-exports ratio.



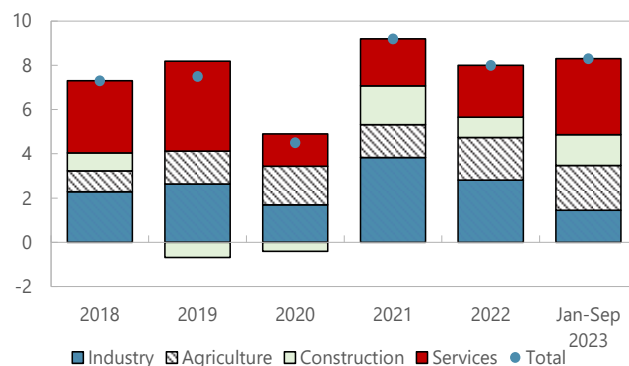
## RECENT ECONOMIC DEVELOPMENTS

**5. Tajikistan's strong post-pandemic recovery continued in 2023.** Real GDP increased 8.3 percent in 2023, the third consecutive year of growth around 8 percent, as remittances and public investment continued to support aggregate demand (Table 1). Growth remained broad-based, reflecting increased momentum in services, construction and agriculture sectors and reduced contribution from industry (Text Figure). Twelve-month inflation declined to 3.8 percent at end-2023 (y/y), close to the lower bound of the NBT's target range ( $6\pm 2$  percent), reflecting lower prices for food and energy imports.

**6. After surging in 2022, remittances have returned toward their historical levels.** Remittance inflows increased by about 80 percent in the wake of the war in Ukraine, driven by one-off transfers of savings from Russia. As a result, the current account surplus widened to about 16 percent of GDP in 2022. Remittances cooled in 2023, contributing to a modest current account deficit in Q1-Q3, but FX reserves remained comfortable at around 7 months of imports at end-2023, supported by the NBT's monetization of gold purchased from domestic producers.

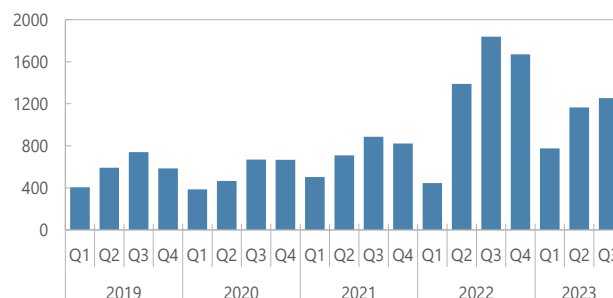
**7. Monetary growth slowed sharply during 2023 as capital inflows eased.** The normalization of remittances and FX sales in H1<sup>5</sup> resulted in a decrease in reserve money of 5.6 percent during 2023, after an increase of 53 percent during 2022. In addition, subdued inflation provided scope for the NBT to reduce the refinancing rate by 300 bps in two steps in the first half of 2023 and 50 bps in February 2024 to 9.5 percent. Credit growth remained robust at about 32 percent (y/y) in December, up from 19 percent at end-2022, as

**Contributions to Real GDP Growth**  
(Percent)

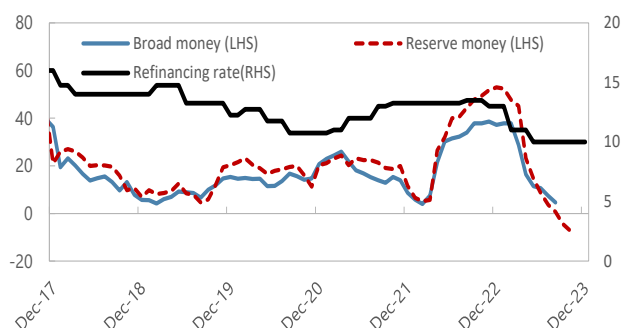


Source: National authorities, and IMF staff estimates.

**Remittances**  
(US\$ millions)



**Reserve Money and Broad Money**  
(lhs: 12 month percent change; rhs: percent)



<sup>5</sup> The NBT carried out FX sales in H1 2023 (US\$290 million) to satisfy import.

banks continue to expand their range of retail credit products.<sup>6</sup>

## 8. The fiscal deficit is projected at 1 percent of GDP in 2023, well below the deficit target of 2.5 percent of GDP.

The 2023 budget envisaged a widening of the deficit up to 2.5 percent of GDP from about 0.2 percent of GDP in 2022, conditional on available financing. However, the fiscal impulse remained weak in H1-2023 in the context of strong revenue growth and under-execution of capital spending driven by lower-than-expected external financing (Text Table).

This helped realize a half-year primary surplus of 0.5 percent of GDP and an overall deficit of 0.2 percent of GDP. Staff projects the overall deficit to increase to about 1 percent of GDP for the full-year 2023 driven by higher capital spending in H2-2023 and reach 2.5 percent of GDP in 2024. This deficit is consistent with the 2024 budget but in line with the World Bank financing assumptions reflects

somewhat higher domestically financed Rogun spending, offset by the unwinding of large one-off expenditures on goods and services in 2023 and cost savings on tax administration and other government services.<sup>7</sup> Public debt declined to 30.9 percent of GDP in 2023 from 32.5 percent of GDP in 2022 and 42.1 percent of GDP in 2021, supported by the appreciation of the somoni and repayment of external obligations.

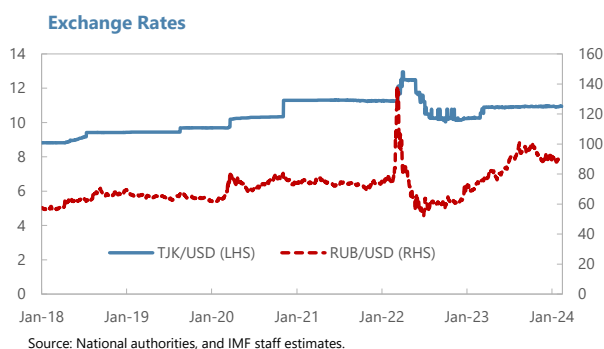
## 9. The banking sector remains stable following the closure of two large banks in 2021.

The closure of AIB and TSB banks in 2021 has helped reduce the banking system's legacy NPLs. The NPL ratio decreased to 11.1 percent in November 2023 from 23.8 percent at end-2020, supporting profitability and encouraging bank lending. Strong growth in credit to the private sector has been primarily driven by lending to households. The strength of the somoni stimulated demand for loans in domestic currency in 2022, but FX lending picked up

	Fiscal Outturns (In percent of GDP)			
	2022	2023 <sup>V</sup>	2024	
			Staff projection	Budget
<b>Overall revenues and grants</b>	27.7	28.6	27.1	26.6
Tax revenues	19.7	19.9	19.3	18.3
Nontax revenues	4.5	4.8	4.4	3.1
Grants	3.4	3.9	3.5	5.3
<b>Total expenditures and net lending</b>	28.0	28.9	29.6	29.1
<b>Current expenditures</b>	16.3	19.8	16.4	17.3
Goods and services	10.6	14.8	10.3	12.5
Interest payments	0.7	1.4	0.7	0.8
Transfers and subsidies	5.0	3.6	5.4	4.0
<b>Capital expenditures</b>	11.6	9.1	13.2	12.1
Externally financed	4.2	3.0	7.1	7.9
Domestically financed	7.4	6.1	6.1	4.0
<b>Overall balance</b>	-0.2	-0.3	-2.5	-2.5

Sources: National authorities and Fund staff calculations.

<sup>V</sup> Annualized based on the outturns in H1-2023.



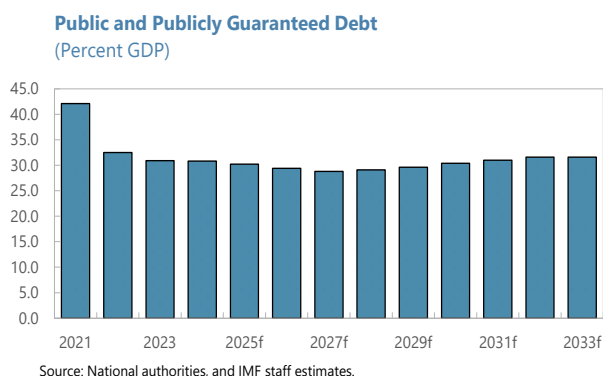
<sup>6</sup> The credit expansion takes place from a low base (10 percent of GDP).

<sup>7</sup> The authorities have transitioned toward electronic tax filing and digitalization of payments for government services which, coupled with more efficient use of electricity in public buildings, is projected to result in cost savings on goods and services.

following the domestic currency depreciation against the US dollar in early 2023 (Text Figure). Regulatory limits on banks' net open FX positions have helped contain risks from currency mismatches and FX market volatility.

## OUTLOOK AND RISKS

**10. The near-term outlook is subject to significant uncertainty.** Economic activity has thus far been resilient to spillovers from regional volatility but could be increasingly affected as prolonged sanctions are likely to weigh on economic prospects in Russia. Growth is projected to moderate to 6.5 percent in 2024 as remittance inflows continue to normalize, while twelve-month inflation (y/y) is expected to rise to 6 percent in 2024. Over the medium-term, the reforms under the PCI are expected to raise potential growth by 0.5 percentage point to 4.5 percent and keep inflation within the NBT's target range. Public debt is projected to decline to about 29 percent of GDP in 2027 following the repayment of the Eurobond (Text Figure).



**11. Risks to the outlook are tilted to the downside.** Prolonged sanctions and the weak growth outlook in Russia could adversely impact remittances, domestic demand, and reserves, undercutting Tajikistan's strong post-pandemic recovery, with potential knock-on effects on the banking sector. Budget performance could suffer from a potential scale-up of social assistance to accommodate returning migrants, increased security spending in the context of regional tensions, higher oil prices and external borrowing costs. On the upside, elevated gold prices could countercyclically boost gold exports and stimulate exploitation of Tajikistan's large proven gold reserves, supporting growth and bolstering external and fiscal buffers.

## POLICY DISCUSSIONS

**12. The program to be supported by the new PCI is organized around three main pillars.** The policies under the program aim to: (i) strengthen the fiscal policy framework to create space for high-priority social and development spending while preserving debt sustainability; (ii) modernize monetary, exchange rate and financial sector policies to improve resilience to external shocks; and (iii) advance governance and transparency reforms to support inclusive growth and help Tajikistan achieve its development objectives.

## A. Pillar I. Improving Fiscal Resilience

**13. The authorities' commitment to a fiscal deficit target of 2.5 percent of GDP is central to the program's objectives.** Under the program, debt sustainability is anchored by a fiscal deficit ceiling of 2.5 percent of GDP which keeps debt on a downward trajectory over the medium term (**PS, Table 1**). Nevertheless, Tajikistan is at high risk of debt distress and under the IMF's Debt Limits Policy (DLP) is subject to a zero limit on non-concessional borrowing (see Debt Sustainability Analysis).<sup>8</sup> Although the grant element of the overall financing package for Rogun is above the concessionality threshold of 35 percent, several of the individual loans are not expected to be on fully concessional terms. Therefore, the authorities have requested, and staff supports, a non-zero limit exception for Rogun-related loans (**PS, Table 1**). The Rogun project meets the criteria for an exception to the DLP. The World Bank's assessment indicates that the project is critical to the authorities' development strategy and with potentially high socio-economic returns. In addition, several donor conferences have confirmed the unavailability of alternative concessional financing.

**14. Meeting the deficit target of 2.5 percent of GDP will require a fiscal adjustment to offset higher Rogun-related costs.** Higher Rogun-related interest payments and financing needs would constrain the primary balance without offsetting measures to increase fiscal space and budget flexibility. On the revenue side, higher project costs are in part offset by a gradual reduction in tax expenditures supported by Fund TA (Table 3). On the expenditure side, lower spending on goods and services and reprioritization of capital spending helps create space for higher Rogun expenditures. The expenditure effort will be underpinned by more rigorous appraisal and selection criteria in line with recent Fund TA. In addition, the program caps external disbursements at about 2.3 percent of GDP in 2024 (on a net basis) (**PS, Table 1**) and anchors internal Rogun spending within a sustainable envelope of 3-3.5 percent of GDP. The fiscal adjustment is supported by contingency plans to guard against revenue and expenditure shocks.

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<sup>8</sup> External borrowing plans have been revised upward compared to the previous DSA to reflect higher Rogun cost estimates, as contract-embedded price indexations and additional safety-related civil works have raised the remaining cost of the project from \$5 billion to \$6.4 billion (about half of 2023 GDP). The project's completion deadline has been extended from 2032 to 2033 to accommodate the higher costs. A new financing envelope proposed by the World Bank envisages annual Rogun-related internally financed spending close to 3 percent of GDP during 2024-2026 and additional external financing from multilateral and bilateral partners.

### Box 1. Improving Revenue Mobilization: FAD Recommendations

In January 2023 a diagnostic tax policy assessment mission carried out by the IMF Fiscal Affairs Department (FAD) found scope for reforms across the following main areas:

- **Value-added tax.** VAT revenue accounts for more than 40 percent of total tax revenue but collection has been trending down owing to import exemptions and multiple reduced VAT rates. VAT revenue could decrease further as the 2021 tax reform envisages gradual reductions in the VAT rate from 18 to 13 percent by 2027. Lower VAT rates need to be offset by phasing out import exemptions and reduced VAT rates to mitigate their revenue impact.
- **Business income tax.** Reforms in this area could focus on introducing a single tax rate on legal entities, refraining from granting new tax incentives and replacing profit-based with cost-based incentives.
- **Personal income tax.** There is room to improve the progressivity of personal income taxes and broaden the tax base by including capital gains.
- **Excise taxes.** Excise taxes remain underutilized and automatic indexation for inflation could help improve their effectiveness.

### **Strengthening Revenue Mobilization**

**15. Improving revenue mobilization is key to creating space for high priority social and infrastructure spending.** The new Tax Code introduced in January 2022 decreased the tax and compliance burden on firms to stimulate business activity and address informality by (i) reducing the number of taxes; (ii) lowering the VAT and income tax rates; and (iii) encouraging digitalization of transactions and tax administration. The government has recently adopted a new regulation transitioning all government services to electronic payments. While recent improvements in tax administration have set revenues on an increasing path, there is scope for strengthening revenue mobilization to support public investment in priority projects in line with the National Development Strategy-2030. Although higher tax rates were introduced for mining companies, the tax reform fell short of broadening the base by addressing inefficient tax exemptions.

**16. Under the program, the 2021 tax reform will be re-enforced by base broadening and further improvements in tax administration.** The authorities' updated Medium-Term Revenue Plan (MTRP) (**October 2024 reform target**) envisages to raise total revenue (excluding grants) to about 26 percent of GDP by 2026 (about 24 percent in 2022). The mandate of the PFM Committee will be expanded to include development of the MTRP and overseeing its implementation (**March 2024 reform target**) and will focus on (i) enhancing revenue mobilization by revisiting inefficient

tax exemptions and tax incentives; and (ii) reducing tax compliance risks and administration costs, including through increased digitalization. The MTRP will be informed by a report quantifying revenue losses from tax exemptions and tax incentives (**May 2024 reform target**) and include a time-bound action plan based on identified exemptions to guide its implementation. Preliminary projections envisage a cumulative tax effort of about 1 percent of GDP during 2024-2025 (Text Table and Table 3). Improvements in tax policy and compliance will continue to be supported by Fund TA.

**Fiscal Adjustment, 2024–2025**  
(cumulative from end-2023)

	<b>2025</b>
<b>Overall revenues and grants</b>	0.9
Tax revenues	1.1
Nontax revenues	-0.1
<b>Total expenditure and net lending</b>	2.3
<b>Current expenditures</b>	-1.4
Expenditures on goods and services	-0.9
Wages and salaries	0.4
Others	-1.3
Interest payments	0.0
Transfers and subsidies	-0.4
<b>Capital expenditures</b>	3.7
Externally financed (PIP and Rogun)	2.5
Domestically financed	1.3

Source: Fund staff estimates.

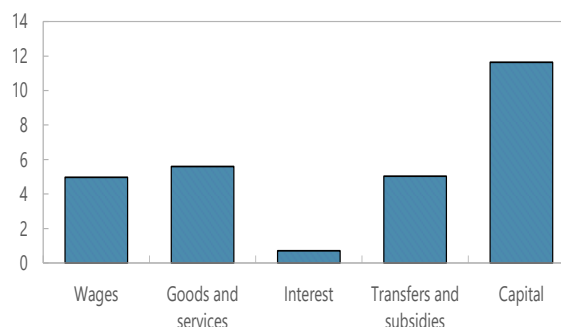
### Enhancing Expenditure Efficiency

**17. Expenditure measures emphasize spending efficiency and prioritization.** Rationalizing unproductive current expenditures can help create space for high priority social and infrastructure spending. Preliminary projections envisage a cumulative current expenditure effort of about 1.4 percent of GDP during 2024-2025 (Text Table and Table 3). The adjustment is driven by a reduction in spending on goods and services (0.9 percent of GDP), reflecting savings on tax administration costs in the context of recent digitalization of tax filings and on energy usage in public buildings from introduction of new technologies. In addition, transfers to SOEs are projected to decline by about 0.4 percent of GDP as electricity tariffs gradually increase over the course of the program.

**18. There is scope for improving the efficiency and prioritization of public investment.** Public investment remains high by regional standards (Text Figure and Figure 3). Capital spending reprioritization can help offset higher Rogun allocations and potential negative revenue shocks.

A recent IMF Public Investment Management Assessment (PIMA) assessed the effectiveness of project appraisal, selection and execution and made recommendations for improvement in key areas, including strengthening the implementation of appraisal processes, particularly for internally funded projects, and establishing more detailed and operational project selection criteria. Further enhancements in public investment management will be guided by an operational roadmap agreed with the authorities and based on the PIMA’s recommendations. Under the program, the authorities will also

**Composition of Public Expenditure, 2022**  
(Percent GDP)



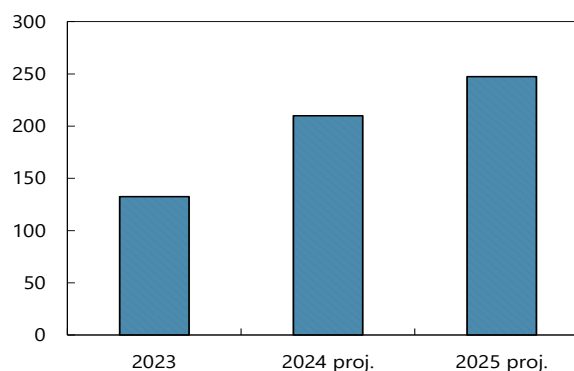
Source: National authorities, and IMF staff estimates.

launch regular publication of quarterly fiscal data in line with GFSM2014 standards to improve budget transparency and expenditure oversight (**November 2024 reform target**).<sup>9</sup>

**19. Scaling up targeted social assistance is essential to foster inclusive growth.** Social

assistance spending in Tajikistan is the lowest in the region (0.8 per cent of GDP compared to an average of 2 percent of GDP in MCD and EMEs) while benefit incidence and coverage in the bottom quartile are relatively low. The program aims to promote equity by improving the targeting of social assistance in the bottom quartile of the population. A new means testing formula, developed with World Bank support, expands coverage of the poorest decile of the population from 38 to 63 percent. Under the program, the authorities have committed to double the

**TSA Expenditures**  
(In percent of 2022 TSA expenditures)



Sources: National authorities and Fund staff calculations.

2022 budget allocation for targeted social assistance (TSA) in 2024 in line with the quantitative target (**PS, Table 1**; Text Figure).<sup>10</sup> The TSA reform is supported by a planned expansion of the social registry and related information systems to broaden coverage of eligible applicants.

**Improving SOE Risk Management and Transparency**

**20. The program fosters fiscal transparency to mitigate contingent risks from state-owned enterprises.**

Large state-owned enterprises (SOEs) continue to play a key role in the Tajik economy. Loss-making SOEs benefit from budget support in the form of sub-loans or direct credits. Unmet SOE obligations are a source of budget pressures and can feed through to banks' NPLs. The program strengthens the capacity of the Ministry of Finance (MOF) to identify, manage and disclose contingent risks related to SOEs. Program measures aim to enhance SOE oversight and align SOE reporting and auditing practices with IFRS requirements, in line with the Fiscal Risk Management Strategy (FRMS) adopted in 2021 with Fund TA support.

**21. Improvements in SOE monitoring and transparency should proceed apace.**

In line with the FRMS, the authorities have resumed regular preparation, presentation to Parliament and publication of SOE Fiscal Risk Statements and committed to bringing all companies with a minimum of 20 percent state ownership within the perimeter of SOEs monitored by the MOF and covered by the 2023 Statement of Financial Risks (**April 2024 reform target**). All SOEs monitored by the MOF are required to provide detailed monthly expense reports to the SOE Monitoring Department

<sup>9</sup> The authorities have already published annual fiscal data for 2021 in line with GFSM2014 on the IMF's external website and the publication of fiscal data for 2022 is pending.

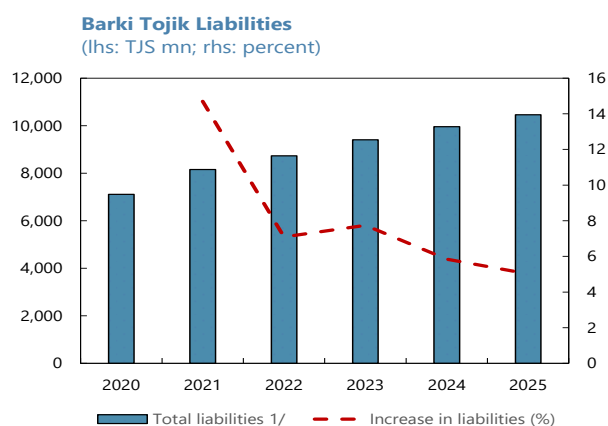
<sup>10</sup> Annual TSA expenditure amounted to about 0.1 percent of GDP in 2022.

(SOEMD). The MOF has also committed to improving disclosure of transfers to SOEs which will be disclosed as part of the program requirement to publish quarterly budget data (**November 2024 reform target**). In addition, the Civil Aviation Agency, with support from Fund TA, will assess the financial viability of the state-owned Tajik Air and develop a timebound action plan to address its financial losses (**May 2025 reform target**).

**22. Enhancing the efficiency of the state-owned power utility is central to the authorities' reform plans for the SOE sector.** The state-owned power utility Barki Tojik (BT) accounts for over 90 percent of SOE losses, with low domestic electricity tariffs and collection shortfalls resulting in significant arrears to private sector creditors and suppliers (about 7.5 percent of 2023 GDP). To enhance BT's efficiency and governance, the government unbundled its operations into generation, transmission and distribution units and appointed a high-level committee to monitor its performance. Under the program, a World Bank-led energy tariff reform, coupled with improvements in collection rates, would help place BT on a sustainable financial footing.

**23. Bringing electricity tariffs to cost recovery is key to strengthening BT's financial position.** The PCI supports the power sector reforms planned under the World Bank Power Utility Financial Recovery Program (PUFRP). Phasing out electricity subsidies will help reduce the financial deficit of the power sector. Electricity tariffs were increased by 15 percent at the beginning of 2024, and further increases are planned each year to reach cost recovery by 2027.<sup>11</sup> The incremental tariff revenue will be channeled to slow the pace of BT's debt accumulation (Text Figure, **PS, Table 1**).

The tariff reform will be accompanied by measures to improve protection of those vulnerable to higher energy prices. Measures under consideration include stepwise tariff adjustments based on consumption levels and cash transfers. In addition, further improvements in power transmission, distribution and billing will help reduce Barki Tojik's technical, commercial and collection losses.<sup>12</sup> Under the PCI, the collection rates of the distribution company (STB) are monitored as a memorandum item to the Table on Quantitative Targets (**PS, Table 1**).



The tariff reform will be accompanied by measures to improve protection of those vulnerable to higher energy prices. Measures under consideration include stepwise tariff adjustments based on consumption levels and cash transfers. In addition, further improvements in power transmission, distribution and billing will help reduce Barki Tojik's technical, commercial and collection losses.<sup>12</sup> Under the PCI, the collection rates of the distribution company (STB) are monitored as a memorandum item to the Table on Quantitative Targets (**PS, Table 1**).

<sup>11</sup> Electricity tariffs were also increased by 17 percent in 2022. This was the first adjustment since 2019, as scheduled tariff increases for 2020-21 were postponed due to the economic impact of COVID.

<sup>12</sup> This is envisaged under the World Bank Power Utility Financial Recovery Program (PUFRP).



## Developing Domestic Debt Markets

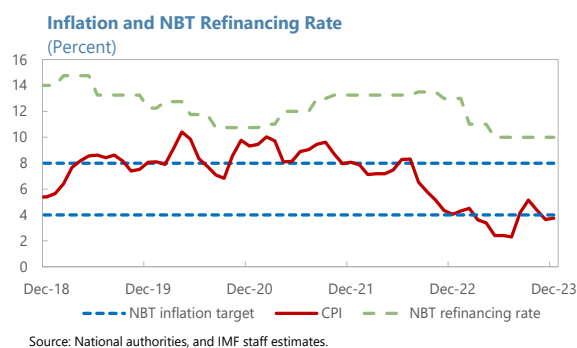
**24. Development of a domestic debt market is critical to support more efficient resource allocation.** Despite ample bank liquidity, issuance of government securities in Tajikistan is limited to a small amount of short-term treasury bills placed with the Deposit Insurance Fund at negative real rates.<sup>13</sup> As a result, the authorities rely on external funding to finance projects, with financing shortfalls contributing to frequent under-execution of capital spending. This has also raised the risk profile of public debt, which is predominantly denominated in foreign currency. Under the program, the authorities will launch market-based auctions of government securities according to amounts specified in the Table on Quantitative Targets (**June 2024 reform target**). This would help lower the risk profile of public debt while improving budget flexibility and resilience to external shocks.<sup>14</sup>

**25. Government borrowing plans will be anchored in a credible medium-term debt management strategy.** Under the program, an updated debt management strategy for 2024-2026 aligns the authorities' medium-term external and domestic borrowing plans with their fiscal and debt sustainability objectives (**May 2024 reform target**).<sup>15</sup> The strategy is expected to include a framework for market-based debt issuance and credible contingency plans to manage liquidity risk stemming from the upcoming Eurobond repayments (2025-2027).

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

**26. The external position of Tajikistan in 2023 was stronger than the level implied by fundamentals and desirable policy settings.** These results are based on the IMF's EBA-lite current account (CA) model. The current level of reserves is above the range suggested by reserve adequacy metrics. The country's external risks are high, but they are mitigated by the large FX reserves and the concessional nature of external debt. Under the PCI, a floor on the stock of net international reserves (**PS, Table 1**) helps maintain an adequate buffer against external shocks.

**27. Strong credit growth warrants caution toward further relaxation of monetary conditions (Text Figure).** The NBT lowered the refinancing rate to 10 percent in 2023 and 9.5 percent in February 2024 as headline inflation declined well below its target range and monetary growth eased, bringing the real policy rate close to 3.5 percent (using expected inflation) (Text Figure). Despite subdued inflation, a cautious approach to



<sup>13</sup> This negatively affects the Deposit Insurance Fund's ability to rebuild financial buffers following the payouts to AIB and TSB in 2022.

<sup>14</sup> The authorities have advanced their plans to develop the domestic debt market through market-based domestic issuance, with an initial auction of securities at maturities of 6-, 12- and 24-months carried out in January.

<sup>15</sup> The authorities have issued an initial draft of the Debt Management Strategy for 2024-2026.

monetary easing appears warranted given rapid consumer lending and upside risks to wheat and oil prices in the context of ongoing conflicts in Ukraine and the Middle East. Monetary policy under the program aims to keep inflation within the NBT's target range of 6 ( $\pm 2$ ) percent through quantitative targets on reserve money and the NBT's outstanding gross credit to the government (**PS, Table 1**).

**28. Measures to enhance the NBT's governance and capacity would facilitate a gradual transition to an inflation targeting framework over the medium term.** In November 2023, the NBT adopted amendments to the NBT Law aimed at strengthening its autonomy and governance (**prior action**). The NBT is also taking steps to enhance its liquidity management and forecasting frameworks with Fund support to improve monetary policy transmission, including through adoption of the reserve averaging mechanism recommended by Fund TA (**May 2025 reform target**). To support the transition toward inflation targeting, the authorities need to adopt an interest rate operational anchor and strengthen forward-looking monetary policy communication.

**29. Enhancing exchange rate flexibility is key to improving resilience to external shocks.** FX market reforms aim to strengthen the functioning of foreign exchange markets and improve transparency on FX market transactions through (i) development of an improved mechanism for executing public sector FX transactions to better reflect prevailing market rates (**May 2024 reform target**); (ii) introduction of price-based auctions for FX interventions (**December 2024 reform target**); (iii) a discontinuation of ruble auctions of NPCR transfers and transmittal of all the transferred amounts in the respective currency to the bank executing the transfer (**April 2024 reform target**); (iv) making FX quotes by FX market segments available to the public in continuous time; (v) updating the NBT instruction 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; and (vi) strengthening the responsibilities of FX market participants to execute transactions for their clients in the FX market.

**30. The authorities will continue to carry out financial sector reforms, including in line with the 2022 Financial Sector Stability Review.** Rapid credit growth calls for supervisory vigilance and enhanced macroprudential risk analysis. To guard against risks from buoyant consumer lending, the NBT will develop a plan to phase in, with support from a long-term IMF advisor and Fund TA, new macroprudential requirements on borrower leverage (debt service-to-income ratio (DSTI); loan-to-value ratio (LTV)); and bank liquidity (credit to stable funding ratio (CSFR)) and a countercyclical capital buffer consistent with the Basel III regulatory framework (**June 2025 reform target**).<sup>16</sup> Forward-looking stress tests, based on World Bank TA, will help further enhance risk-based supervision and systemic risk analysis (**June 2025 reform target**). The program also envisages measures to expand the use of beneficial ownership information in banking supervision to facilitate monitoring of related party risk (**April 2025 reform target**). In addition, the NBT will continue to support the timely and transparent final resolution of AIB and TSB banks.

<sup>16</sup> Interim policy measures may be needed to taper excessive credit growth until the macroprudential instruments envisaged under the program come in effect.

## C. Pillar III. Enhancing Governance, Transparency and Other Structural Reforms

**31. The program envisages broad-based governance and transparency reforms to promote more sustainable and inclusive private sector-led growth.** To advance the goals of the National Development Strategy-2030, the program's structural reform agenda aims to strengthen SOE governance and AML-CFT standards, improve control of corruption and extractive sector transparency, and more broadly, foster financial inclusion and resilience to climate change.

**32. Improving SOE governance is key to mitigating fiscal risks from contingent liabilities. The authorities** have brought SOEs under the coverage of the new procurement law. The revised SOE Law also requires SOEs to establish supervisory boards of directors to improve corporate governance. In line with the revised SOE Law and following international standards and best practice, the authorities will 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 largest SOEs following those regulations (**December 2024 reform target**). To improve transparency, an updated list of SOEs and joint stock companies with state shareholdings of at least 10 percent will be prepared, specifying sector and legal basis. This will help distinguish SOEs that are public corporations from those that are general government entities to complete the sectorization exercise recommended by Fund TA (**October 2024 reform target**).

**33. The program aims to align the regulatory framework with the new AML-CFT Law.** The new AML/CFT Law, drafted with Fund TA support, was enacted in March 2023. The Law removed technical deficiencies, bringing the AML-CFT framework in line with international standards. Under the program, the authorities will align the Law on State Registration of legal persons with the new AML/CFT Law (FATF Recommendation 24), 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 reform target**).

**34. Program measures reinforce anti-corruption efforts to foster a more enabling business environment.** The new 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. To advance anti-corruption reforms, the legal provisions of the asset declaration (AD) regime are amended under the program 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 reform target**).<sup>17</sup> 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.

<sup>17</sup> This reform target falls under the purview of the Civil Service Agency.

**35. The program promotes transparency in the extractive sector to bolster investor confidence and encourage foreign investment.** Tajikistan was suspended from the Extractive Industry Transparency Initiative (EITI) in January 2022 due to failure to publish the 2019 EITI report. Tajikistan's EITI membership has been reinstated following a recent publication of an EITI report covering the years 2019-2021. Notwithstanding progress in implementing the EITI Standard 2016, further steps are critical to reach compliance with the 11 corrective actions proposed by the EITI second validation process, including measures to (i) clarify the legal framework for licensing processes; (ii) enhance disclosure of information on SOEs, including their financial relations with the government and related social and quasi-fiscal expenditures. To foster extractive sector transparency, the MOF will publish in fiscal data breakdowns of the contributions of mining revenue to budget aggregates (**November 2024 reform target**).

**36. Broadening financial inclusion is essential to foster more sustainable and inclusive growth.** The program supports measures to remove barriers to accessing financial products and broaden the availability of financial services as envisaged under the National Financial Inclusion Strategy for 2022-2026. The strategy's implementation plan includes measures to strengthen digital infrastructure, diversify the financial services offered by banks, support innovative financial solutions to address the needs of small and medium-sized enterprises (SMEs), including female-led businesses, and improve financial literacy. The authorities have established a Coordination Council, Executive Committee and working groups to guide the strategy's implementation.

**37. Improving resilience to climate change remains a key development objective.** The program supports the measures envisaged under Tajikistan's Green Development Strategy for 2023-2037 for greening of key economic sectors. Development of Tajikistan's renewable energy potential would help balance the authorities' plans for accelerated industrialization with their environmental objectives. Partnering with development partners to implement climate projects can help build resilience to climate change in line with the National Strategy for Adaptation to Climate Change for 2020-2030.

## PROGRAM MODALITIES AND RISKS

**38. The attached Program Statement (PS) elaborates on the authorities' policy commitments under the PCI.** Tajikistan does not have a present, prospective, or potential balance of payments need in the staff's baseline that would require Fund financing and thereby meets the criteria for use of the PCI. The program will be monitored through quantitative targets and reform targets assessed in three reviews (Table 11). Quantitative targets 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 targets set ceilings on external government arrears and new non-concessional external debt and on Barki Tojik's arrears to the private sector. The standard continuous targets on trade and exchange rate restrictions, bilateral payments arrangements, multiple currency practices and external arrears shall apply. Reform targets are proposed in PS Table 2. The prior action has been met: the NBT's Law has been amended, in line with the recommendations of the 2021 Safeguards Assessment followed by Fund TA, to strengthen the NBT's autonomy and governance. Definitions of key concepts, targets, and reporting requirements, are detailed in the attached Technical Memorandum of Understanding (TMU).

**39. Program implementation is supported by Fund TA.** Tajikistan's TA priorities for 2024-2025 are aligned with program objectives. The Fund TA focuses on key structural reforms under the program, assisting the authorities to (i) design a Medium-Term Revenue Plan and Debt Management Strategy; (ii) complete an IMF Public Investment Assessment (PIMA); (iii) develop the domestic debt market, (iv) prepare SOE Fiscal Risk Statement, and (v) phase in macroprudential tools, (vi) improve fiscal statistics.

**40. The program is fully financed with firm commitments for the first 12 months and good prospects for adequate financing for the remaining program period.** The PCI is expected to help catalyze substantial financing from multilateral and bilateral development partners for the Rogun HPP project, with key contributors being the World Bank, Asian Development Bank, European Investment Bank and Asian Infrastructure Investment Bank. The authorities have informed staff that there are no sovereign arrears to bilateral, multilateral, or commercial creditors.

**41. Risks to program implementation appear manageable given Tajikistan's recent macroeconomic performance and implementation of policy commitments under the RCF.** Looking ahead, the authorities' ambitious reform program could be delayed by administrative hurdles and governance issues. In addition, uncertainties related to geopolitical tensions and sanctions on Russia could adversely impact remittances, exports, growth, and fiscal revenue.

## STAFF APPRAISAL

**42. Tajikistan's economic performance has been favorable but continued macroeconomic stability and vigorous structural reforms are key to fostering more inclusive growth.** Despite strong recent performance, the economy remains undiversified and reliant on remittances. The program aims to help Tajikistan tackle three key challenges: (i) to balance its ambitious development agenda with debt sustainability objectives; (ii) to strengthen the contribution of monetary, exchange rate and financial policies to growth and resilience; and (iii) to improve governance and foster more diversified and inclusive growth in line with the goals of the National Development Strategy-2030.

**43. Enhancing revenue mobilization and spending efficiency is critical to advance the authorities' development objectives.** Under the program, the 2021 tax reform is re-enforced by base broadening to create space for priority social and infrastructure spending. On the revenue side, reducing tax expenditures and improving tax collection are central to the authorities' revenue mobilization plans. On the expenditure side, measures to enhance expenditure prioritization, phase out energy subsidies and improve the financial position of the electricity sector are key to supporting a more efficient resource allocation.

**44. Fiscal and debt policies need to be anchored in strong medium-term policy frameworks.** Although recent fiscal performance has been favorable, the fiscal deficit target of 2.5 percent of GDP remains essential to appropriately balance large infrastructure investment needs with debt sustainability objectives and keep public debt on a downward trajectory. The IMF-World Bank DSA indicates that the risk of debt distress remains high and credible medium-term revenue and debt management strategies supported by efficient domestic debt markets are critical to buttress long-term debt sustainability.

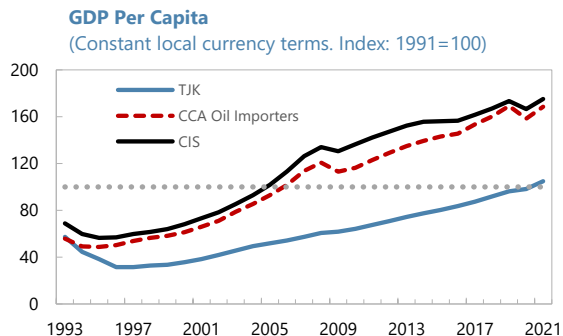
**45. Modernizing monetary, exchange rate and financial policies will improve resilience to external shocks.** Recent amendments to the NBT Law (prior action) have strengthened the NBT's autonomy and governance. A gradual transition to an inflation targeting framework will require further efforts to improve policy transmission and deepen financial markets. The external position of Tajikistan in 2023 was assessed to be stronger than the level implied by fundamentals and desirable policy settings. Exchange rate flexibility remains essential to facilitate the economy's adjustment to external shocks. In this context, improving monitoring of financial sector risks through forward looking macroprudential tools and stress tests is key to supporting financial deepening while safeguarding financial stability.

**46. Broad-based governance and transparency reforms are central to fostering more diversified and inclusive growth.** The PCI supports the authorities' efforts to reduce contingent SOE risks through enhanced fiscal governance and transparency. Structural reforms focus on improving SOE oversight, enhancing the AML-CFT and anti-corruption frameworks, and fostering extractive sector transparency, financial inclusion, and resilience to climate risks to create a more enabling environment for sustainable and inclusive growth.

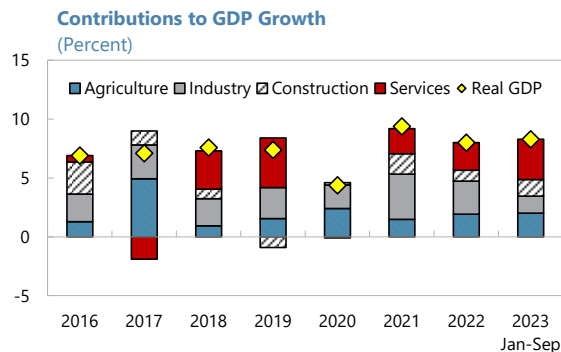
**47. The PCI arrangement will anchor the authorities' policies and help catalyze critical development financing.** A PCI arrangement is appropriate given that staff does not foresee a prospective balance of payments need in the baseline, with international reserves projected to remain above Fund adequacy metrics. The PCI will support policy coordination, signaling to development partners the authorities' commitment to sound macroeconomic policies and structural reforms. Staff supports the authorities' request for a twenty-two-month PCI-supported program.

**Figure 1. Tajikistan: Growth and Inflation**

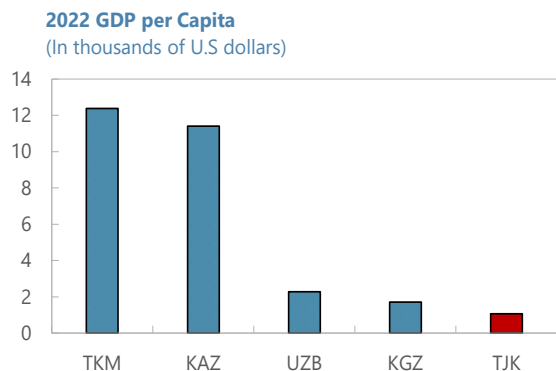
*Recovery from the COVID-19 shock...*



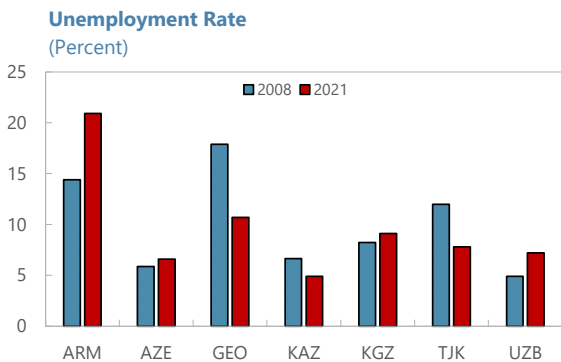
*...has been driven by services, industry and agriculture.*



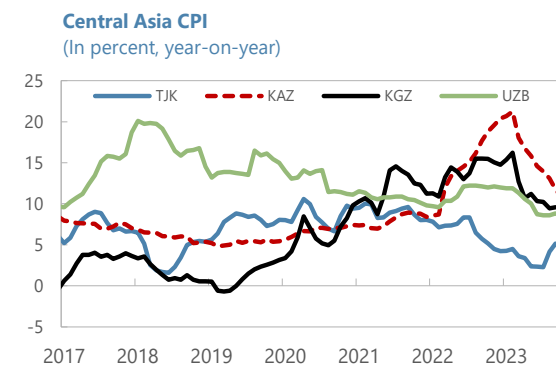
*However, per capita income is still low...*



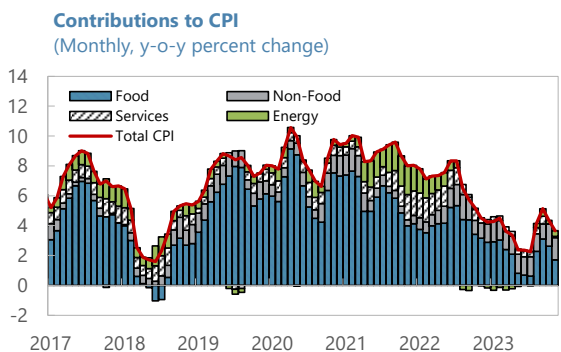
*...and unemployment elevated.*



*Inflation has trended downwards...*



*...as food price inflation has been subdued.*

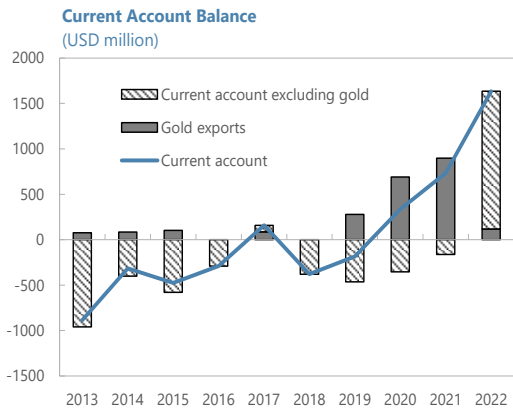


Sources: National authorities, Haver Analytics, and IMF staff estimates.

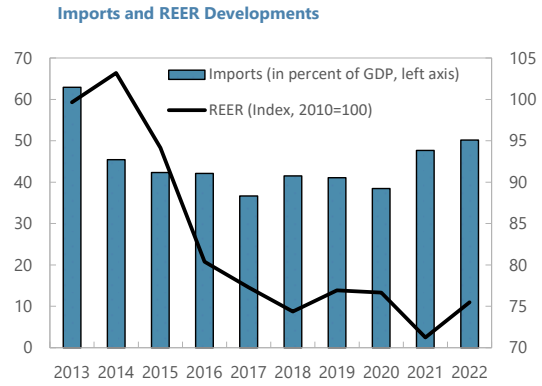


**Figure 2. Tajikistan: External Sector Developments**

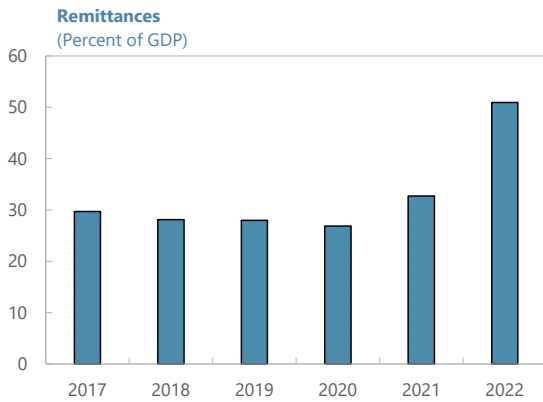
*The current account balance has improved on the back of strong remittances...*



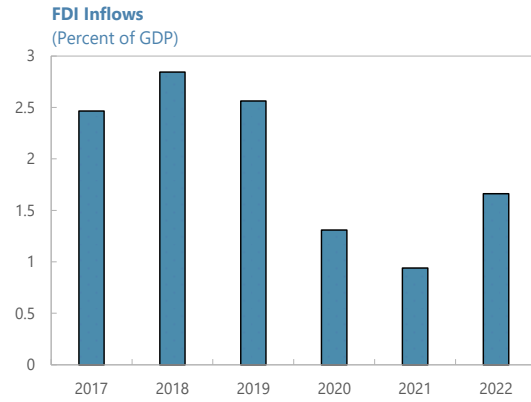
*... and import substitution effects from REER depreciation.*



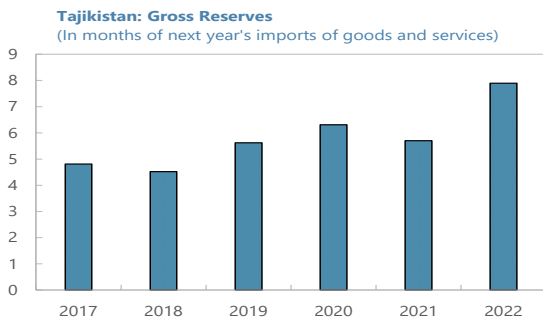
*The importance of remittances in the economy has increased recently...*



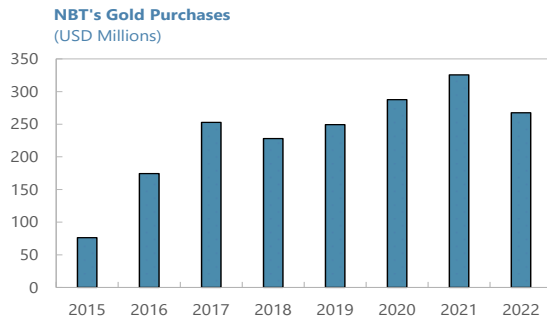
*...while FDI inflows remain below pre-pandemic levels.*



*Reserves are above adequacy metrics...*



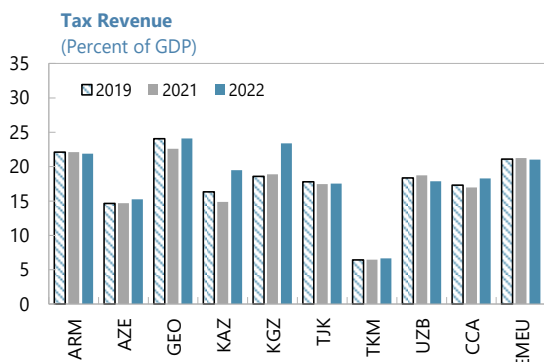
*...supported by NBT's domestic gold purchases.*



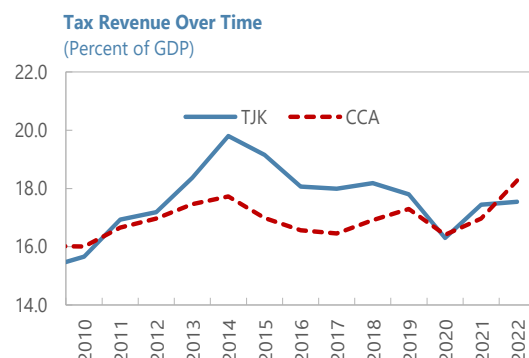
Sources: Tajikistan authorities, Haver Analytics, and IMF staff estimates.

**Figure 3. Tajikistan: Fiscal Developments**

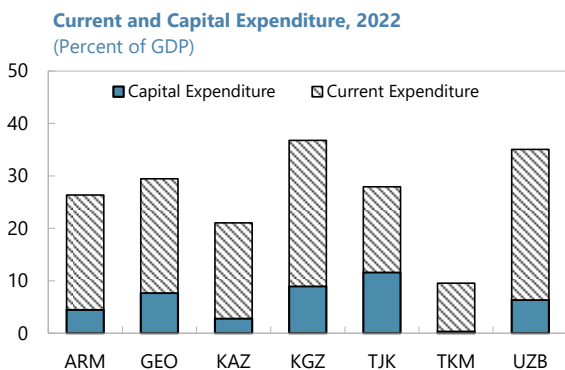
*Tax revenues are close to the regional average...*



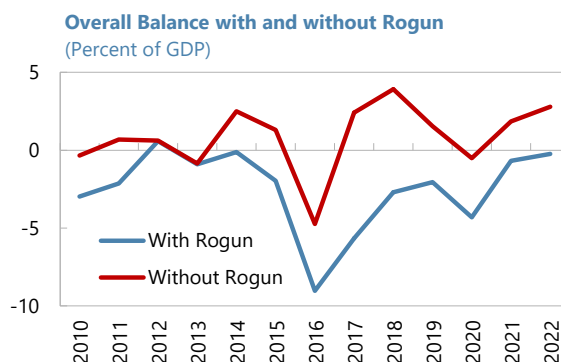
*...and have stabilized over the last several years.*



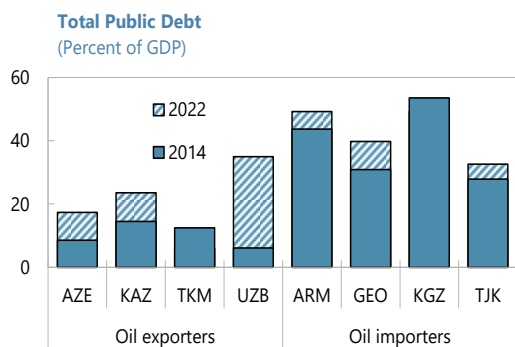
*Capital expenditures are high relative to peers...*



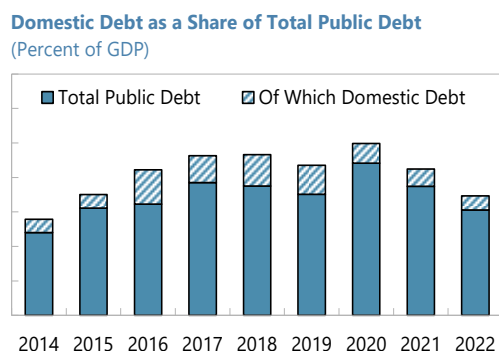
*...and a major contributor to the recent deficits.*



*Debt performance has improved...*



*...driven by repayment of external debt.*

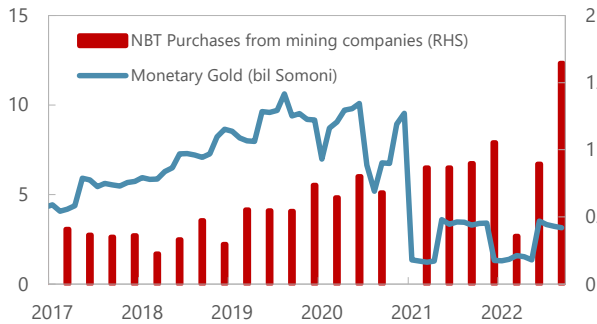


Sources: Tajikistan authorities, IMF World Economic Outlook, and IMF staff estimates.

**Figure 4. Tajikistan: Monetary Developments**

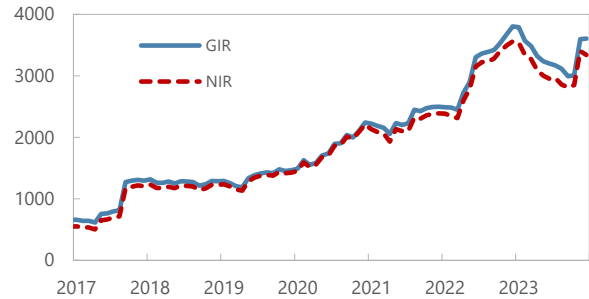
*NBT gold purchases have increased...*

**Gold Stock and NBT Purchases**  
(Billions of somoni)



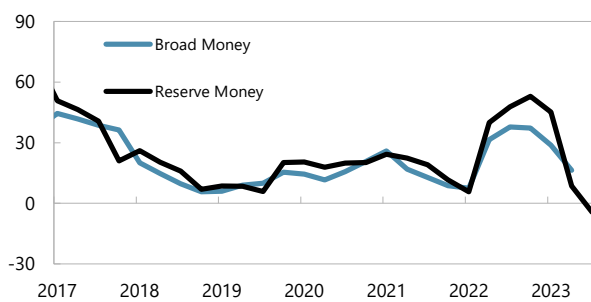
*...supporting reserve accumulation.*

**International Reserves Position**  
(In millions of U.S dollars)



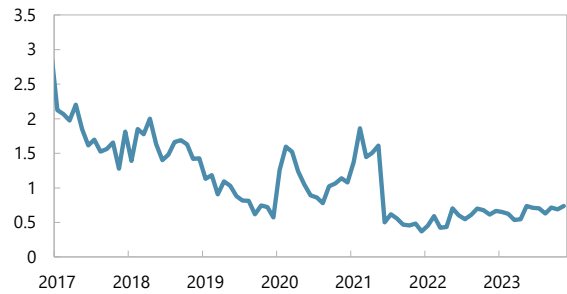
*Fueling a deceleration in monetary aggregates...*

**Monetary Aggregates**  
(In percent, year-on-year)



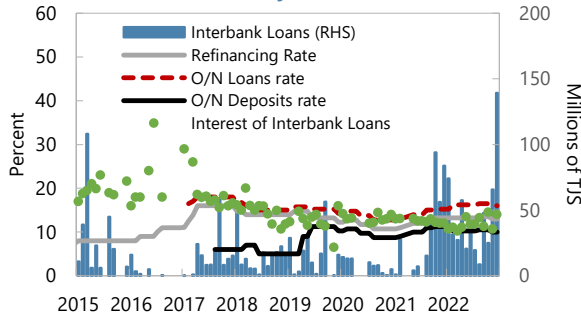
*...while excess systemic liquidity remains stable.*

**Excess Liquidity**  
(Billions of somoni)



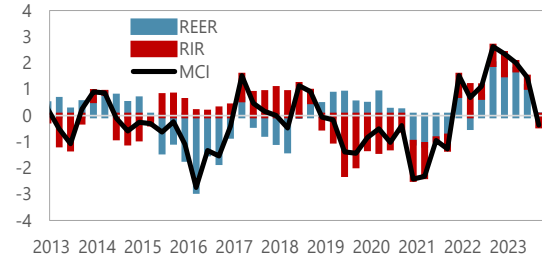
*Despite a reduction in the refinancing rate...*

**Interest Rates in Tajikistan**



*...monetary conditions have remained in balance.*

**Tajikistan: Monetary Conditions Index**  
(Index)

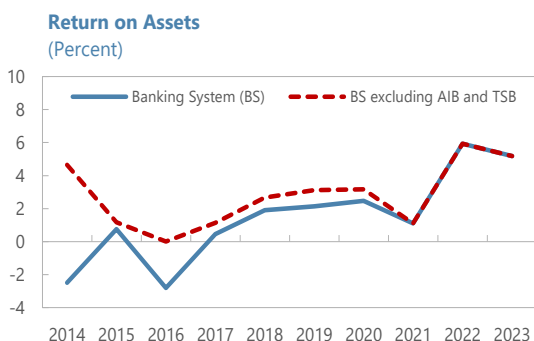


Note: Increase denotes tightening.

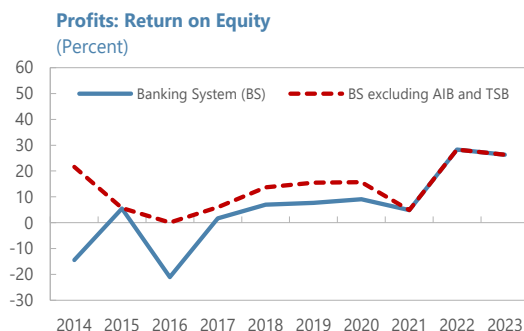
Sources: Tajikistan authorities, Haver Analytics, and IMF staff estimates.

**Figure 5. Tajikistan: Financial Sector**

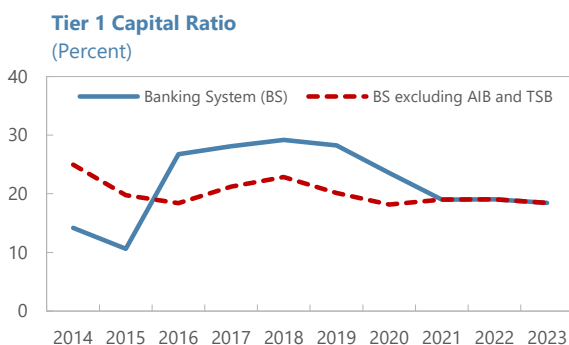
*The banking system remains profitable ...*



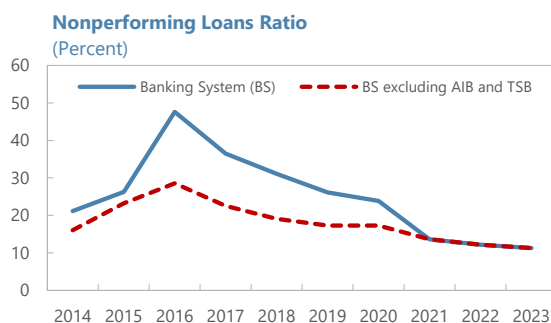
*...as illustrated by ROA and ROE indicators...*



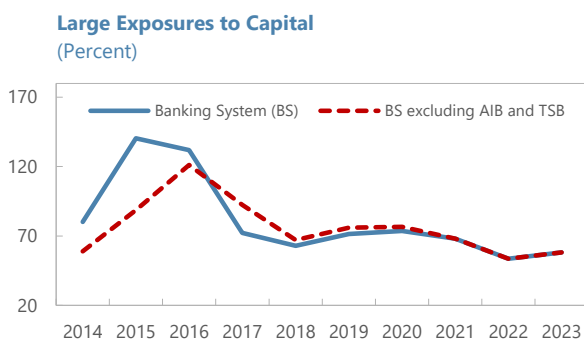
*...allowing banks to shore up their capital buffers.*



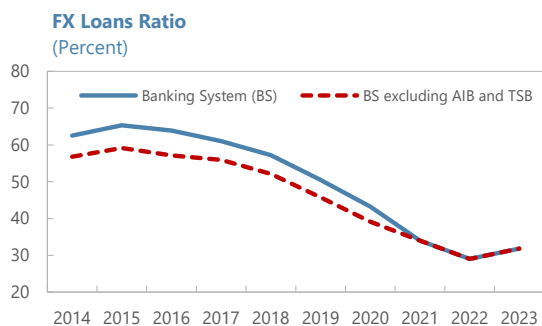
*Despite a decrease, NPLs remain elevated.*



*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
				Proj.						
				(Annual percent change; unless otherwise indicated)						
<b>National accounts</b>										
Real GDP	4.4	9.4	8.0	8.3	6.5	4.5	4.5	4.5	4.5	4.5
GDP deflator (cumulative)	1.7	10.0	6.0	3.0	4.4	6.5	6.5	6.5	6.0	6.0
Headline CPI inflation (end-of-period)	9.4	8.0	4.2	3.8	6.0	6.5	6.5	6.5	6.5	6.5
Headline CPI inflation (period average)	8.6	9.0	6.7	3.5	4.9	6.3	6.5	6.5	6.5	6.5
				(In percent of GDP; unless otherwise indicated)						
<b>General government finances</b>										
Revenue and grants	24.8	27.0	27.7	27.7	27.1	28.6	29.1	29.2	28.2	28.2
Tax revenue	18.3	19.5	19.7	19.6	19.3	20.7	21.4	21.6	22.1	21.9
Expenditure and net lending	29.2	27.6	28.0	28.7	29.6	31.1	31.6	31.6	30.7	30.7
Current	17.1	16.4	16.3	17.5	16.4	16.1	16.1	16.5	16.8	16.2
Capital	12.1	11.3	11.6	11.3	13.2	15.0	15.5	15.1	13.9	12.9
Overall balance (excl. PIP and stat. discrepancy)	-2.2	0.0	1.5	1.2	1.6	2.3	1.9	1.7	0.9	1.1
Overall balance (incl. PIP and stat. discrepancy)	-4.3	-0.7	-0.2	-1.0	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Domestic financing	-2.1	-0.1	0.0	0.0	0.2	0.7	0.9	0.9	0.1	-0.1
External financing	5.8	0.8	0.2	1.0	2.3	1.8	1.6	1.6	2.4	2.6
Total public and publicly-guaranteed debt	51.8	42.1	32.5	30.9	30.8	30.2	29.4	28.8	29.1	29.6
<b>Monetary sector</b>										
Broad money (12-month percent change)	18.4	8.2	40.4	-0.8	13.1	11.3	11.3	11.3	11.3	11.3
Reserve money (12-month percent change)	20.2	11.6	52.9	-5.6	17.1	10.0	10.0	10.0	10.0	10.0
Credit to private sector (12-month percent change)	19.9	-5.2	18.6	31.9	12.0	10.0	10.0	10.0	9.8	16.1
Velocity of broad money (eop)	3.2	3.6	2.9	3.3	...	...	...	...	...	...
Refinancing rate (in percent, eop/ latest value)	10.8	13.3	13.0	10.0	...	...	...	...	...	...
				(In percent of GDP; unless otherwise indicated)						
<b>External sector</b>										
Exports of goods and services (U.S. dollar, percent change)	13.3	53.4	-18.9	4.1	-2.7	1.0	8.6	9.0	9.0	9.0
Imports of goods and services (U.S. dollar, percent change)	-8.3	36.2	23.5	13.9	1.7	3.7	8.3	8.2	8.5	8.5
Current account balance	4.1	8.2	15.6	-0.7	-2.2	-2.2	-2.3	-2.4	-2.5	-2.7
Trade balance (goods)	-17.8	-19.2	-28.2	-29.8	-27.9	-26.6	-26.3	-26.0	-25.9	-25.9
FDI (net)	0.4	0.4	1.5	0.2	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	27.8	27.1	26.3	25.5	26.0	26.6
Exports of goods and services, in millions of U.S. dollars	1,409	2,161	1,753	1,825	1,776	1,794	1,947	2,122	2,312	2,519
Imports of goods and services, in millions of U.S. dollars	-3,125	-4,258	-5,261	-5,991	-6,093	-6,321	-6,843	-7,406	-8,035	-8,717
Current account balance, in millions of U.S. dollars	336	735	1,635	-88	-284	-306	-356	-398	-451	-531
Total public and publicly guaranteed external debt (US dollar, millions)	3,257	3,312	3,238	3,253	3,562	3,794	3,999	4,230	4,680	5,207
Gross official reserves (in millions of U.S. dollars)	2,238	2,499	3,803	3,607	3,647	3,819	4,027	4,414	4,857	5,259
In months of next year's imports	6.3	5.7	7.6	7.1	6.9	6.7	6.5	6.6	6.7	6.7
In percent of broad money	96.3	99.6	97.3	99.9	91.2	87.5	84.7	85.2	86.0	85.4
<b>Memorandum items:</b>										
Nominal GDP (in millions of somoni)	83,958	101,076	115,739	128,984	143,365	159,539	177,555	197,606	218,888	242,462
Nominal effective exchange rate (Index 2010=100)	60.2	54.1	60.1	65.6	...	...	...	...	...	...
Real effective exchange rate (Index 2010=100)	76.7	71.2	75.5	79.2	...	...	...	...	...	...
Average exchange rate (somoni per U.S. dollar)	10.3	11.3	11.0	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
	Proj.									
Overall revenues and grants	20,842	27,266	32,084	35,736	38,879	45,630	51,610	57,648	61,739	68,388
Total revenues	19,025	24,136	28,102	31,150	33,917	40,146	46,058	51,487	58,074	63,519
Tax revenues	15,356	19,666	22,858	25,305	27,633	33,035	38,048	42,695	48,302	52,989
Income and profit tax	3,577	4,700	5,660	6,232	7,297	8,820	10,016	11,347	13,020	14,422
Payroll taxes	1,668	2,035	2,553	2,440	2,362	2,629	2,926	3,256	3,736	4,138
Property taxes	374	457	612	823	1,060	1,176	1,305	1,448	1,654	1,828
Taxes on goods and services	9,033	11,516	12,606	14,275	15,687	18,286	21,354	24,067	27,643	31,158
International trade and operations tax	704	958	1,426	1,535	1,227	2,124	2,447	2,577	2,248	1,443
Nontax revenues	3,669	4,470	5,244	5,844	6,283	7,110	8,011	8,792	9,773	10,530
Grants	1,817	3,130	3,982	4,586	4,962	5,484	5,552	6,161	3,665	3,742
Total expenditures and net lending	24,485	27,940	32,354	37,078	42,455	49,568	56,089	62,531	67,143	74,395
Current expenditures	14,322	16,543	18,888	22,545	23,474	25,628	28,644	32,669	36,701	39,200
Expenditures on goods and services	9,409	11,134	12,230	13,742	14,710	15,510	17,230	19,522	22,345	24,949
Interest payments	775	874	825	1,023	1,047	1,186	1,154	1,333	1,270	1,812
Transfers and subsidies	4,138	4,534	5,833	7,781	7,717	8,932	10,260	11,814	13,087	14,496
Capital expenditures	10,163	11,397	13,466	14,533	18,980	23,940	27,445	29,862	30,442	31,205
Externally financed (PIP and Rogun)	3,652	5,174	4,905	6,925	10,164	12,532	12,861	13,842	10,975	12,312
Of which: Rogun	0	0	0	0	129	946	2,156	2,871	5,183	4,406
Domestically financed	6,511	6,223	8,560	7,607	8,816	11,408	14,584	16,020	19,467	20,826
Of which: Rogun	3,182	2,552	3,500	3,645	4,386	4,327	3,797	3,015	2,773	2,595
Of which: Non-Rogun	3,329	3,671	5,060	3,962	4,431	7,081	10,787	13,005	16,693	18,231
Net lending	0	0	0	0	0	0	0	0	0	0
Overall balance (incl. PIP)	-3,643	-674	-270	-1,342	-3,576	-3,938	-4,479	-4,882	-5,404	-6,007
Overall balance (excl. PIP and PIP-related grants)	-1,808	0	1,757	1,541	2,355	3,710	3,430	3,399	1,906	2,563
Overall balance (incl. PIP and excl. bank recapitalization)	-3,643	-674	-270	-1,342	-3,576	-3,938	-4,479	-4,882	-5,404	-6,007
Total financing (incl. PIP)	3,283	674	269	1,342	3,576	3,938	4,479	4,883	5,404	6,007
Net external	4,839	791	268	1,293	3,321	2,832	2,798	3,164	5,281	6,356
Disbursements	6,185	2,281	2,026	3,108	5,632	7,348	7,509	7,781	7,912	9,110
Amortization	-1,346	-1,490	-1,758	-1,816	-2,210	-4,516	-4,711	-4,617	-2,630	-2,753
Net domestic	-1,778	-117	1	50	255	1,106	1,681	1,719	123	-349
Of which: deposits with commercial banks	551	551	-503	-875	266	456	981	679	-137	-649
Of which: deposits with the NBT	-2,238	-718	-786	1,233	0	0	0	0	0	0
Of which: new credit	100	-437	-437	0	450	950	1,000	1,340	360	400
Of which: net asset sales 1/	-192	50	1,727	-308	-461	-300	-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
	Proj.									
Overall revenues and grants	24.8	27.0	27.7	27.7	27.1	28.6	29.1	29.2	28.2	28.2
Tax revenues	18.3	19.5	19.7	19.6	19.3	20.7	21.4	21.6	22.1	21.9
Income and profit tax	4.3	4.6	4.9	4.8	5.1	5.5	5.6	5.7	5.9	5.9
Payroll taxes	2.0	2.0	2.2	1.9	1.6	1.6	1.6	1.6	1.7	1.7
Property taxes	0.4	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.8	0.8
Taxes on goods and services	10.8	11.4	10.9	11.1	10.9	11.5	12.0	12.2	12.6	12.9
VAT	7.6	8.1	7.9	7.7	8.0	8.4	8.9	9.1	9.4	9.6
Excises and other internal indirect taxes	3.1	3.3	3.0	3.4	3.0	3.1	3.1	3.1	3.2	3.2
International trade and operations tax	0.8	0.9	1.2	1.2	0.9	1.3	1.4	1.3	1.0	0.6
Nontax revenues	4.4	4.4	4.5	4.5	4.4	4.5	4.5	4.4	4.5	4.3
Grants	2.2	3.1	3.4	3.6	3.5	3.4	3.1	3.1	1.7	1.5
Total expenditure and net lending	29.2	27.6	28.0	28.7	29.6	31.1	31.6	31.6	30.7	30.7
Current expenditures	17.1	16.4	16.3	17.5	16.4	16.1	16.1	16.5	16.8	16.2
Expenditures on goods and services	11.2	11.0	10.6	10.7	10.3	9.7	9.7	9.9	10.2	10.3
Wages and salaries	6.9	6.4	5.0	5.4	5.9	5.8	5.6	5.6	5.8	5.9
Others	4.3	4.6	5.6	5.3	4.4	4.0	4.1	4.3	4.5	4.6
Interest payments	0.9	0.9	0.7	0.8	0.7	0.7	0.6	0.7	0.6	0.7
Transfers and subsidies	4.9	4.5	5.0	6.0	5.4	5.6	5.8	6.0	6.0	6.0
Capital expenditures	12.1	11.3	11.6	11.3	13.2	15.0	15.5	15.1	13.9	12.9
Externally financed (PIP and Rogun)	4.4	5.1	4.2	5.4	7.1	7.9	7.2	7.0	5.0	5.1
Of which: Rogun	0.0	0.0	0.0	0.0	0.1	0.6	1.2	1.5	2.4	1.8
Domestically financed	7.8	6.2	7.4	5.9	6.1	7.2	8.2	8.1	8.9	8.6
Of which: Rogun	3.8	2.5	3.0	2.8	3.1	2.7	2.1	1.5	1.3	1.1
Of which: Non-Rogun	4.0	3.6	4.4	3.1	3.1	4.4	6.1	6.6	7.6	7.5
Overall balance	-4.3	-0.7	-0.2	-1.0	-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	1.6	2.3	1.9	1.7	0.9	1.1
Overall balance (incl. PIP and excl. bank recapitalization)	-4.3	-0.7	-0.2	-1.0	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Total financing (incl. PIP)	3.9	0.7	0.2	1.0	2.5	2.5	2.5	2.5	2.5	2.5
Net external	5.8	0.8	0.2	1.0	2.3	1.8	1.6	1.6	2.4	2.6
Disbursements	7.4	2.3	1.8	2.4	3.9	4.6	4.2	3.9	3.6	3.8
Amortization	-1.6	-1.5	-1.5	-1.4	-1.5	-2.8	-2.7	-2.3	-1.2	-1.1
Net domestic	-2.1	-0.1	0.0	0.0	0.2	0.7	0.9	0.9	0.1	-0.1
Of which: deposits with commercial banks	0.7	0.4	0.0	-0.7	0.2	0.3	0.6	0.3	-0.1	-0.3
Of which: deposits with the NBT	-2.7	-0.7	-1.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: New credit	0.1	0.0	0.0	0.1	0.3	0.6	0.6	0.7	0.2	0.2
Of which: asset sales 1/	-0.2	0.0	1.1	-0.3	-0.3	-0.2	-0.2	-0.2	0.0	0.0

Sources: Tajikistan authorities, and Fund staff estimates.

1/ From 2023 onward includes 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
					Proj.					
	(In millions of somoni)									
Net foreign assets	24,245	24,798	35,646	36,340	37,536	40,500	44,206	50,197	57,086	63,732
Gross assets	25,781	28,792	39,074	40,035	41,307	44,138	47,485	53,099	59,595	65,829
Gross liabilities	1,536	3,994	3,427	3,695	3,771	3,638	3,279	2,903	2,509	2,097
Net international reserves 1/	24,967	26,977	36,315	36,585	37,753	40,364	43,452	48,638	54,640	60,400
Gross international reserves 1/	25,293	28,236	38,797	39,523	40,785	43,605	46,941	52,544	59,027	65,250
Gross reserve liabilities	326	1,259	2,481	2,938	3,032	3,241	3,489	3,906	4,388	4,850
Net domestic assets	-1,711	339	2,800	-53	4,964	6,264	7,250	6,423	5,215	4,820
Net claims on general government	-638	-1,356	-2,579	-1,651	-2,112	-2,412	-2,712	-3,012	-3,112	-3,212
Net claims on financial corporations	-1,628	-1,027	-854	-444	-444	-444	-444	-444	-444	-444
Credit to the private sector	725	480	508	423	423	423	423	423	423	423
Other items net	-171	2,243	5,725	1,619	7,097	8,697	9,983	9,456	8,348	8,052
Reserve money	22,534	25,138	38,447	36,287	42,500	46,764	51,457	56,620	62,301	68,552
Reserve money in domestic currency	21,202	23,612	35,767	33,204	38,889	42,791	47,085	51,809	57,008	62,728
Currency in circulation	19,059	22,110	32,460	30,053	35,198	38,730	42,616	46,892	51,597	56,775
Bank reserves	3,206	2,553	5,824	6,112	7,158	7,877	8,667	9,537	10,493	11,546
Bank deposits in domestic currency	1,987	1,254	3,155	3,045	3,567	3,925	4,318	4,752	5,228	5,753
Bank deposits in foreign currency	1,219	1,299	2,669	3,067	3,592	3,952	4,349	4,785	5,265	5,793
Other deposits	269	474	163	122	143	158	174	191	210	231
Other deposits in domestic currency	155	248	152	106	124	137	150	165	182	200
Other deposits in foreign currency	113	226	10	16	19	21	23	26	28	31
	(12-month growth in percent)									
Reserve money	20.2	11.6	52.9	-5.6	17.1	10.0	10.0	10.0	10.0	10.0
Net foreign assets	84.8	2.3	43.7	1.9	3.3	7.9	9.2	13.6	13.7	11.6
Gross international reserves	78.3	11.6	37.4	1.9	3.2	6.9	7.7	11.9	12.3	10.5
Net international reserves	80.9	8.0	34.6	0.7	3.2	6.9	7.7	11.9	12.3	10.5
Net domestic assets	-130.4	-119.8	724.9	-101.9	-9,508.3	26.2	15.7	-11.4	-18.8	-7.6
	(12-month growth in percent of reserve money)									
Reserve money (12-month percent change)	20.2	11.6	52.9	-5.6	17.1	10.0	10.0	10.0	10.0	10.0
Net foreign assets	59.4	2.5	43.2	1.8	3.3	7.0	7.9	11.6	12.2	10.7
Gross international reserves	59.2	13.1	42.0	1.9	3.5	6.6	7.1	10.9	11.5	10.0
Net international reserves	59.6	8.9	37.1	0.7	3.2	6.1	6.6	10.1	10.6	9.2
Net domestic assets	-39.1	9.1	9.8	-7.4	13.8	3.1	2.1	-1.6	-2.1	-0.6
Net credit to general government	-11.9	-3.2	-4.9	2.4	-1.3	-0.7	-0.6	-0.6	-0.2	-0.2
Credit to the private sector	1.7	-1.1	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
NBT bills	-0.3	3.3	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Other items net	-28.3	10.7	13.9	-10.7	15.1	3.8	2.8	-1.0	-2.0	-0.5
<i>Memorandum items:</i>										
Net international reserves (percent of broad money)	95.1	95.0	91.1	92.5	84.4	81.1	78.4	78.9	79.6	79.1
Official exchange rate (somoni/U.S. dollars; eop)	11.3	11.3	10.2	11.0	...	...	...	...	...	...

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

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

**Table 5. Tajikistan: Monetary Survey, 2020–29**  
(End-year stocks, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					Proj.					
	(In millions of somoni, end-of-period stock)									
Net foreign assets	23,857	25,038	35,096	34,996	36,186	39,152	42,858	48,849	55,741	62,390
National Bank of Tajikistan	24,245	24,798	35,646	36,340	37,536	40,500	44,206	50,197	57,086	63,732
Commercial banks	-389	240	-550	-1,344	-1,350	-1,348	-1,349	-1,347	-1,345	-1,342
Net domestic assets	5,811	7,671	9,170	9,463	14,097	16,813	19,431	20,478	21,421	23,491
Net credit to general government	-2,154	-2,320	-4,046	-3,997	-3,742	-2,636	-955	764	887	538
National Bank of Tajikistan	-638	-1,356	-2,579	-1,651	-2,112	-2,412	-2,712	-3,012	-3,112	-3,212
Commercial banks	-1,516	-964	-1,468	-2,346	-1,630	-224	1,757	3,776	3,999	3,750
Net credit to public non-financial corporations	2,533	2,294	2,088	2,406	2,540	2,684	2,835	2,995	3,157	3,326
Credit to the private sector	10,657	10,108	11,985	15,805	17,701	19,471	21,418	23,560	25,880	30,060
Net credit to other financial corporations	-185	-142	-167	-188	-188	-188	-188	-188	-188	-188
Other items net	-5,041	-2,719	-690	-4,563	-2,214	-2,517	-3,679	-6,653	-8,314	-10,244
Broad money	26,253	28,400	39,884	39,549	44,729	49,784	55,409	61,671	68,640	76,396
Somon broad money	22,618	25,234	35,254	34,586	39,537	44,005	48,977	54,512	60,671	67,527
Currency outside banks	18,058	20,874	32,460	26,974	33,232	36,987	41,167	45,819	50,996	56,759
Deposits	4,559	4,361	5,622	7,612	6,305	7,017	7,810	8,693	9,675	10,768
Foreign currency deposits	3,635	3,166	4,630	4,963	5,192	5,779	6,432	7,159	7,968	8,868
Non-liquid liabilities	3,414	3,859	4,382	4,910	5,554	6,181	6,880	7,657	8,522	9,485
	(12-month growth in percent of broad money)									
Broad money	18.4	8.2	40.4	-0.8	13.1	11.3	11.3	11.3	11.3	11.3
Net foreign assets	53.0	2.8	37.0	-0.3	3.0	6.6	7.4	10.8	11.2	9.7
National Bank of Tajikistan	50.2	2.1	38.2	1.7	3.0	6.6	7.4	10.8	11.2	9.7
Commercial banks	2.8	2.4	-2.8	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-30.1	7.1	5.3	0.7	11.7	6.1	5.3	1.9	1.5	3.0
Net credit to general government	-11.0	-0.6	-6.1	0.1	0.6	2.5	3.4	3.1	0.2	-0.5
Credit to the private sector	8.0	-2.1	6.6	9.6	4.8	4.0	3.9	3.9	3.8	6.1
Other items net	-26.2	8.8	7.1	-9.7	5.9	-0.7	-2.3	-5.4	-2.7	-2.8
<i>Memorandum items:</i>										
Deposit dollarization (in percent)	44.6	46.1	45.9	46.4	...	...	...	...	...	...
Velocity	3.2	3.6	2.9	3.3	...	...	...	...	...	...
Credit to the private sector (percent of GDP)	12.7	10.0	10.4	12.3	...	...	...	...	...	...
Money multiplier	1.2	1.0	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
				Proj.						
	(In millions of U.S. dollars, unless otherwise indicated)									
Current account	336	735	1,635	-88	-284	-306	-356	-398	-451	-531
Balance on goods and services	-1,716	-2,097	-3,508	-4,165	-4,317	-4,527	-4,896	-5,284	-5,723	-6,199
Balance on goods	-1,445	-1,712	-2,960	-3,529	-3,616	-3,755	-4,045	-4,357	-4,718	-5,108
Exports	1,271	2,015	1,615	1,681	1,626	1,639	1,787	1,947	2,122	2,313
Of which: gold	690	896	119	353	170	185	196	209	223	243
Imports	2,716	3,727	4,576	5,210	5,242	5,394	5,832	6,304	6,840	7,420
Balance on services	-271	-385	-548	-637	-701	-772	-851	-927	-1,006	-1,091
Balance on income	1,364	1,821	3,497	2,624	2,605	2,723	2,929	3,153	3,401	3,646
Balance on transfers	688	1,011	1,645	1,453	1,429	1,499	1,611	1,733	1,872	2,022
Capital and financial account	768	475	-532	-108	324	478	563	786	894	933
Capital transfers	189	267	283	372	396	402	359	472	305	276
FDI	36	36	162	28	189	206	224	244	265	288
Portfolio Investment	0	1	-1	0	0	-167	-167	-167	50	44
Other capital flows	543	172	-975	-507	-261	37	146	237	274	326
Errors and omissions	-151	212	138	...	...	...	...	...	...	...
Overall balance	1254	998	965	-196	40	172	208	388	443	402
	(in percent of GDP, unless otherwise indicated)									
Current account	4.1	8.2	15.6	-0.7	-2.2	-2.2	-2.3	-2.4	-2.5	-2.7
Balance on goods and services	-21.1	-23.5	-33.4	-35.1	-33.3	-32.1	-31.8	-31.5	-31.4	-31.4
Balance on goods	-17.8	-19.2	-28.2	-29.8	-27.9	-26.6	-26.3	-26.0	-25.9	-25.9
Exports	15.6	22.5	15.4	14.2	12.6	11.6	11.6	11.6	11.7	11.7
Imports	33.4	41.7	43.6	43.9	40.5	38.2	37.9	37.6	37.6	37.6
Balance on services	-3.3	-4.3	-5.2	-5.4	-5.4	-5.5	-5.5	-5.5	-5.5	-5.5
Balance on income	16.8	20.4	33.3	22.1	20.1	19.3	19.0	18.8	18.7	18.5
Balance on transfers	8.5	11.3	15.7	12.3	11.0	10.6	10.5	10.3	10.3	10.2
Capital and financial account	9.4	5.3	-5.1	-0.9	2.5	3.4	3.7	4.7	4.9	4.7
Capital transfers	2.3	3.0	2.7	3.1	3.1	2.8	2.3	2.8	1.7	1.4
FDI	0.4	0.4	1.5	0.2	1.5	1.5	1.5	1.5	1.5	1.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	-1.2	-1.1	-1.0	0.3	0.2
Other capital flows	6.7	1.9	-9.3	-4.3	-2.0	0.3	1.0	1.4	1.5	1.7
Errors and omissions	-1.9	2.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	15.4	11.2	9.2	-1.7	0.3	1.2	1.3	2.3	2.4	2.0
<i>Memorandum items:</i>										
Nominal GDP (In millions of U.S. dollars)	8,134	8,934	10,493	11,855	12,953	14,118	15,395	16,774	18,199	19,744
Remittances, inflows (In millions of U.S. dollars)	2,187	2,922	5,346	4,460	4,443	4,697	5,049	5,429	5,862	6,331
(in percent of GDP)	26.9	32.7	50.9	37.6	34.3	33.3	32.8	32.4	32.2	32.1
Current account balance (In percent of GDP)	4.1	8.2	15.6	-0.7	-2.2	-2.2	-2.3	-2.4	-2.5	-2.7
Net international reserves (In millions of U.S. dollars)	2210	2387	3559	3339	3376	3535	3727	4086	4496	4868
Gross reserves	2238	2499	3803	3607	3647	3819	4027	4414	4857	5259
(in months of next year's imports of goods and services)	6.3	5.7	7.6	7.1	6.9	6.7	6.5	6.6	6.7	6.7
(in percent of IMF's Reserve Adequacy metric: Fixed)	110.8	120.1	171.5	162.2	161.4	159.3	157.5	162.8	169.7	173.4
(in percent of IMF's Reserve Adequacy metric: Floating)	140.3	153.1	213.1	202.6	201.2	198.5	196.1	203.2	212.2	217.1
Total Public and Publicly Guaranteed (PPG) external debt	3,257	3,312	3,238	3,253	3,562	3,794	3,999	4,230	4,680	5,207
(in percent of GDP)	43.8	37.1	28.5	27.6	27.8	27.1	26.3	25.5	26.0	26.6
Debt service on PPG external debt (In millions of U.S. dollars)	203	204	233	256	281	483	489	478	313	350
(in percent of exports of goods and services)	14.4	9.4	13.3	14.0	15.8	26.9	25.1	22.5	13.5	13.9

Sources: Tajik authorities; and Fund staff estimates.

**Table 7. Tajikistan: Financial Soundness Indicators, 2019–2023Q3**  
(In percent unless otherwise indicated)

	2019	2020	2021	2022	2023Q3
<b>Capital adequacy</b>					
Regulatory capital to risk-weighted assets	21.4	18.2	23.4	25.3	23.1
Regulatory Tier 1 capital to risk-weighted assets	28.2	23.5	19.0	19.1	18.4
<b>Asset quality 1/</b>					
Nonperforming loans net of provisions to regulatory capital	17.0	16.2	3.2	-0.5	1.0
Nonperforming loans to total gross loans	26.1	23.8	13.7	12.2	11.3
<b>Earnings and profitability</b>					
Return on assets (ROA) 2/	2.1	2.5	1.1	5.9	5.2
Return on equity (ROE) 2/	7.7	9.1	4.8	28.3	26.3
Interest margin to gross income	66.4	73.5	60.9	42.6	63.2
Noninterest expenses to gross income	60.3	61.9	64.6	49.3	53.1
<b>Liquidity</b>					
Liquid assets to total assets	27.7	30.0	31.9	43.4	38.2
Liquid assets to short-term liabilities	67.4	70.5	87.7	94.9	85.3
<b>Sensitivity to market risk</b>					
Net open position in foreign exchange to regulatory capital	-1.7	-11.5	4.7	2.3	5.4
<b>Additional</b>					
Capital to total assets	27.4	26.3	20.9	19.5	19.7
Large exposures to regulatory capital	71.4	73.5	68.0	53.5	58.2
Trading income to total income	14.4	6.1	7.8	1.0	0.3
Personnel expenses to noninterest expenses	60.0	58.6	58.7	55.0	61.1
Customer deposits to gross customer loans	102.5	107.6	87.2	117.0	106.0
Foreign-currency-denominated loans to total gross loans	50.5	43.2	34.0	29.0	31.8
Foreign-currency-denominated liabilities to total liabilities	46.7	48.2	49.4	46.2	47.0

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

	LICs		LICs	
	Indicator	Average	Indicator	Average
<b>Growth</b>				
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		
<b>Poverty and Inequality</b>				
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.		
<b>Human Development and Access to Services</b>				
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		
<b>Government</b>				
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		
<b>Labor Markets (ILO estimates)</b>				
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
<b>Governance<sup>1</sup></b>				
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
<b>Gender Equity and Inclusion</b>				
Account at a financial institution (female vs male, %, 2021)			99.6	80.2
Female employment to population ratio (% population, 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
<b>Access to Finance</b>				
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



Improvement since previous observation



Worse than LICs Average



Deterioration since previous observation



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, 2000-Latest**

	2000	2005	2010	2015	Latest
<b>Zero Hunger</b>					
Prevalence of undernourishment (percent of population)	...	...	...	...	...
<b>Good Health and Well-Being</b>					
Maternal mortality ratio (modeled estimate, per 100,000 live births)	18	14	...	...	7
Mortality rate, under-5 (per 1,000 live births)	84	56	43	37	31
Incidence of tuberculosis (per 100,000 people)	219	196	128	86	88
Immunization, measles (percent of children ages 12-23 months)	88	85	94	97	97
<b>Quality Education</b>					
Primary completion rate, total (percent of relevant age group)	93	101	102	101	95
Lower secondary completion rate, total (percent of relevant age group)	84	86	94	98	96
Literacy rate, adult total (percent of people ages 15 and above)	99	...	...	...	100
<b>Gender Equality</b>					
School enrollment, primary (gross), gender parity index (GPI)	0.93	0.97	0.98	0.99	0.99
School enrollment, secondary (gross), gender parity index (GPI)	0.86	0.84	0.87	...	0.87
School enrollment, tertiary (gross), gender parity index (GPI)	0.45	0.47	0.53	0.67	0.76
Proportion of seats held by women in national parliaments (percent)	15	17	19	19	24
<b>Clean Water and Sanitation</b>					
People using at least basic drinking water services (percent of population)	57	63	69	76	82
People using at least basic sanitation services (percent of population)	90	92	93	95	97
<b>Affordable and Clean Energy</b>					
Access to electricity (percent of population)	98	99	99	98	100
Renewable electricity output (percent of total electricity output)	98	99	100	98	98
<b>Decent Work and Economic Growth</b>					
Employment in agriculture (percent of total employment) (modeled ILO estimate)	59	55	53	49	45
Wage and salaried workers, total (percent of total employment) (modeled ILO estimate)	52	56	60	65	71
<b>Industry, Innovation, and Infrastructure</b>					
CO2 emissions (metric tons per capita)	0.35	0.36	0.32	0.57	1.01
Researchers in R&D (per million people)	...	...	...	...	...
<b>Sustainable Cities and Communities</b>					
PM2.5 air pollution, mean annual exposure (micrograms per cubic meter)	51	49	50	48	46
<b>Responsible Consumption and Production</b>					
Total natural resources rents (percent of GDP)	1	1	2	2	6
<b>Life on Land</b>					
Forest area (percent of land area)	2.9	2.9	2.9	3	3
<b>Technology</b>					
Individuals using the Internet (percent of population)	0	0	12	19	22

Source: The World Bank

<b>Table 10. Tajikistan: Key Recommendations of the 2022 Article IV Consultation</b>	
<b>Recommendation</b>	<b>Status</b>
<b>Exchange Rate Policy and Monetary Operations</b>	
Allow greater exchange rate flexibility to facilitate adjustment to external shocks.	In early 2023, Tajikistan experienced a 7 percent depreciation against the US dollar. Tajikistan's de jure exchange rate arrangement is a managed float, and its de facto arrangement is classified as stabilized.
Use macroprudential controls to help contain rapid monetary growth and mitigate potential risks to inflation and financial stability.	Reserve money growth slowed in 2023 as remittance flows moderated. The authorities will prepare a plan to phase in new macroprudential tools with support from a long-term IMF advisor and Fund TA.
Improve monetary policy transmission to facilitate a gradual transition to inflation targeting.	The NBT is working on improving liquidity management and forecasting with support from Fund TA to enhance monetary policy transmission and facilitate transition to an interest rate-based framework.
<b>Fiscal Policy</b>	
Adhere to the fiscal deficit target of 2.5 percent of GDP as an important anchor to keep public debt on a downward trajectory.	The budget deficit has remained well below 2.5 percent of GDP over the last few years and public debt declined to 30.9 percent of GDP in 2023 from 42.1 percent in 2021.
Sizable expenditures related to the Rogun Hydropower Project present a significant constraint on the budget, and improved domestic revenue mobilization is needed to create space for critical social and development spending.	The authorities have continued to strengthen tax administration through digitalization of reporting and financial transactions.
<b>Recommendation</b>	<b>Status</b>
<b>Financial Sector</b>	
Strengthen banking supervision in line with the 2022 Financial Sector Stability Review.	The NBT continues to work on aligning banking supervision with the Basel II/III regulatory frameworks.
Strengthen the AML/CFT regime.	The authorities have adopted a new AML/CFT Law and ultimate beneficial ownership definition in line with international standards.

**Table 10. Tajikistan: Key Recommendations of the 2022 Article IV Consultation (Concluded)**

<b>Governance-Related Structural Reforms</b>	
Improve SOE governance, support private sector development, enhance social protection and combat corruption.	The authorities have resumed publication of the SOE Fiscal Risk Statements. A new means testing formula expands social assistance coverage in the bottom decile of the population. The authorities have approved a new AML-CFT law to support anti-corruption policies.
Reduce climate-related vulnerabilities to raise the economy's growth potential.	The authorities have adopted a new Green Economic Development Strategy envisaging measures to promote the green transformation of key economic sectors.
<b>Economic Statistics</b>	
Improvement in statistics to support economic decision making (in particular, national and fiscal accounts)	Recent Fund TA missions have focused on improvements to quarterly GDP estimates by production and expenditure methods and harmonization of fiscal data with GFSM2014 requirements.



**Table 11. Tajikistan: Schedule of Reviews Under the Policy Coordination Instrument, 2024-2025**

<b>Program Review</b>	<b>Test date</b>	<b>Review date</b>
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 12. Tajikistan: Quantitative Targets Under the PCI, 2024**  
(TJK somoni; million unless otherwise indicated)

	end-Jun 2024	end-Dec 2024
	Prog	Prog
<b>I. Quantitative Targets (QT)</b>		
1. Floor on NBT stock of net international reserves (USD mn) <sup>1/</sup>	2500	2700
2. Ceiling on gross credit to general government from NBT	4021	3808
3. Ceiling on the stock of reserve money	41000	45000
4. Ceiling on general government overall fiscal deficit <sup>2/</sup>	2400	3655
5. Floor on general government expenditure on targeted social assistance <sup>2/</sup>	122	244
6. Ceiling on the disbursements of external debt (USD mn) <sup>2/ 3/</sup>	510	510
<b>II. Continuous targets <sup>2/</sup></b>		
7. Ceiling on increase in external general government arrears	0	0
8. Ceiling on new non-concessional external debt contracted or guaranteed by the central government (USD mn) <sup>4/</sup>	0	0
9. Ceiling on Barki Tojik's new arrears to the private sector	550	550
<b>III. Memorandum items</b>		
Issuance of domestic debt at positive real rates	100	300
Collection rate of electricity distribution company (STB), overall		
Collection rate of electricity distribution company (STB), SOEs		
Overall fiscal and quasi-fiscal deficit (including BT arrears)		
<b>IV. Standard continuous targets</b>		
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) <sup>5/</sup>	10.95	10.95
Program gold price per ounce (US dollars) <sup>5/</sup>	2029	2029

<sup>1/</sup> Net international reserves exclude FX liabilities to non-residents, IMF, the government and commercial banks.

<sup>2/</sup> Cumulative, from the beginning of the year.

<sup>3/</sup> 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.

<sup>4/</sup> A zero NCB limit with exceptions applying exclusively to new non-concessional debt contracted for the Rogun HPP, which is capped at \$1800mn cumulatively for June and Dec. 2024. 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.

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

**Table 13. Tajikistan: Proposed Prior Action and Reform Targets Under the PCI, 2024-2025**

<b>Policy Objective</b>	<b>Reform Target</b>	<b>Date</b>	<b>Responsibility</b>
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT/Government
<b>A. Fiscal sector</b>			
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives on the MOF's website.	end-September 2024	MOF
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
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with <i>GFSM2014</i> , including a breakdown of mining-related revenues and transfers to SOEs on the IMF's website.	end-November 2024	MOF
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
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
<b>B. Monetary sector</b>			
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

<b>Table 13. Tajikistan: Proposed Prior Action and Reform Targets Under the PCI, 2024-2025 (Continued)</b>			
<b>Policy Objective</b>	<b>Reform Target</b>	<b>Date</b>	<b>Responsibility</b>
8. Improve the functioning of the FX market and enhance exchange rate flexibility	<p>Develop improved mechanism to execute government and other public sector foreign exchange transactions to better reflect prevailing market rates.</p> <p>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.</p>	end-May 2024	NBT
9. Improve the functioning of the FX market and enhance exchange rate flexibility	<p>Introduce price-based auctions for NBT FX interventions.</p> <p>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.</p>	end-December 2024	NBT
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
<b>C. Financial sector</b>			
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

**Table 13. Tajikistan: Proposed Prior Action and Reform Targets Under the PCI, 2024-2025  
(Continued)**

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
<b>Policy Objective</b>	<b>Reform Target</b>	<b>Date</b>	<b>Responsibility</b>
13. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests in line with forthcoming World Bank technical assistance.	end-June 2025	NBT
<b>D. Structural</b>			
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 each quarter.	end-April 2024	MOF
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
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 to distinguish SOEs that are public corporations from those that are general government entities.	end-October 2024	MOF/State Committee on Investment and State Property Management
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	end-December 2024	MOF

	remunerations and evaluating their performance, and establish supervisory boards in the 27 large SOEs currently monitored by the SOEMD in line with those.		
<b>Table 13. Tajikistan: Proposed Prior Action and Reform Targets Under the PCI, 2024-2025 (Concluded)</b>			
<b>Policy Objective</b>	<b>Reform Target</b>	<b>Date</b>	<b>Responsibility</b>
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
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

## Annex I. Risk Assessment Matrix

Risk 1/	Description	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
<b>External Risks and Spillovers</b>				
<b>Intensifying spillovers from Russia's war in Ukraine.</b>	Escalation of Russia's war in Ukraine and resulting economic sanctions disrupt trade, remittances and FDI, and lead to refugee flows.	<b>High</b> <b>Short-Term</b>	<b>High</b> 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.
<b>Commodity price volatility.</b>	A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	<b>High</b> <b>Short-Term</b>	<b>High</b> 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.
<b>Abrupt global slowdown or recession</b>  <b>EMDEs.</b>	A synchronized, sharp growth downturn with recessions in some countries causing adverse spillovers through trade and financial channels.	<b>Medium</b> <b>Medium-Term</b>	<b>Medium</b> 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.

Risk 1/	Description	Likelihood /Time frame	Possible Impact (if realized) / Transmission Channels	Policy Advice
<b>Extreme climate events.</b>	Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	<b>Medium</b>  <b>Medium-Term</b>	<b>Medium</b>  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.
<b>Domestic Risks</b>				
<b>Fiscal slippages and a rise in debt</b>	Implementation of the new tax code and a predilection for tax exemptions result in lower tax revenues.  Quasi-fiscal activities, poor SOE fiscal controls, and Rogun-related spending pressures result in higher expenditures.	<b>Medium</b>  <b>Medium-Term</b>	<b>High</b>  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.
<b>Financial sector risks materialize</b>	A significant slowdown in remittances could cause asset quality to deteriorate and turn restructured loans into nonperforming loans, weakening banking sector soundness.	<b>Medium</b>  <b>Medium-Term</b>	<b>High</b>  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 systemic risk analysis.



Risk 1/	Description	Likelihood /Time frame	Possible Impact (if realized) / Transmission Channels	Policy Advice
<b>SOE reforms are delayed or poorly implemented.</b>	SOE performance continues to be weak and governance reforms are delayed.	<b>High</b> <b>Short-Term</b>	<b>Medium</b> 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 (price liberalization, SOE and banking sector governance, and improvements to the social protection system and business environment).
<p>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.</p>				

## Annex II. External Sector Assessment

**Overall Assessment:** *The external position of Tajikistan in 2023 was **stronger than** the level implied by fundamentals and desirable policy settings, based on the results of the IMF’s EBA-lite current account (CA) model.<sup>1</sup> This assessment is highly uncertain given the lack of full-year data for 2023. The current level of reserves is above the range suggested by reserve adequacy metrics. The country’s external risks are high, but they are mitigated by the large FX reserves and the concessional nature of external debt.*

**Potential Policy Responses:** *In the near-term, as the pass-through from nominal currency appreciation from 2022 was partially offset this year, the external position should be continued to be monitored. Over time, the authorities should adopt reforms for a gradual transition to a more flexible exchange rate. The fiscal deficit target remains an important anchor for the external position over the medium-term. Increasing the investment component of the domestic absorption relative to national savings, while maintaining a sustainable fiscal framework, will facilitate the adjustment.*

### Foreign Assets and Liabilities: Position and Trajectory

**Background.** As of 2023Q2, the net international investment position (NIIP) was –33 percent of GDP, increasing steadily after being broadly stable at –66 percent of GDP in 2017–19 as a result of substantial CA surpluses in 2020–2022 (see Table 6) that resulted in a significant reserve assets buildup (about 25 percent of 2023 GDP). Direct investments (28 percent of GDP) and government borrowing (26 percent of GDP) dominate the liability structure of the NIIP (69 percent of GDP). Multilateral and bilateral loans are at concessional rates.

**Assessment.** The Tajikistan’s NIIP is expected to deteriorate over the medium-term, consistent with the projections in Table 6, which indicates gradual convergence to the CA norm. The implied larger negative NIIP comes with external vulnerabilities, including from prospective large gross financing needs related to infrastructure projects and potentially adverse valuation effects. A fast expansion of external borrowing on market-terms by the government and/or SOEs would further raise medium-term risks and therefore should be avoided until risks to debt sustainability are eliminated.

2023Q2 (% GDP)	NIIP: -33	Gross Assets: 36	Debt Assets: 8	Gross Liab.: 69	Debt Liab.: 51
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### Current Account

**Background.** In 2022, large trade deficits in goods and services (in the order of 33 percent of GDP) were offset by large income and transfer balances (mostly representing remittances inflows of Russian immigrants), resulting in significant CA surplus of 15.6 percent of GDP. In 2023, the CA is projected to reach a deficit of 0.7 percent of GDP mostly reflecting a normalization in remittances inflows (as Russian immigrants relocated), reduction in non-gold exports, and an acceleration in imports. Exports of goods, denominated in USD, are expected to increase by 8 percent in 2023. Imports of goods are projected to increase by 9 percent in line with the ongoing recovery. Remittances, mostly from Russia, included both income and transfers balance in Table 6, are expected at nearly 38 percent of GDP in 2023 (13 percentage

points of GDP lower than in 2022, but higher than in 2021, pre-war). Over the medium term, external imbalances are expected to reemerge due to strong public investment (i.e., Rogun) which would be externally financed.

**Assessment.** The EBA-lite Current Account (CA) model, applied to 2023 data, estimates a CA norm of -3.6 percent of GDP, in line with an adjusted CA of -3.6 percent of GDP (see table). This implies a gap of 3.3 percent of GDP under current policies. Coupled with the REER assessment (see below), the external position in 2023 is assessed to be stronger than fundamentals and desirable policy settings. The gap is primarily due to the higher fiscal space for medium-term fiscal adjustment than in the rest of the world and higher public health spending, and drawdown of reserves in 2023. Using standard trade elasticities, the implied REER gap is about 18 percent.

Tajikistan: EBA-lite Model Results, 2023		
	CA model 1/	REER model 1/
	(in percent of GDP)	
<b>CA-Actual</b>	<b>-0.7</b>	
Cyclical contributions (from model) (-)	-0.4	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	0.0	
<b>Adjusted CA</b>	<b>-0.2</b>	
<b>CA Norm</b> (from model) 2/	<b>-3.6</b>	
<b>Adjusted CA Norm</b>	<b>-3.6</b>	
<b>CA Gap</b>	<b>3.3</b>	<b>1.8</b>
o/w Relative policy gap	0.5	
Elasticity	-0.2	
<b>REER Gap</b> (in percent)	<b>-18.3</b>	<b>-9.8</b>
1/ Based on the EBA-lite 3.0 methodology		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

### Real Exchange Rate

**Background.** The official market exchange rate against the US dollar in 2023 depreciated by about 7 percent, as remittances normalized and demand for the US dollar from importers increased. Modest FX shortages observed in January-May 2023 were of lower magnitude than observed in the past five years. As of October 2023, the average real effective exchange rate was about 7 percent more depreciated than the 2022 average as bilateral nominal depreciation and decoupling from ruble was offset by inflation differential.

**Assessment.** The EBA's Lite Index Real Effective Exchange Rate (IREER) model finds a misalignment of the REER with an undervaluation of 10 percent (see text table). However, staff assesses that this approach is generally may come with a larger uncertainty due to a short period for which all the model's variable are available (since 2011)<sup>2</sup>. The recent nominal depreciation episode can motivate to continue reforms for a gradual transition to a more flexible exchange rate, achieve market clearing through the introduction of a price-based mechanism, and other measures to reform the FX market as proposed in the 2021 IMF FX TA mission. Although Tajikistan is mainly an exporter of primary commodities and minerals, greater exchange rate flexibility is important for import compression as well as substitution effects to facilitate external adjustment to future shocks. Insufficient infrastructure quality, weak business environment, limited innovation capability and technology adoption, as well the underdeveloped financial sector weigh on competitiveness relative to CIS peers.

### Capital and Financial Accounts: Flows and Policy Measures

**Background.** In 2023, the financial account (3.6 percent of GDP) is expected to be dominated by capital transfers of 3.1 percent of GDP to be offset by large capital outflows. While net FDI flows were modest in the first half 2023 and expected to recover in the second half of the year. About 90 percent of all 2023 FDI inflows are expected to be from China. Other investment, mostly representing bilateral and multilateral government borrowing, is typically the second largest component of the financial account (3.9 percent of

GDP on average during 2019-21). In 2023, it is expected to remain negative as the authorities paused external borrowing, as required for the World Bank assessment under the Sustainable Development Finance Policy. Portfolio flows were minimal in 2023, similar to previous years with the exception of the 2017 Eurobond-related transactions.

**Assessment.** Reliance on FDI and concessional bilateral and multilateral instruments to cover external financing needs keeps risks related to capital flows low. Development of domestic debt market should proceed steadily to increase resilience and diversify sources of financing prior to higher reliance on market-based instruments in the medium-term.

### FX Intervention and Reserves Level

**Background.** In end-December 2023, reserves decreased by about US\$ 200 million relative to end-December 2022, as remittances from Russia normalized and demand for FX increased. FX interventions during 2023 amounted to US\$ 290 million (2.4 percent of GDP)—a record high level in eight years—reflecting the high demand for FX in the first half of the year from importers amidst reopening in China.

**Assessment.** The assessment of reserve adequacy (ARA) approach for credit-constrained economies, which compares the marginal benefits and costs of holding reserves with that of spending them, estimates an adequate reserves adequacy in the range 5.5 to 6.3 months for Tajikistan’s reserve import cover (depending on the assumption for the marginal productivity of capital). Current level of reserves (about 7 months of import cover) seems to be above the range of this metric, and staff assesses Tajikistan’s FX reserves are adequate for precautionary and operational purposes. FX reserves help to ensure Tajikistan has access to needed imports and insure against shocks, especially in the current highly uncertain global environment. They may also be needed for operational purposes, including smoothing volatility in the FX market, while allowing the exchange rate to adjust in line with market forces, especially in the context of adopting recommendations on FX markets modernization. The NBT’s participation in World Bank’s Reserve Advisory and Management Partnership (RAMP), should enhance its reserve management and governance framework, build capacity, and optimize the level of reserve holdings.

<sup>1</sup> The external sector assessment is based on staff’s estimates.

<sup>2</sup> This estimation assumes the REER was in equilibrium on average during 2011–2019.

## Appendix I. Program Statement

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

Dushanbe, February 9, 2024

Dear Ms. Georgieva,

Our economy has returned to strong growth following the COVID pandemic but there is significant uncertainty about the economic outlook because of heightened geopolitical tensions. Although Tajikistan has no present, potential or prospective balance of payments needs that would require Fund financing in the baseline, overall risk of debt distress remains high, and limited fiscal space is further constrained by spending commitments for the Rogun Hydropower Project (HPP). To help safeguard macroeconomic stability and improve our resilience to macroeconomic shocks, we would like to request the approval of a new macroeconomic and structural reform program, supported by the Policy Coordination Instrument (PCI) of the International Monetary Fund (IMF), for a period of twenty-two months. The PCI will provide a strong signal to development partners about our commitment to sound macroeconomic policies and structural reforms, catalyzing financing to support our goals under the National Development Strategy. The attached Program Statement reports on recent economic developments and sets out macroeconomic policies and structural reforms that we plan to pursue under the PCI.

The PCI arrangement will aim at preserving macroeconomic stability and implementing structural reforms to strengthen Tajikistan's resilience to external shocks. The main priorities under the program are to improve fiscal and socio-economic resilience, safeguard monetary and financial stability, and strengthen governance and transparency. Program implementation will be monitored through quantitative, continuous, and reform targets, as detailed in the attached Program Statement and Technical Memorandum of Understanding (TMU). PCI reviews will be completed on a semi-annual basis to assess program implementation and agree on additional measures needed to achieve its objectives.

We consider that the policies described in the attached Program Statement are adequate to achieve our program objectives. We stand ready to take additional measures should they be needed to meet the objectives of the program, and we will consult with the IMF in advance of any necessary revisions to the policies agreed in this letter and attached memorandum, in line with Fund policies on such matters. We will provide to Fund staff all the data and information needed to assess progress in program implementation in line with the TMU.

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 on the IMF's website, following approval by the Executive Board of the IMF.

Sincerely yours,

/s/

F. Tolibzoda  
Chairman of the National  
Bank of Tajikistan

/s/

F. Qahhorzoda  
Minister of Finance  
of the Republic of Tajikistan

## Program Statement

**1. This Program Statement discusses recent economic developments and sets out our policy objectives and reform priorities under the Policy Coordination Instrument (PCI).** Under this new instrument we continue to aim at: (i) maintaining macroeconomic stability; (ii) strengthening our policy frameworks; and (iii) pressing ahead with our structural reform agenda. Our new program would allow us to support the implementation of structural reforms to strengthen fiscal resilience, safeguard monetary and financial stability, and improve governance and transparency, building on progress achieved following the approval of the Rapid Credit Facility in 2020.

### I. Recent Economic Developments and Outlook

**2. Strong growth and low inflation continued in 2023.** Real GDP grew at 8.3 percent in the first three quarters of 2023, reflecting broad-based momentum in services, construction, and agriculture. Economic activity was supported by public investment and domestic demand despite emerging signs of moderation in financial inflows. The inflation rate (y/y) remained well contained at 3.8 percent in 2023, in the lower half of the NBT's target range of 6 ( $\pm 2$ ) percent, reflecting lower prices for food and fuel imports and the domestic currency's appreciation against the Russian ruble.

**3. After a surge in 2022, remittances have returned to normal levels.** Remittance inflows rose sharply in the second half of 2022 boosted by ruble appreciation. This helped realize a current account surplus of 16 percent of GDP in 2022 and raised FX reserves to 8 months of import cover. As anticipated, remittance inflows moderated in 2023 but remained above pre-2022 levels. FX reserves decreased in the first half of 2023, reflecting repayment of external government obligations and FX sales by the NBT to cover shortages in the FX market. FX reserves however recovered in late 2023 owing to the NBT's monetization of gold purchased from domestic producers.

**4. The fiscal deficit is estimated at 0.2 percent of GDP in 2022, well below the deficit target of 2.5 percent.** The lower-than-expected fiscal deficit is due to under-execution of capital spending as external financing disbursements fell short of the budget amounts. Tax collection benefited from higher resource revenue as growth in mining remained strong and the income tax rate for mining companies increased. This helped keep revenues broadly unchanged as a share of GDP from 2021, despite reductions in VAT and income tax rates introduced at the beginning of 2022. Public debt declined by about 9.5 percentage points to 32.5 percent of GDP at end-2022, reflecting resilient GDP growth and strong somoni appreciation.

**5. Strong FX sales and moderating remittance inflows helped slow the pace of reserve money growth during 2023.** The somoni weakened by about 7 percent against the US dollar during the first quarter of 2023 as remittance inflows normalized and strong import demand prompted the NBT to intervene to alleviate FX shortages. The moderation in remittance inflows and strong FX sales in the first quarter of 2023 helped lower reserve money growth to -5.6 percent (y/y) in December 2023 from 53 percent in December 2022. Nonetheless, private credit growth remained strong at 32 percent (y/y) in December, albeit from a low base, reflecting resilient household

borrowing as banks continued to introduce new consumer lending products and expand credit to SMEs in line with efforts to increase financial inclusion.

**6. The banking sector remains stable despite a challenging external environment.** The closure of two large banks in 2021 helped clean up legacy loans, bringing the banking system's NPLs ratio down to 11.1 percent in November 2023 from 23.8 percent at end-2020. Reported aggregate financial soundness indicators remained stable in the first half of 2023 as strong deposit inflows boosted lending to households in domestic currency and supported banks' profitability and liquidity. Regulatory limits on banks' net open FX positions and tighter FX lending standards have helped contain loan dollarization and safeguard against currency mismatches in the context of increased FX volatility.

**7. There is significant uncertainty over the short-term outlook in the context of heightened geopolitical tensions.** While negative spillovers have thus far been limited, there are risks that prolonged sanctions and weaker economic activity in Russia could start to feed through to the domestic economy. In line with the IMF's projections, real GDP growth is projected to slow to 6.5 percent in 2024, in line with the expected normalization of financial inflows. Inflation is projected to remain within the target range of 6 ( $\pm 2$ ) percent in 2024. Over the medium-term, the reforms under the program are expected to raise potential growth by 0.5 percentage points to 4.5 percent and keep inflation within the NBT's target range.

**8. Risks to the outlook are tilted to the downside.** Prolonged sanctions could prompt Tajik migrants in Russia to return home or search for jobs elsewhere. Remittances are projected to return to historical levels; a more pronounced decline would have a negative impact on growth and reserves, with possible spillovers to the banking system. Budget performance may be adversely affected by the need to scale up social assistance to returning migrants, higher security spending in the context of regional geopolitical tensions and climate-related risks. On the upside, a decline in the public debt-to-GDP ratio has reduced near-term debt vulnerabilities, and continued development of Tajikistan's large proven natural gold reserves could boost external buffers and fiscal resources.

## II. Policies Under the PCI

**9. Our program will aim at maintaining macroeconomic stability and strengthening policy frameworks while advancing governance reforms to achieve more inclusive growth.** The external outlook remains subject to substantial uncertainty and risks of potential spillovers from prolonged sanctions on Russia remain elevated. Meanwhile, policy space is constrained by the need to balance Rogun spending with debt sustainability concerns and socio-economic needs. Reform priorities under the PCI will be anchored around three main pillars: (i) strengthening the fiscal framework to create space for high-priority social and development spending; (ii) safeguarding monetary and financial stability; and (iii) advancing governance and transparency reforms.



## A. Pillar I. Improving Fiscal Resilience

**10. The government remains committed to maintaining the fiscal deficit target of 2.5 percent of GDP to anchor medium-term debt sustainability.** We intend to keep expenditures within a sustainable internal Rogun financing envelope, with an annual Rogun internal spending limit of 3-3.5 percent of GDP and plan to establish contingency plans to achieve the target if downside risks to revenues materialize. We will pursue prudent fiscal policy anchored in quantitative targets on the general government overall fiscal balance and external disbursements as well as continuous ceilings on the nominal value of non-concessional external borrowing, new external general government arrears, and increases in Barki Tojik's overdue financial obligations toward the private sector. We intend to publish quarterly fiscal statistics for 2022 and 2023 in line with *GFSM2014* to improve the quality and transparency of fiscal reporting (Reform Target for the 2<sup>nd</sup> Review) and have already compiled annual GFS time series for years 2015 – 2020. Given the importance of mining-related revenues and electricity sector losses, we will identify and report separately revenues from the mining sector and transfers to the SOE sector.

**11. We will continue to take steps to enhance social protection to support the most vulnerable segments of the population and support more inclusive growth.** The government will aim to improve targeting of social assistance in the bottom quartile of the population. As a first step, we have adopted a new means testing formula with support from the World Bank, which will expand coverage of the poorest decile of the population from 38 to 63 percent. The new formula will also improve targeting of eligible households and enhance the quality of social assistance spending. In addition, we will increase budget allocations for targeted social assistance (TSA) and propose a floor on targeted social assistance spending as a quantitative target under the program (Table 1). To facilitate TSA implementation, we plan to strengthen the social registry and integrate the different information systems used to better capture information on eligible applicants.

**12. Improvements in domestic revenue mobilization and the efficiency of public spending remain critical to managing fiscal constraints and creating space for high priority spending.** We intend to adopt a Medium-Term Revenue Program (MTRP) to provide a framework to anchor improved revenue mobilization and to broaden the tax base by phasing out inefficient tax exemptions as well as refraining from granting new tax exemptions (Reform target for the 2<sup>nd</sup> Review). To reinforce implementation of this target, we will adopt a timebound implementation plan based on identified exemptions. We have begun preparatory work on tax policy reforms based on the recommendations of the January 2023 TA mission. First, we intend to conduct a study (in collaboration with the IMF's Fiscal Affairs Department) to quantify the foregone revenue from tax exemptions and incentives (Reform target for the 1<sup>st</sup> Review). Next, we will task the PFM committee with developing a Medium-Term Revenue Program (MTRP) (Reform target for the 1<sup>st</sup> Review).

**13. We intend to develop the domestic debt market to increase resilience to external shocks and diversify sources of financing.** Developing a local government securities market would help mobilize domestic financing to support budget execution while safeguarding against exchange rate risk by reducing reliance on external FX-denominated debt. We have completed legislative changes to pave the way for gradually increasing the stock of marketable domestic debt. We plan to

start market-based domestic issuance of government securities in 2023 according to amounts specified in the Table on Quantitative Targets (Reform target for the 1st Review). In addition, we have developed an initial draft of our new Debt Management Strategy covering the years 2024-2026 in consultation with the IMF's Fiscal Affairs Department (Reform target for the 1st Review), including a strategy for developing the domestic government securities market and a plan to manage large debt repayments and overdue debt liabilities during that period (including contingency plans).

**14. Improving the financial position of the domestic electricity sector will help strengthen the financial viability of the Rogun HPP project.** To improve the financial performance of the electricity sector, we have adopted action plans that envisage accelerated tariff increases to bring electricity tariffs to cost recovery and eliminate the cash deficit of the sector by 2030. These objectives will also be supported by efforts to reduce the electricity sector's technical, commercial, and collection losses and improve its governance. In this context, we plan to closely monitor the collection rates of the electricity distribution company (STB), included as a memorandum item to the Table on Quantitative Targets. Additionally, we propose a continuous target on increases in Barki Tojik's overdue financial obligations toward the private sector. We will collaborate with the World Bank to meet the targets on electricity tariff increases envisaged under the Power Utility Financial Recovery Program while taking timely measures to mitigate the impact on the most vulnerable to higher energy prices.

## B. Pillar II. Safeguarding Monetary and Financial Stability

**15. To anchor monetary growth, we propose quantitative targets on reserve money, outstanding NBT credit to the government and net international reserves.** Monetary policy under the program will aim to maintain inflation within the NBT's target range of 6 ( $\pm 2$ ) 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 to the NBT. We will also continue to follow the recommendation of the IMF Safeguards Assessment to avoid excessive monetary financing of the deficit, in line with the recently adopted amendments to the NBT Law. In addition, we intend to use open market operations and the NBT's standing facilities as needed to mop up excess liquidity. 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.

**16. We will continue to build NBT capacity to support a gradual transition to an inflation targeting framework.** To enhance monetary policy transmission, we have laid the groundwork needed to implement banks' required reserves averaging mechanism recommended by Fund TA. An initial model has been developed for the introduction of a required reserve averaging mechanism. The NBT plans to study the technical implementation and reliability of this mechanism for monetary policy transmission and make necessary amendments to the regulatory framework. We plan to adopt amendments to the active NBT instruction #244 "On required reserves of credit institutions" to introduce the reserve averaging mechanism (Reform target for the 3<sup>rd</sup> Review) while continuing to streamline open market operations linked to the policy rate and improve the effectiveness of standing facilities. We will also continue to enhance our liquidity forecasting framework with support

from Fund TA. To reiterate our commitment to sound macroeconomic policies, we have approved and implemented the amendments to the NBT Law proposed by the IMF's 2021 Safeguards Assessment as a prior action. We believe this would help us strengthen the NBT's autonomy and governance and limit scope for monetary financing of the deficit.

**17. Enhancing exchange rate flexibility and improving the functioning of the foreign exchange market are critical to support external adjustment.** The NBT will allow the exchange rate to adjust in line with supply and demand in the market to facilitate FX market development and will resort to interventions only to prevent excessive market volatility. In addition, the NBT will continue to modernize FX markets in line with recent Fund TA and implement policies to address existing exchange restrictions and move to greater exchange rate flexibility through measures to: (i) develop an improved mechanism for executing public sector foreign exchange transactions to better reflect prevailing market rates (Reform target for the 1<sup>st</sup> Review); (ii) introduce price-based auctions for FX interventions (Reform target for the 2<sup>nd</sup> Review); (iii) 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 (Reform target for the 1<sup>st</sup> Review); (iv) make FX quotes by FX market segments available to the public in continuous time; (v) 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 (vi) 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 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.

**18. We plan to continue to carry out far-reaching financial sector reforms, including in line with the 2022 FSSR recommendations.** We will continue to strengthen monitoring of banks' credit quality and liquidity by implementing forward-looking stress tests, starting with liquidity stress tests (Reform target for the 3<sup>rd</sup> Review). In line with the recommendations of the 2022 FSSR, we will continue to enhance risk-based supervision and systemic risk analysis. To improve governance and transparency in the banking sector and manage risks from exposures to related parties, we intend to issue an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process (Reform target for the 3<sup>rd</sup> Review). In addition, the NBT will continue 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.

**19. The NBT intends to phase in macroprudential instruments to reinforce financial policies.** Robust growth of credit to the private sector continued during 2023. We will continue to closely monitor credit quality, especially loans in foreign currency and large exposures to preemptively address potential risks and ensure that banks maintain prudent lending standards and adequate liquidity buffers. To guard against risks to inflation and financial stability from rapid credit

growth, we also intend to develop, in collaboration with the long-term resident IMF advisor and with technical assistance support from the IMF under the FSSR as needed, a plan for phasing in a countercyclical capital buffer and macroprudential limits for all banks on borrowers' leverage (debt service-to-income (DSTI) and loan-to-value (LTV) ratios) and banks' leverage (credit to stable funding ratio (CSFR)) (Reform target for the 3rd Review).

### C. Pillar III. Enhancing Governance and Transparency

**20. We are committed to implementing broad-based governance and transparency reforms to support more sustainable and inclusive growth in line with our 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 long-term development objectives, we intend to press ahead with reforms in key areas, including managing fiscal risks from SOEs, improving AML-CFT standards, strengthening control of corruption and transparency of the extractive sector, fostering financial inclusion, and building resilience to climate change.

**21. We will continue to enhance management of fiscal risks from the SOE sector.** 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 have resumed the regular preparation, presentation to parliament and publication of SOEs' Fiscal Risk Statements and intend to bring all companies with a minimum of 20 percent state ownership in the list of SOEs monitored by the Ministry of Finance and covered by the 2023 Statement of Financial Risks (Reform target for the 1<sup>st</sup> Review). All SOEs monitored by the MOF will be required to provide detailed monthly expense reports to the MOF SOE Monitoring Department (SOEMD). In addition, based on the IMF's 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 (Reform target for the 3<sup>rd</sup> Review).

**22. Strengthening governance and transparency 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. At present, 24 SOEs have already established supervisory boards and we intend to further expand implementation of the new SOE Law to cover the 27 largest SOEs currently monitored by the SOEMD 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. Following such regulations, we will establish clear and competitive criteria for supervisory boards in the 27 largest SOEs (Reform target for the 2nd Review). To improve transparency in the public sector, we plan to publish an updated list of SOEs and joint stock companies with state shareholding of at least 10 percent, specifying sector and legal

basis, and complete a sectorization exercise to distinguish SOEs that are public corporations from those that are general government entities (Reform target for the 2nd Review).

**23. We are committed to swift implementation of our 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 amend the Law on State Registration of legal persons to align 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 (Reform target for the 2nd Review).

**24. 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 17 actions and have published an annual progress report. We also plan to amend the legal provisions of the asset declaration (AD) regime, for which we are requesting technical assistance to the Legal Department of 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 (Reform target for the 3rd Review). In addition, we intend to amend the penal code to criminalize corruption consistent with Chapter III of the United Nations Convention Against Corruption.

**25. 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. We are committed to carrying out the 11 corrective actions recommended by the EITI. We recently published the 4th National EITI report on Tajikistan covering the years 2019-2021, which helped reinstate our EITI membership. Following the publication, a third validation process is expected in 2024 to assess Tajikistan's compliance with EITI standards.

**26. Promoting financial inclusion is central to our efforts to support private sector development and foster inclusive growth.** We plan to advance 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. We plan 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 and financial safety nets.

**27. Building resilience to climate change is a key priority of our National Development Strategy.** Our Green Development Strategy for 2023-2037 provides a roadmap for further reducing our carbon footprint and supporting the green transformation of key economic sectors (e.g., agriculture, energy, transport, and water management). The strategy will help further develop Tajikistan's ample renewable energy potential and ensure the environmental sustainability of our plans for accelerated industrialization during 2022-2026. We also plan to advance 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.

### III. Program Monitoring

**28. The program will be monitored through a combination of quantitative and reform targets.** Quantitative targets will be set on the general government overall fiscal deficit and targeted social expenditures, 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 borrowing and on Barki Tojik's accumulation of new arrears to the private sector. Definitions of key concepts and indicators, and reporting requirements, are detailed in the accompanying Technical Memorandum of Understanding (TMU). Table 2 includes proposed reform targets for the three reviews. Completion of the quantitative targets will be assessed at each test date (Tables 1 and 3) and implementation of reform targets will be evaluated as of the dates specified in Table 2 at each forthcoming review. The first review is scheduled to be completed by September 30, 2024, the second review by March 31, 2025, and the third review by September 30, 2025.

**Table 1. Tajikistan: Quantitative Targets Under the PCI, 2024**  
(TJK somoni; million unless otherwise indicated)

	end-Jun 2024	end-Dec 2024
	Prog	Prog
<b>I. Quantitative Targets (QT)</b>		
1. Floor on NBT stock of net international reserves (USD mn) <sup>1/</sup>	2500	2700
2. Ceiling on gross credit to general government from NBT	4021	3808
3. Ceiling on the stock of reserve money	41000	45000
4. Ceiling on general government overall fiscal deficit <sup>2/</sup>	2400	3655
5. Floor on general government expenditure on targeted social assistance <sup>2/</sup>	122	244
6. Ceiling on the disbursements of external debt (USD mn) <sup>2/ 3/</sup>	510	510
<b>II. Continuous targets <sup>2/</sup></b>		
7. Ceiling on increase in external general government arrears	0	0
8. Ceiling on new non-concessional external debt contracted or guaranteed by the central government (USD mn) <sup>4/</sup>	0	0
9. Ceiling on Barki Tojik's new arrears to the private sector	550	550
<b>III. Memorandum items</b>		
Issuance of domestic debt at positive real rates	100	300
Collection rate of electricity distribution company (STB), overall		
Collection rate of electricity distribution company (STB), SOEs		
Overall fiscal and quasi-fiscal deficit (including BT arrears)		
<b>IV. Standard continuous targets</b>		
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) <sup>5/</sup>	10.95	10.95
Program gold price per ounce (US dollars) <sup>5/</sup>	2029	2029

<sup>1/</sup> Net international reserves exclude FX liabilities to non-residents, IMF, the government and commercial banks.

<sup>2/</sup> Cumulative, from the beginning of the year.

<sup>3/</sup> 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.

<sup>4/</sup> A zero NCB limit with exceptions applying exclusively to new non-concessional debt contracted for the Rogun HPP, which is capped at \$1800mn cumulatively for June and Dec. 2024. 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.

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

**Table 2. Tajikistan: Proposed Prior Action and Reform Targets Under the PCI, 2024-2025**

<b>Policy Objective</b>	<b>Reform Target</b>	<b>Date</b>	<b>Responsibility</b>
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT/Government
<b>A. Fiscal Sector</b>			
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives on the MOF's website.	end-September 2024	MOF
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
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with <i>GFSM2014</i> , including a breakdown of mining-related revenues and transfers to SOEs on the IMF's website.	end-November 2024	MOF
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
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
<b>B. Monetary Sector</b>			
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
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	end-May 2024	NBT



	applicable official rate will be the official rate that is valid on the day the transaction is executed.		
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
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
<b>C. Financial Sector</b>			
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
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
13. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests in line with forthcoming World Bank technical assistance.	end-June 2025	NBT
<b>D. Structural</b>			
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 each quarter.	end-April 2024	MOF
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
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	end-October 2024	MOF/State Committee on Investment and

	legal basis; and complete a sectorization exercise to distinguish SOEs that are public corporations from those that are general government entities.		State Property Management
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.	end-December 2024	MOF
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
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

## Attachment I. 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<sup>1</sup>. 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. In the event of a missed target, a request for a waiver will be submitted to the IMF Executive Board explaining why the target has not been achieved.

### 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

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<sup>1</sup> 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.

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.

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).

<b>Currency</b>	<b>USD per Currency Unit, unless otherwise indicated</b>
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.

<b>Table 2. Tajikistan: Net International Reserves (US dollars, millions)</b>			
	Jun-24	Dec-24	Jun-25
<b>Reserve Assets</b>			
Monetary gold			
SDR holdings			
Reserve position at the IMF			
Holdings of foreign exchange			
Other liquid and marketable assets			
<b>Reserve liabilities</b>			
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			
<p>Note: Liabilities to central government in FX should exclude any unused balances on IMF purchases and loans.</p>			

#### 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 1<sup>st</sup> 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.



## 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 <sup>2</sup>	Frequency of reporting <sup>1</sup>	Reporting deadline	Reporting Entity
International Reserve Assets and Liabilities of the NBT <sup>3</sup>	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 <sup>4</sup> 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 <sup>4</sup>	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 <sup>5</sup>	Q	Q	Two weeks	NBT
New decrees, decisions, circulars, ordinances, or laws	Submitted to Parliament		Two weeks	Ministry of Justice
<sup>1</sup> Monthly (M); Quarterly (Q); Semi-Annually (SA), Annually (A). <sup>2</sup> Monthly (M); Quarterly (Q); Semi-Annually (SA), Annually (A). <sup>3</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions. <sup>4</sup> Also includes detailed information on currency and maturity composition. <sup>5</sup> 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).				



# REPUBLIC OF TAJIKISTAN

## REQUEST FOR A TWENTY-TWO-MONTH POLICY COORDINATION INSTRUMENT— DEBT SUSTAINABILITY ANALYSIS

February 15, 2024

Approved By  
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Prepared by staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

<i>Tajikistan: Joint Bank-Fund Debt Sustainability Analysis</i>	
<b>Risk of external debt distress</b>	<i>High</i>
<b>Overall risk of debt distress</b>	<i>High</i>
<b>Granularity in the risk rating</b>	<i>Sustainable</i>
<b>Application of judgment</b>	<i>No</i>

This joint World Bank/IMF Debt Sustainability Analysis (DSA) indicates that Tajikistan's debt is sustainable while the external and overall risk of debt distress remain high (unchanged from the February 2023 DSA).<sup>1</sup> External borrowing has been revised upward compared to the previous DSA to reflect the re-estimated construction costs for the Rogun hydropower plant (HPP).<sup>2</sup> The composition of borrowing has also been revised to incorporate semi-concessional financing beginning in 2024 as a result of rising global interest rates.<sup>3</sup> Nevertheless, public debt remains on a sustainable path, anchored by the authorities' commitment to maintain a fiscal deficit of 2.5 percent of GDP over the medium term.<sup>4</sup> Under the baseline, the total PPG debt-to-GDP ratio declines from 32.5 percent in 2022 to about 29 percent in 2027 once Tajikistan's Eurobond is repaid and stabilizes at about 32 percent over the long run.

Tajikistan's high risk of debt distress mainly results from the breach of external PPG debt service-to-export indicator in 2025-2027. Debt service peaks during this period due to principal repayments due on the Eurobond (US\$500 million) and the RCF loan (about USD \$183 million). This indicator also shows high vulnerability in stress tests, especially shocks to exports, contingent liabilities, and commodity prices.

Maintaining fiscal discipline, including capping fiscal deficits and containing risks from SOEs, as well as diversifying exports, are key to reduce vulnerabilities and keep debt on a sustainable path.

<sup>1</sup> The CI for Tajikistan is estimated at 3.07, based on October 2023 WEO and 2022 World Bank's CPIA, indicating a strong Debt Carrying Capacity (DCC) rating.

<sup>2</sup> Based on the World Bank's Technical Assistance for Financing Framework for Rogun HPP (P178819) and Sustainable Financing for Rogun HPP (P181029).

<sup>3</sup> Although the grant element of the overall financing package for Rogun is above the concessionality threshold of 35 percent, several of the individual loans are not expected to be on fully concessional terms.

<sup>4</sup> Maintaining a medium-term fiscal deficit target of 2.5 percent of GDP is a key policy commitment under the Policy Coordination Instrument (PCI).

# COVERAGE AND BACKGROUND ON PUBLIC DEBT

## A. Background on Debt and Debt Coverage

**1. In recent years, strong GDP growth and currency appreciation have lowered debt-to-GDP levels.** Tajikistan's external public and publicly guaranteed (PPG) debt rose from 24 percent of GDP in 2014 to 43.8 percent of GDP at end-2020 mainly because of a significant depreciation of the Tajikistan somoni (TJS, the local currency), increases in Rogun-related spending that resulted in sizable fiscal deficits in 2016 and 2017, and the fallout of the COVID-19 shock. This increase was driven by both commercial debt (the issuance of a US\$500 million sovereign bond in 2017)<sup>5</sup> and concessional debt (emergency borrowing from development partners during the COVID-19 shock). In 2023, external PPG debt declined to about 27.6 percent of GDP reflecting strong GDP growth and debt repayments. Domestic PPG debt followed a similar pattern. It increased from 3.5 percent of GDP at end-2014 to 6.6 percent of GDP at end-2020 and then declined to about 3.3 percent of GDP in 2023. The temporary increase in domestic PPG debt mostly reflects the cost of recapitalization of two large banks in December 2016, estimated at about 6 percent of GDP.

**2. External debt continues to account for the majority of PPG debt in 2022.** External PPG debt amounted to nearly 88 percent of total PPG debt in 2022, with over 80 percent of external PPG debt owed to multilateral and bilateral creditors. The largest single creditor was China, which held about thirty percent of total PPG external debt (Text Table 1).

**3. Domestic public debt is mostly comprised of non-marketable securities placed with the Central Bank (National Bank of Tajikistan, NBT) (Text Table 2).** This includes the government bonds issued to recapitalize two large commercial banks in 2016. Most of the government securities held by the NBT were issued at significantly below-market terms, with some interest rates as low as 0.99 percent. Since 2016, the government has been accumulating interest and principal payment arrears to the NBT.<sup>6</sup> In 2019, the arrears on domestic government securities issued for the NBT recapitalization were cleared after the NBT extended new credit to the government at 2 percent interest rate with a one-year maturity. The government repaid about TJS 380 million (0.3 percent of GDP) to the NBT during 2023 and overdue obligations to the NBT amounted to about 3 percent of GDP at end-2023. The authorities have committed to continue to reduce debt to the NBT, including by using collateral proceeds from the resolution of the two banks under liquidation. There are also a small stock of Treasury bills outstanding, issued at an interest rate of 0.99 percent, which is held entirely by the Deposit and Savings Insurance Fund.

<sup>5</sup> The Eurobond of US\$500 million was issued in September 2017, at an interest rate of 7.125 percent, to be repaid in three annual installments from 2025-2027.

<sup>6</sup> These arrears do not trigger debt distress as the corresponding instruments are domestic and non-marketable, reflecting internal operations between the Ministry of Finance's Treasury and the Central Bank only.

Text Table 1. Tajikistan: Composition of Public and Publicly Guaranteed Debt<sup>1</sup>

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(In US\$ mn)	(Percent total debt)	(Percent GDP)	(In US\$ mn)			(Percent GDP)		
<b>Total</b>	3253	100	27.4	256	281	483	2.2	2.2	3.4
<b>External</b>	3253	100.0	27.4	256	281	483	2.2	2.2	3.4
Multilateral creditors <sup>2,3</sup>	1665	51.2	14.0	101	116	153	0.9	0.9	1.1
IMF	199	6.1	1.7						
World Bank	371	11.4	3.1						
ADB/AfDB/IADB	268	8.2	2.3						
Other Multilaterals	826	25.4	7.0						
o/w: Islamic Ddevelopment Bank	212	6.5	1.8						
ACF	107	3.3	0.9						
Bilateral Creditors <sup>2</sup>	1088	33.4	9.2	120	129	131	1.0	1.0	0.9
Paris Club	39	1.2	0.3	1	1	1	0.0	0.0	0.0
o/w: France	22	0.7	0.2						
Germany	17	0.5	0.1						
Non-Paris Club	1049	32.3	8.9	118	129	130	1.0	1.0	0.9
o/w: China	900	27.7	7.6						
Saudi fund	100	3.1	0.8						
Bonds	500	15.4	4.2	36	36	199	0.3	0.3	1.4
Commercial creditors		0.0	-						
o/w: list largest two creditors		0.0	-						
list of additional large creditors		0.0	-						
Other international creditors		0.0	-						
o/w: list largest two creditors		0.0	-						
list of additional large creditors		0.0	-						
<b>Domestic</b>	469	12.6	4.1	69	64	64	0.6	0.5	0.5
Held by residents, total	459	12.4	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	...	...	...	...	...	...	...	...	...
<b>Memo items:</b>	...	...	...	...	...	...	...	...	...
Collateralized debt <sup>4</sup>	...	...	...	...	...	...	...	...	...
o/w: Related	...	...	...	...	...	...	...	...	...
o/w: Unrelated	...	...	...	...	...	...	...	...	...
Contingent liabilities	...	...	...	...	...	...	...	...	...
o/w: Public guarantees	...	...	...	...	...	...	...	...	...
o/w: Other explicit contingent liabilities <sup>5</sup>	...	...	...	...	...	...	...	...	...
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).



**Text Table 2. Tajikistan: Stock of Domestic Debt, 2020-23**  
(TJS million)

Debt instrument	2020	2021	2022	2023
1 Tajiksodirotbank recapitalization bonds	2,134	2,133	2,118	2,013
2 MoF's bond related to Agroinvestbank	1,748	1,707	1,609	1,500
o.w. Agroinvestbank recapitalization bonds	1,065	1,024	931	823
o.w. bonds to settle Agroinvestbank's loan liabilities.	484	484	477	477
o.w. bond for capitalization of Agroinvestbank	200	200	200	200
3 MoF's bond for Roghun financing	251	122	-	-
4 T-bills	278	73	100	50
Long-term T-bills	154	23	-	-
Short-term T-bills	125	50	100	50
5 Amonotbank's lotteries	10	10	10	-
6 MoF's bonds to support cotton producers	59	59	-	-
7 Loan from the NBT	1,059	953	847	741
<b>Total</b>	<b>5,539</b>	<b>5,058</b>	<b>4,684</b>	<b>4,303</b>

Source: National authorities.

**4. This DSA covers the central government, central bank, and government-guaranteed external and domestic debt (Text Table 3).** Debt coverage includes external and domestic debt and guarantees of the Central Government (CG), including extrabudgetary funds, and the social security fund. As debt recording and monitoring capacity is weak, this DSA does not include in its baseline: (i) non-guaranteed liabilities of state-owned enterprises (SOEs),<sup>7</sup> (ii) debt of state and local government given that the bulk of this debt is contracted by the central government and recorded as central government debt and then passed on to local government in the form of sub-loans, and (iii) demand or guarantees triggered from any existing public-private partnership (PPP) agreements.

<sup>7</sup> The Ministry of Finance does not record non-guaranteed debt of SOEs. IDA's Sustainable Development Finance Policy (SDFP) and IMF's TA are jointly supporting the improvement of SOEs' fiscal risk management in Tajikistan. See more details in paragraph 26.

Text Table 3. Tajikistan: Public Debt Coverage

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

1	The country's coverage of public debt	The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	Great uncertainty about the true size of liabilities and weak financial position and performance of
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	11.7	
4	PPP	35 percent of PPP stock	1.7	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		18.4	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

**5. Stress tests for PPPs' agreements, potential size of a rescue of the financial sector, currency depreciation, and a commodity price shock are set at default levels.** Stress test for PPPs' demand and guarantees is set at a default 1.73 percent of GDP. Stress test for the banking sector is set at default 5 percent of GDP<sup>8</sup> and the currency depreciation shock is set at 30 percent.<sup>9</sup> Default-tailored tests for commodity prices are also applied since non-fuel commodity exports constitute an important part of Tajikistan's exports.

**6. A tailored contingent liability stress test is designed to incorporate contingent liabilities from potential non-guaranteed debt of SOEs.** The debt coverage for Tajikistan excludes non-government guaranteed debt of non-financial public corporations (NFPC) under the baseline given uncertainties on the nature of the debt and lack of full financial information on SOEs. To illustrate the effects of contingent liabilities associated with large SOE debt that might have significant implications for debt sustainability, the shock is set at 11.7 percent of GDP. The shock reflects: (i) BT's arrears estimated at 8.2 percent of GDP based on available information,<sup>10</sup> which could be transferred onto the government's balance sheet; (ii) TALCO's external debt (2 percent of GDP); (iii) Rogun HPP's security placed in the Pension Fund (1 percent of GDP); and (iv) Tajik Air financial losses (0.5 percent of GDP).

<sup>8</sup> The financial costs of the troubled banks were largely incurred during their government bailout in 2016 (about 6 percent of GDP). Since the commencement of the liquidation process in 2021, most financial obligations have been repaid through the Deposit Insurance Fund. The government is currently in the process of recovering some of the bailout costs through asset liquidations. High levels of capitalization and a substantial drop in non-performing loans in the past few years also suggest that the magnitude of the financial sector shock at default value is appropriate.

<sup>9</sup> According to LIC DSA guidance, the default PPP stress parameter is calculated as 35 percent of the PPP capital stock, while for banking sector the default stress parameter is set at 5 percent of GDP. Staff considers default parameters to be adequate in the case of Tajikistan.

<sup>10</sup> Barqi Tojik is a state-owned energy company in Tajikistan. Contingent liabilities associated with the Barqi Tojik include arrears to thermal power plants, banking sector, Rogun HPP, and Uzbekistan for gas supply.

## BACKGROUND ON MACRO FORECASTS

### 7. Compared to the previous DSA, the macroeconomic outlook has improved (Text Table 5).

The updated projections reflect Tajikistan's strong recovery from the global pandemic, which remains subject to downside risks from possible adverse spillovers from regional and global geopolitical tensions and global financial tightening.<sup>11</sup> The main assumptions are:

- External.** The current account surplus is expected to switch to a small deficit in 2023 and over the medium term, mostly reflecting a normalization of remittances and transfers from Russia, and an increase in infrastructure investment. Remittances are expected to moderate to 34 percent of GDP in 2024, before converging to pre-COVID levels in the medium-term at around 30 percent of GDP. Gold exports, the largest export item in recent years, are expected to remain at around 1.5 percent of GDP over the medium-term (in line with projected gold production). In addition, Rogun HPP's electricity exports to neighboring countries are projected to boost exports over both the medium and long term. A modest real appreciation of the somoni will contribute to higher imports over the medium term. International reserves are projected to remain above 6 months of imports over the medium term, within the Fund's adequacy metrics. The 2021 SDR allocation remains unused and is included as part of FX reserves.
- Interest rates.** Higher world interest rates are projected to raise the cost of new external borrowing for the Rogun HPP. The authorities signed the term sheet with Uzbekistan for exports of electricity from Rogun HPP and plan to sign the term sheet with Kazakhstan by the end of March 2024. Those term sheets would provide the basis for power purchase agreements (PPAs) to be signed in 2024. Once the PPAs have been signed, the authorities plan to borrow from a consortium of international financial institutions led by the World Bank (with a projected grant element of the entire financial package of about 38 percent—see Text Table 6). As a result, effective average interest rates on external debt are expected to increase. Other financing from multilateral partners is provided in the form of grants and highly concessional loans (given Tajikistan's high-risk of debt distress). Therefore, the grant element on non-Rogun financing from IFIs is assumed to be close or above 50 percent. Ongoing plans to develop the domestic bond market would help diversify sources of financing but would also require a gradual convergence toward market rates (compared to highly negative real rates on the current stock of domestic public debt).
- Fiscal.** The overall fiscal deficit is expected to remain in line with the authorities' medium-term target of 2.5 percent of GDP.<sup>12</sup> Spending on the Rogun HPP and other large infrastructure projects is expected to be financed through improved revenue mobilization, including from phasing out tax exemptions, with offsetting cuts to other non-priority capital spending as

<sup>11</sup> A border dispute with the Kyrgyz Republic has resulted in intermittent skirmishes while tensions persist with Afghanistan due to its large Tajik minority. An escalation of tensions with both countries could lead to increased budget outlays for security spending and social assistance to displaced persons.

<sup>12</sup> The commitment was made under the IMF's Rapid Credit Facility of 2020; the authorities noted their continued commitment to this fiscal deficit target during the 2022 Article IV Consultation.

needed. Additionally, Rogun expenditure should remain within a sustainable financing envelope. Fiscal discipline should be further reinforced by strengthening the financial position of SOEs in line with the authorities' commitment to a prospective Policy Coordination Instrument (PCI) arrangement.

- **Growth and inflation.** Growth is projected at 8.3 percent in 2023, up from 8 percent in 2022, reflecting resilient domestic output performance in services, agriculture and construction. Over the medium term, potential growth is expected to converge to about 4.5 percent (4 percent in the previous DSA), supported by some progress in addressing market distortions, higher public infrastructure investments and higher electricity exports but will nevertheless remain constrained by uneven structural reforms and potential hazards related to the climate change. Inflation is expected to remain close to the mid-point of the NBT target range over the medium term supported by a tight monetary stance and macroprudential tools.
- **Rogun HPP.** Since January 2023, the World Bank has been providing TA to the government to ensure that the Rogun HPP project would be beneficial for the country and the region.<sup>13</sup> The latest DSA projections suggest completing the Rogun project in 2033 (instead of 2029 as initially planned by the authorities and 2032 in the previous DSA). During the construction phase, the project's impact on growth is not expected to be significant due to its high import component. Electricity generation is projected to reach 65 percent of total capacity by 2032 and 100 percent by 2039-2040 once the construction is completed and the reservoir reaches its full capacity, thus contributing to export revenues and higher GDP growth. Rogun HPP project has been designed by taking extreme climate change events into account and mitigating against low-probability and high-intensity water flows<sup>14</sup>.

**Text Table 4. Tajikistan: Rogun HPP- Estimates of Economic Benefits**

Indicator	Magnitude
Impact on potential GDP	0.5 percentage points
Total electricity sales	1.2 percent of GDP, annually
Export revenues	0.7-0.85 percent of GDP, annually
Fiscal revenues	0.2 percent of GDP, annually

**8. Macroeconomic assumptions under the current baseline scenario are broadly in line with the medium-term projections in the February 2023 DSA.** GDP growth is projected to slow to its estimated potential rate over the medium-term. The projected fiscal deficit in 2023 is consistent with the previous DSA. The projections are underpinned by the government's commitment to fiscal discipline, with

<sup>13</sup> Technical Assistance for Financing Framework for Rogun HPP (P178819) and Sustainable Financing for Rogun HPP (P181029).

<sup>14</sup> Studies indicate that climate change is expected to increase the Vaksh River flows within the next several decades.

the budgets for 2023-2024 expected to be in line with the medium-term fiscal deficit target of 2.5 percent of GDP. The external position is projected to be in line with the previous DSA, with moderate deficits in the medium term.

**Text Table 5. Tajikistan: Baseline DSA Assumptions, 2019-2032**

(In percent of GDP)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028-32
Real GDP growth, percent										
Current DSA	7.4	4.4	9.4	8.0	8.3	6.5	4.5	4.5	4.5	4.5
2022 DSA	7.4	4.4	9.4	8.0	5.0	4.5	4.0	4.0	4.0	4.0
2021 DSA	7.5	-2.0	7.5	4.5	4.0	4.0	4.0	4.0	4.0	7.0
CPI Inflation (period avg), percent										
Current DSA	7.8	8.6	9.0	6.7	3.5	4.9	6.3	6.5	6.5	6.5
2022 DSA	7.8	8.6	9.0	6.6	5.4	6.5	6.5	6.5	6.5	6.5
2021 DSA	7.8	8.6	8.8	7.6	6.7	6.5	6.5	6.5	6.5	6.5
Primary fiscal balance										
Current DSA	-1.2	-3.4	0.2	0.5	-0.2	-1.8	-1.7	-1.9	-1.8	-1.7
2022 DSA	-1.2	-3.4	0.2	-0.6	-1.8	-1.8	-1.9	-1.9	-2.2	-2.4
2021 DSA	-1.2	-3.5	-1.0	-1.9	-1.9	-2.0	-2.0	-2.1	-1.4	-1.7
Overall fiscal balance (incl. PIP)										
Current DSA	-2.1	-4.3	-0.7	-0.2	-1.0	-2.5	-2.5	-2.5	-2.5	-2.5
2022 DSA	-2.1	-4.3	-0.7	-1.4	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
2021 DSA	-2.1	-7.7	-4.4	-2.6	-2.5	-2.5	-2.5	-2.5	-2.5	0.5
Current account balance										
Current DSA	-2.2	4.1	8.2	15.6	-0.7	-2.2	-2.2	-2.3	-2.4	-2.8
2022 DSA	-2.2	4.1	8.2	6.4	-1.6	-2.4	-2.8	-2.9	-2.9	-3.0
2021 DSA	-2.3	-7.8	-4.7	-4.6	-4.4	-4.3	-4.3	-4.3	-4.3	-1.3
Public debt										
Current DSA	43.5	51.8	42.1	32.5	30.9	30.8	30.2	29.4	28.8	30.3
2022 DSA	43.5	49.8	42.5	34.6	32.3	31.3	31.2	31.1	31.0	28.0
2021 DSA	44.1	51.3	47.0	44.1	43.6	43.3	42.1	41.0	39.3	37.1

Sources: National authorities and IMF staff estimates

**9. The baseline scenario assumes that medium-term fiscal financing will continue to be met primarily from external sources, with a gradual increase in domestic financing.** Staff projections assume an increase in domestic financing beginning in 2024, reaching about 42.6 percent of gross financing needs by 2033 as the local market develops. The average real interest rate on new publicly issued domestic debt is projected to gradually converge to the market rate.

**10. The Rogun project is assumed to be financed through the state budget, project revenues, and grants and loans from international development partners (Text Table 6).** The remaining construction cost is estimated at about US\$6.4 billion, up from US\$5 billion in the previous DSA, due to higher costs for imported components driven by higher inflation, expected additional safety related civil works and retrofitting of contracts, which among other things, is required to ensure compliance with required environmental and social framework (ESF). The tentative financing package under consideration

would indicatively consist of budget resources (US\$2.4 billion), project revenues<sup>15</sup> (US\$1,100 million), IDA and ADB grants (US\$850 million)<sup>16</sup>, and concessional (US\$390 million) and semi-concessional loans<sup>17</sup> (US\$1.730 billion) from the European Investment Bank (EIB), Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IsDB), Italian Development Bank Cassa Depositi e Prestiti (CDP), and traditional bilateral partners.<sup>18</sup> The high global interest rate environment has raised the cost of development projects. The World Bank conservatively projects the grant element of the overall financial package, including grants and loans, at about 38 percent, above the concessionality threshold of 35 percent. The financing arrangements will not be finalized until Rogun's PPAs are signed, to ensure greater certainty over anticipated export revenues from the project. The baseline assumes that average annual Rogun borrowing will represent about 1 percent of GDP during 2024-2033.

**Text Table 6. Tajikistan: Sources of Financing to Complete the Construction of Rogun HPP**

Sources of financing	Commitment amounts, US\$ million
Total package	6,360
Government budget	2,290
Project revenue 1/	1,100
Grants	850
Concessional loans	390
Semi-concessional loans	1,730

1/ Estimated project revenues from electricity generation during 2024-2035 (12 percent of the total package) affect debt sustainability primarily through a projected increase in export revenue while impact on tax revenue is expected to be small.

<sup>15</sup> Project revenue estimates have increased from the 2022 DSA, based on updated projections from the World Bank. The Rogun HPP is already generating electricity at about 10-15 percent of total capacity. The current schedule for the construction and installation of additional generating units assumes that generation capacity will reach 22 percent by 2026, 50 percent by 2030, 80 percent by 2035, and 100 percent in 2039-2040.

<sup>16</sup> The availability of World Bank financing is also linked to other conditions, such as the availability of IDA resources, and structural reform commitments under the potential Development Policy Operation (DPO).

<sup>17</sup> Semi-concessional loans are loans with a grant element lower than 35 percent provided by international financial institutions at a cost that is still below commercial market rates.

<sup>18</sup> Saudi Arabia, Kuwait, and UAE.

**11. The use of semi-concessional loans for the Rogun project is warranted by its criticality for national development and absence of alternative concessional financing (Text Table 7).** A key priority under the National Development Strategy, the project aims to provide low-cost clean energy to support energy security. The Rogun HPP is expected to export a large share of its electricity output to neighboring countries and export revenues are projected to more than offset debt service costs. The World Bank has been working with the authorities to advance Rogun HPP design and implementation and is playing a lead role to engage development partners and help leverage the required financing for the project. The authorities undertook an IMF Public Investment Management Assessment in 2023 to further streamline project planning and management. In addition, high global interest rates have raised the cost of development finance and several recent donor conferences have confirmed that alternative financing on fully concessional terms is at present not available from development partners.<sup>19</sup>

**12. The repayment schedule of Rogun loans is at long maturities broadly aligned with projected project revenue, mitigating its impact on debt sustainability.** Most loan contracts are assumed to be signed during 2024. The loans are expected to have long maturities and grace periods, with debt accumulation and debt service peaking after the Eurobond is repaid in 2027 and the authorities' debt repayment capacity is strengthened. Initially, financing needs would be met to a larger extent from budget resources which will be gradually substituted with borrowed funds and project revenue, creating space for priority spending.

**13. Adherence to the medium-term deficit target of 2.5 percent of GDP is key to maintaining debt sustainability.** Budget financing (excluding loans) is projected to decrease from about 3.5 percent of GDP over the past decade to about 2.7-3 percent of GDP during 2024-2026 and ease gradually to about 1 percent of GDP afterwards, reflecting the construction profile and reinvestment of project revenue. Budget financing will be accommodated within the deficit target of 2.5 percent of GDP as the authorities delay non-priority capital spending to make space for higher Rogun expenditures in the short term, in line with their commitment to fiscal discipline and expenditure re-prioritization. In addition, reforms to improve revenue mobilization and debt management are planned under the prospective IMF program.

**14. The realism tools largely suggest that staff forecasts are realistic conditional on key assumptions being met.** Under the baseline, external PPG debt accumulation is higher by around 2.6 percent of GDP by 2032 compared to the previous DSA where Rogun-related borrowing is lower. However, external debt is projected to stabilize at about 28 percent of GDP by 2033 and decline to 22.5 percent by 2043 as Rogun-related debt is gradually repaid. The contribution of primary deficits to debt accumulation is expected to remain slightly below the historical average because of envisaged reforms on improving revenue mobilization (including phasing out inefficient tax exemptions) and strengthening the expenditure management framework. Debt repayment over the long term would be supported by a projected increase in electricity exports, in line with World Bank's conservative estimates, and higher potential growth. Another important assumption is that the macroeconomic environment remains stable and the contribution of currency depreciation to debt accumulation is lower than in recent years.

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<sup>19</sup> The financing package would largely consist of floating rate loans tied to the SOFR which are expected to be hedged through interest rate swap arrangements.

**15. A key assumption is that the Rogun HPP is financially viable based on export revenues and improved payment discipline of the domestic electricity sector.** Rogun is expected to export about 60 percent of its total output to the region, which would be backed by PPAs. To address domestic issues, the authorities have prepared an action plan under the Power Utility Financial Recovery Program with the World Bank to improve the financial position of the state electricity company Barqi Tojik (BT), which continued to accrue liabilities to electricity suppliers in 2023. The plan envisages raising electricity tariffs to cost recovery levels by 2027, reducing technical, commercial, and collection losses, improving governance, and addressing BT's arrears. This would help ensure a reliable source of revenue from Rogun's domestic electricity sales. It is also essential to follow sound procurement and financial management practices during the construction phase of the project to avoid cost overruns.

**Text Table 7. Tajikistan: External Borrowing Plan, 2024-2026**

(In USD million)

PPG external debt contracted or guaranteed	Volume of new debt, USD million 1/	Present value of new debt, USD million 1/
<b>Sources of borrowing</b>	<b>509</b>	<b>270</b>
Concessional debt 2/	497	265
o/w Multilateral	488	258
o/w Bilateral	9	7
Non-concessional debt	12	4
o/w Semi-concessional 3/	12	4
o/w Commercial terms 4/	0	0
<b>Use of borrowing</b>	<b>509</b>	<b>270</b>
o/w Rogun	12	4
o/w Budget financing	497	265
<i>Memorandum items</i>		
Indicative projections		
2025	650	400-500
2026	651	400-500

Sources: Tajikistan authorities and IMF staff estimates and projections.

1/ Present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

2/ Debt with a grant element that exceeds a minimum threshold of 35 percent or higher.

3/ Debt with a positive grant element not meeting the minimum grant element.

4/ Debt without a positive grant element. For commercial debt, the PV would be defined as the nominal/face value.



## COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

**16. Tajikistan's debt-carrying capacity (DCC) is assessed to be strong (Text Table 8).** The revised composite indicator (CI) from the October 2023 WEO and the World Bank's 2022 CPIA rating suggest that Tajikistan's DCC is currently assessed to be strong. The DCC did not change from the previous DSA.

**Text Table 8. Tajikistan: Debt Carrying Capacity**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Strong	Strong 3.07	Strong 3.08	Strong 3.10

APPLICABLE	
<b>EXTERNAL debt burden thresholds</b>	
PV of debt in % of	
Exports	240
GDP	55
Debt service in % of	
Exports	21
Revenue	23

APPLICABLE	
<b>TOTAL public debt benchmark</b>	
PV of total public debt in percent of GDP	70

## DEBT SUSTAINABILITY

### A. External Debt Sustainability Analysis

**17. Under the baseline scenario, the external PPG debt trajectory shows some deterioration in comparison to the previous DSA.** After declining to 25.5 percent of GDP by 2027, in line with the Eurobond repayment, external debt rises 2.6 percentage points to 28.1 percent of GDP by 2031 as Rogun-related borrowing increases. Nevertheless, external PPG debt is projected to gradually decline to 22.5 percent of GDP in 2043 as electricity exports increase and Rogun debt is being repaid.

**18. One external debt indicator breaches its threshold in the medium term but falls below the threshold over the long term (Figure 1).** More specifically, the baseline external PPG debt-service-to-exports ratio breaches its respective threshold during 2025-2027. After a spike in 2025, the flow/liquidity indicator remains elevated throughout 2027 and then falls below the threshold after 2027. The three-year breach

starting in 2025 is mainly due to the principal repayments on the Eurobond and the RCF loan.<sup>20</sup> The other flow indicator, external PPG debt service-to-revenue ratio, remains below the threshold under the baseline. Both solvency indicators are stable throughout the projection horizon.

**19. Under the historical scenario, debt flow indicators stabilize at higher levels than the baseline, and one flow indicator breaches the threshold.** The historical scenario is based on averages from 2013 to 2022, during which the current account deficit was relatively higher – averaging 2.6 percent of GDP. Therefore, under this scenario, debt flow ratios remain higher than the baseline trajectory. The external PPG debt-service-to-export ratio breaches its threshold in 2025-2027.

**20. Under the stress scenarios, two external debt indicators breach their respective thresholds.** Breaches in the PV of external PPG debt-to-exports and external PPG debt-service-to-exports ratios are significant and point to debt vulnerabilities under stress conditions. Shocks to exports are the most extreme and impactful for these indicators. Under a shock to exports, the PV of the external PPG debt-to-exports ratio reaches 381 percent in 2025 (compared to 240 percent threshold), while external PPG debt service-to-exports ratio reaches 49-51 percent in 2025-2026 (compared to 21 percent threshold). The contingent liability shock also causes a deterioration in external debt sustainability. This highlights the importance of promoting reforms to improve the business environment and connectivity, sound debt recording and management practices (especially for SOEs) and strong fiscal discipline to address risks from rising contingent liabilities.

**21. Market-financing risk is assessed to be moderate.** The spread on Tajikistan’s Eurobond has gradually narrowed to about 800 basis points (bps) but nevertheless remains above the benchmark (570bps) under the market module. The authorities’ commitments to fiscal discipline should help maintain the market financing risk indicators at moderate or low levels in the medium term.

## B. Public Debt Sustainability Analysis

**22. Under the baseline, overall public debt-to-GDP does not breach its threshold but is assessed at high risk due to baseline breaches on the external debt indicators.** The public debt burden indicator (PV of total public debt-to-GDP) ratio stabilizes and remains well below the 70 percent benchmark throughout the projection horizon. While the PV of the total public debt-to-revenue ratio exhibits a relatively stable path, the public debt service-to-revenue indicator significantly increases during 2025-2027, reflecting the principal repayment of the Eurobond.

**23. The standardized sensitivity analysis shows higher risks, in comparison to the previous DSA.** Shocks to combined contingent liabilities in the most extreme and historical scenarios adversely affect all public debt indicators. The shock causes a 11-percentage point deterioration relative to the baseline debt ratio by 2033. This highlights the need to strengthen the oversight of SOEs and improve the financial viability of the electricity sector during the construction phase of the Rogun HPP.

<sup>20</sup> Eurobond principal will be repaid in three equal instalments from September 2025 to September 2027. The IMF’s RCF will be repaid from June 2025 to June 2030. These are the main reason for breaching the external PPG debt service-to-export threshold.

## RISK RATING AND VULNERABILITIES

**24. The debt sustainability analysis under the new LIC DSF framework suggests that Tajikistan's risk of external and overall public debt distress is high.** Debt stabilizes under the baseline after the repayment of the Eurobond in 2025-2027 but at somewhat higher level than in the 2022 DSA. The results overall indicate higher risks of debt distress in comparison to the previous DSA findings. Fiscal risks also increase as Rogun-related expenditure commitments leave fiscal performance vulnerable to revenue shocks.

**25. Tajikistan's risk of external debt distress remains high.** One external debt-burden indicator (external PPG debt service-to-exports ratio) breaches its threshold under the baseline for three years (2025-2027). The indicator stabilizes once the Eurobond repayment is completed and returns to levels below the threshold after 2027. The PV of external PPG debt-to-exports ratio remains below the threshold over the projection horizon. All other debt burden ratios are stable under the baseline and standardized stress tests indicate the importance of containing contingent liabilities and broadening the export base.

**26. The overall risk of public debt distress is high under the baseline due to a breach of an external debt threshold.** The breach is longer and more pronounced than in the previous DSA. Shocks to exports, commodity prices and contingent liabilities have the largest impact on public debt sustainability.

**27. In the baseline, Tajikistan's public debt is sustainable provided the authorities adhere to their medium-term fiscal target and the Rogun HPP proves to be financially viable.** While the additional borrowing for Rogun HPP increases the debt profile, all stock and flow indicators stabilize over the projection horizon. While external debt risk is high, public debt levels do not breach the thresholds in both the baseline and stress tests. In case fiscal indicators fall short, especially if Rogun revenues do not materialize as expected or contingent liabilities from SOEs result in large losses, debt sustainability may come under pressure. To mitigate such risks, PPAs will be put in place with neighboring countries to secure sufficient revenue from Rogun's electricity exports. In addition, the World Bank Power Utility Financial Recovery Program (PUFRP) envisages measures to raise electricity tariffs to cost recovery by 2027 and improve the financial position of Barqi Tojik Open Joint Stock Company. On the other hand, greater-than-expected progress with economic diversification or higher exports would improve debt sustainability over the longer term.

**28. Containing contingent liabilities from SOEs will reduce the vulnerabilities of public debt to shocks.** Supported by the IDA's Sustainable Development Finance Policy (SDFP) and IMF's TA, Tajikistan has made significant progress in enhancing (i) debt transparency by publishing annual public debt reports, audited financial statements of the largest SOEs, and SOE Fiscal Risk Statement, covering all large 27 SOEs, (ii) fiscal sustainability by adopting the SOE Fiscal Risks Management Program (FRMP) for 2023-2027, and (iii) debt management by avoiding non-concessional loans and adopting a revised Law on Public and Publicly Guaranteed Debt in December 2022<sup>21</sup>. Continued progress in strengthening debt reporting and enhancing the linkages between the medium-term debt management strategy and fiscal borrowing plans

<sup>21</sup> The authorities successfully delivered all SDFP commitments during FY21-FY23, which improved debt transparency and helped contain the country's debt vulnerabilities.

would help contain debt vulnerabilities. Diversifying exports and enhancing debt management practices, including by setting aside dedicated funds for the Eurobond repayment, could help address the breaches in the debt service-to-exports ratio. Successful implementation of the medium-term SOE FRMP and stronger governance frameworks in public enterprises, including the Rogun HPP, will be critical to manage risks from contingent liabilities.

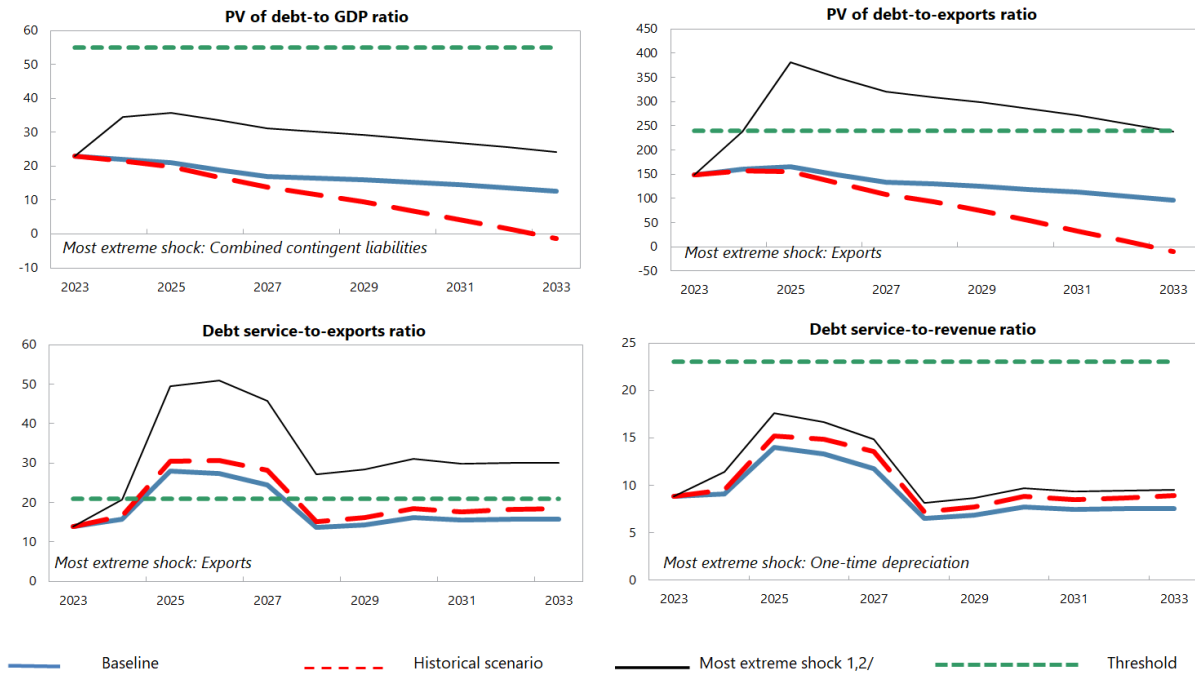
**29. New measures aim to mitigate Eurobond-related liquidity risks.** The authorities have prepared a Medium-term Debt Management Strategy (MTDMS) to cover the period 2024-2026. The authorities have adequate levels of international reserves (about 7 months import coverage at end-2023) and plan to start issuing government securities to commercial banks in 2024-2025 to mitigate external refinancing risk and reduce dependence on external borrowing. They plan to repay the Eurobond using a combination of budget revenue, domestic debt issuance and reserve holdings. Revenue mobilization measures are planned under the prospective PCI with the IMF based on recent Fund TA. The IMF and the World Bank will provide technical assistance on (i) the implementation of the MTDMS, including management of the liquidity risk related to the repayment of the Eurobond and (ii) domestic debt market development including contingency plans to safeguard against unexpected shocks to budget revenue.

**30. Timely measures should be taken to mitigate Rogun-related fiscal risks.** The revised Rogun financing plan envisages higher budget-financed Rogun spending during 2024-2026 than the previous DSA and higher interest costs. In this context, maintaining an overall fiscal deficit of 2.5 percent of GDP would require offsetting fiscal measures and contingency plans should downside shocks to revenues materialize. In this context, it is important to keep average Rogun internal spending within a sustainable budget envelope (excluding loans) of about 3-3.5 percent of GDP. It is also essential to strengthen revenue mobilization, including phasing out inefficient tax exemptions, and enhancing spending efficiency to safeguard high priority social spending. Improving Barki Tojik's financial position and capacity to meet its obligations to electricity suppliers is critical to help ensure Rogun HPP's long-term financial viability.

## AUTHORITIES' VIEWS

**31. The authorities broadly agreed with the overall assessment.** They concurred with staff that adherence to the fiscal deficit target of 2.5 percent of GDP is critical to keep public debt on a downward path while creating space for high priority development and social spending. The authorities welcomed the analysis of the implications of the Rogun HPP project for long-term debt sustainability. They reiterated their commitment to anchoring Rogun spending in a sustainable budget envelope and borrowing plan and carrying out a medium-term fiscal adjustment to offset higher borrowing costs.

**Figure 1. Tajikistan: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023-2033**



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
<b>Shares of marginal debt</b>		
External PPG MLT debt	100%	
<b>Terms of marginal debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.8%	4.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	6	9

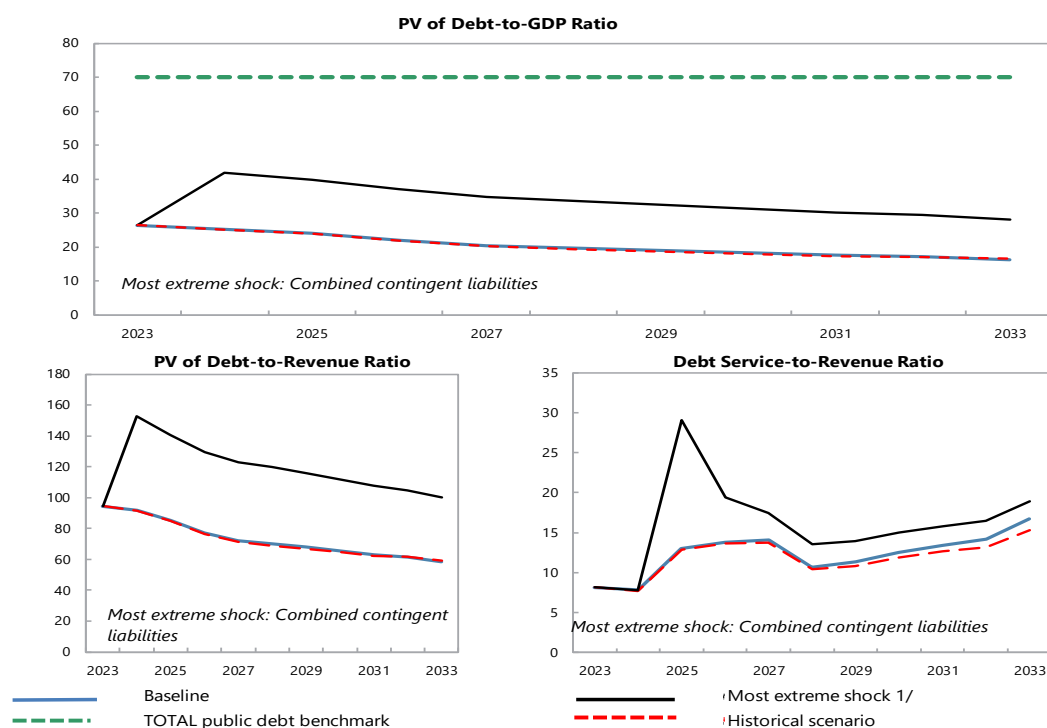
\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

**Figure 2. Tajikistan: Indicators of Public Debt Under Alternative Scenarios, 2023-2033**



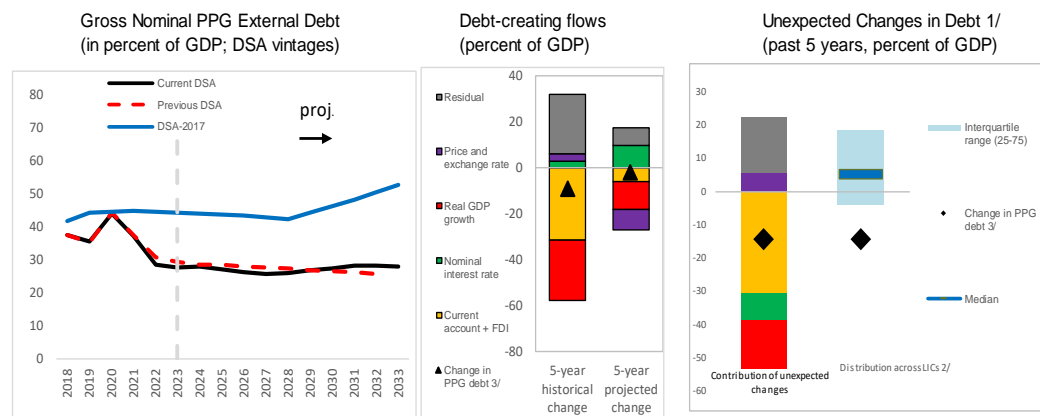
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	77%	77%
Domestic medium and long-term	0%	0%
Domestic short-term	23%	23%
<b>Terms of marginal debt</b>		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	4.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	6	9
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	2.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	-6.0%	2.0%

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

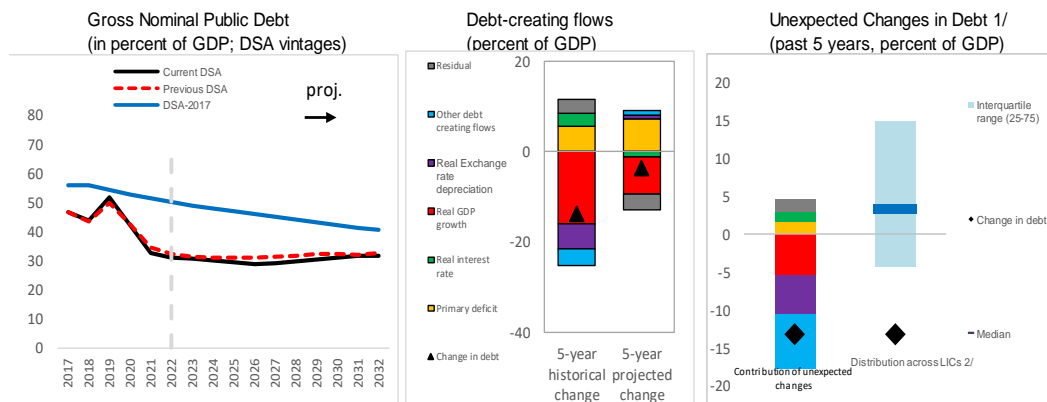
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Figure 3. Tajikistan: Drivers of Debt Dynamics — Baseline Scenario**



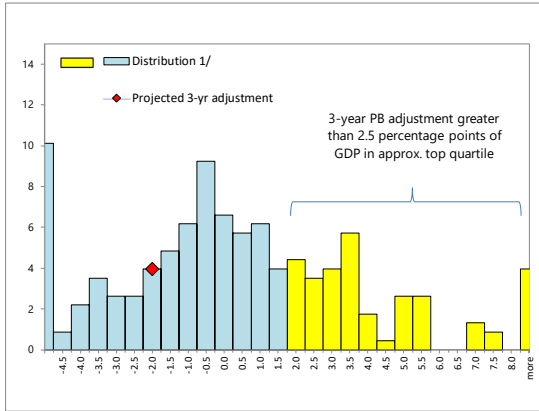
**Public debt**



1/ Difference between anticipated and actual contributions on debt ratios. The large residual for the past 5 years is explained by large principal repayment of external debt.  
 2/ Distribution across LICs for which LIC DSAs were produced.  
 3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

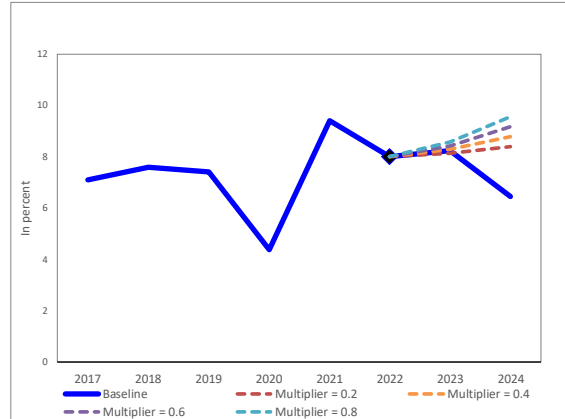
Figure 4. Tajikistan: Realism Tools

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



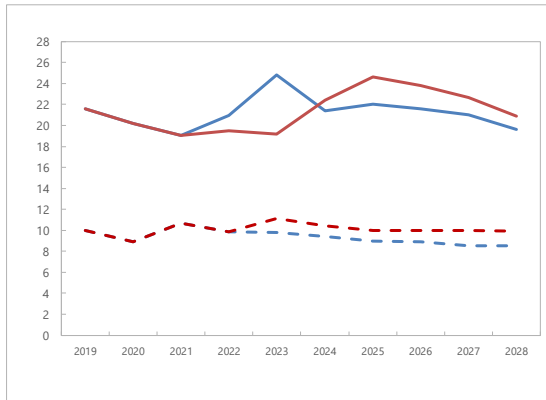
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



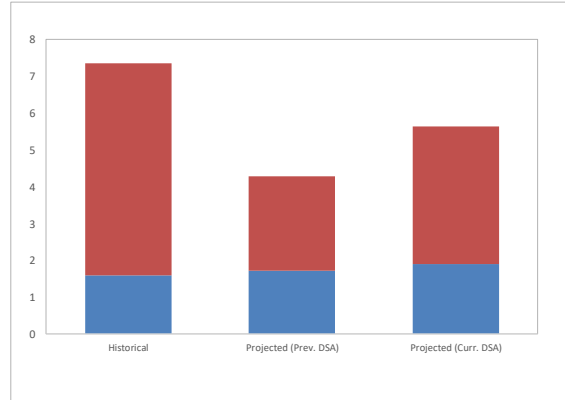
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates  
(percent of GDP)



— Gov. Invest. - Prev. DSA      — Gov. Invest. - Curr. DSA  
 - - - Priv. Invest. - Prev. DSA      - - - Priv. Invest. - Curr. DSA

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



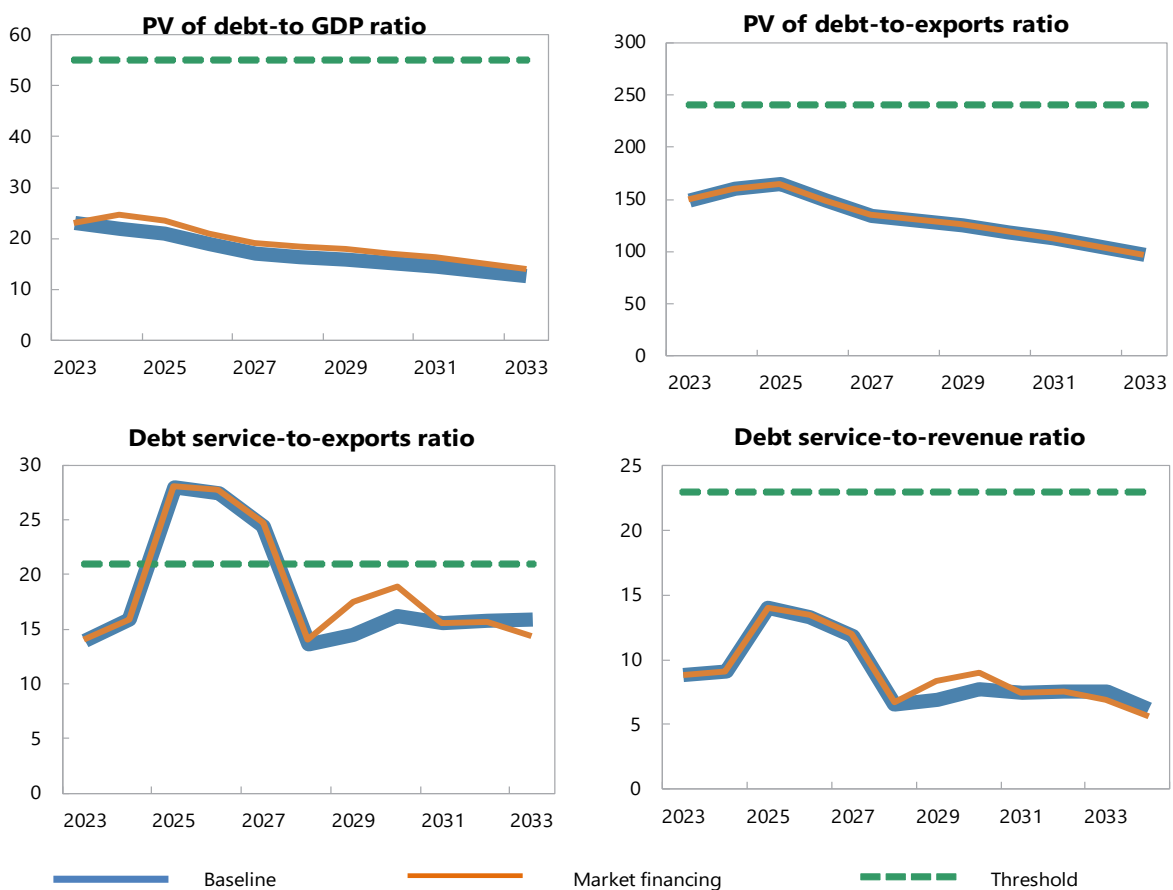
■ Contribution of other factors  
 ■ Contribution of government capital



**Figure 5. Tajikistan: Market-Financing Risk Indicators**

	GFN	1/	EMBI	2/
Benchmarks	14		570	
Values	6		800	
Breach of benchmark	No		Yes	
Potential heightened liquidity needs	Moderate			

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



Sources: Country authorities; and staff estimates and projections.

Table 1. Tajikistan: External Debt Sustainability Framework, Baseline Scenario, 2022-2043

(In percent of GDP, unless otherwise indicated)

	Actual	Projections									Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2033	2043	Historical	Projections
External debt (nominal) 1/	50.0	47.1	46.1	44.4	42.6	40.9	40.9	41.1	40.9	39.6	66.3	42.6
of which: public and publicly guaranteed (PPG)	28.5	27.6	27.8	27.1	26.3	25.5	26.0	26.6	27.9	22.5	33.4	27.1
Change in external debt	-13.2	-2.9	-1.0	-1.7	-1.8	-1.6	0.0	0.2	-0.9	-1.3		
Identified net debt-creating flows	-26.5	-4.3	-3.9	-3.1	-2.7	-2.3	-0.6	-0.4	-0.7	-1.5	-4.4	-1.8
Non-interest current account deficit	-16.3	-0.8	0.1	0.1	0.2	0.4	0.5	0.6	0.7	1.5	-0.8	0.3
Deficit in balance of goods and services	33.4	35.1	33.3	32.1	31.8	31.5	31.4	31.4	31.3	32.2	30.2	32.0
Exports	16.7	15.4	13.7	12.7	12.6	12.6	12.7	12.8	13.0	13.0		
Imports	50.1	50.5	47.0	44.8	44.4	44.2	44.2	44.2	44.3	45.2		
Net current transfers (negative = inflow)	-15.7	-12.3	-11.0	-10.6	-10.5	-10.3	-10.3	-10.2	-10.2	-10.2	-9.1	-10.5
of which: official	-2.0	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	0.0		
Other current account flows (negative = net inflow)	-34.1	-23.6	-22.2	-21.4	-21.1	-20.8	-20.7	-20.6	-20.5	-20.5	-21.9	-21.1
Net FDI (negative = inflow)	-1.5	-0.2	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.9	-2.1	-2.4	-1.4
Endogenous debt dynamics 2/	-8.7	-3.3	-2.6	-1.7	-1.5	-1.2	0.3	0.5	0.5	-0.8		
Contribution from nominal interest rate	0.7	1.5	2.1	2.1	2.1	2.1	2.0	2.2	2.3	1.7		
Contribution from real GDP growth	-4.3	-3.6	-2.8	-1.9	-1.8	-1.8	-1.7	-1.7	-1.7	-1.4		
Contribution from price and exchange rate changes	-5.1	-1.2	-1.9	-1.9	-1.7	-1.5	-1.5	-1.3	-1.3	-1.1		
Residual 3/	13.3	0.2	1.0	-0.5	-0.8	-0.8	0.6	0.6	0.2	5.5	4.0	0.2
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Sustainability indicators</b>												
PV of PPG external debt-to-GDP ratio	25.8	23.0	22.0	20.9	18.8	16.9	16.4	15.9	12.6	6.7		
PV of PPG external debt-to-exports ratio	154.2	149.2	160.2	164.7	148.4	133.9	129.2	124.9	96.7	51.8		
PPG debt service-to-exports ratio	10.2	13.9	15.8	28.0	27.4	24.4	13.7	14.4	15.8	7.9		
PPG debt service-to-revenue ratio	7.0	8.8	9.1	14.0	13.3	11.8	6.5	6.9	7.6	3.7		
Gross external financing need (Million of U.S. dollars)	-533.2	1743.0	1697.3	1730.7	1699.3	1826.4	1764.7	1848.8	2582.6	6605.6		
<b>Key macroeconomic assumptions</b>												
Real GDP growth (in percent)	8.0	8.3	6.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	7.1	5.0
GDP deflator in US dollar terms (change in percent)	8.7	4.4	2.6	4.3	4.4	4.3	3.8	3.8	3.3	3.3	-3.1	3.7
Effective interest rate (percent) 4/	1.3	3.4	4.9	4.9	5.1	5.3	5.4	5.7	5.9	5.4	1.5	5.3
Growth of exports of G&S (US dollar terms, in percent)	-18.9	4.1	-2.7	1.0	8.6	9.0	9.0	9.0	8.5	8.0	5.2	6.5
Growth of imports of G&S (US dollar terms, in percent)	23.5	13.9	1.7	3.7	8.3	8.2	8.5	8.5	8.2	8.1	2.1	7.7
Grant element of new public sector borrowing (in percent)	...	47.0	46.8	35.5	37.9	34.9	21.9	28.6	45.9	48.1	...	36.9
Government revenues (excluding grants, in percent of GDP)	24.3	24.4	23.9	25.4	26.1	26.2	26.7	26.8	27.1	27.6	25.2	26.1
Aid flows (in Million of US dollars) 5/	361.0	677.2	940.1	985.3	856.9	758.5	417.6	579.8	905.0	1381.7		
Grant-equivalent financing (in percent of GDP) 6/	...	4.6	5.3	5.0	4.2	3.5	2.2	2.3	2.2	1.4	...	3.3
Grant-equivalent financing (in percent of external financing) 6/	...	79.5	71.8	58.3	61.6	57.5	43.4	46.6	60.0	57.4	...	57.6
Nominal GDP (Million of US dollars)	10,493	11,855	12,953	14,118	15,395	16,774	18,199	19,744	26,836	57,788		
Nominal dollar GDP growth	17.4	13.0	9.3	9.0	9.0	9.0	8.5	8.5	8.0	8.0	3.8	8.9
<b>Memorandum items:</b>												
PV of external debt 7/	47.2	42.4	40.2	38.2	35.1	32.4	31.4	30.4	25.5	23.8		
In percent of exports	282.5	275.5	293.5	300.6	277.3	256.1	247.0	238.2	196.4	183.0		
Total external debt service-to-exports ratio	76.4	102.0	105.2	107.3	104.1	101.4	89.4	86.1	80.0	78.8		
PV of PPG external debt (in Million of US dollars)	2703.3	2724.3	2844.7	2953.9	2890.7	2840.2	2987.8	3145.7	3370.1	3885.8		
(Pvt-Pvt-1)/GDPt-1 (in percent)	0.2	1.0	0.8	-0.4	-0.3	0.9	0.9	0.9	0.0	0.3		
Non-interest current account deficit that stabilizes debt ratio	-3.1	2.1	1.1	1.7	2.1	2.0	0.5	0.4	1.2	-3.7		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

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

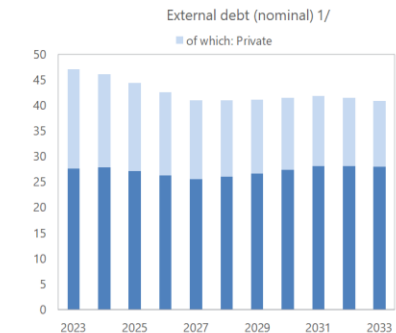
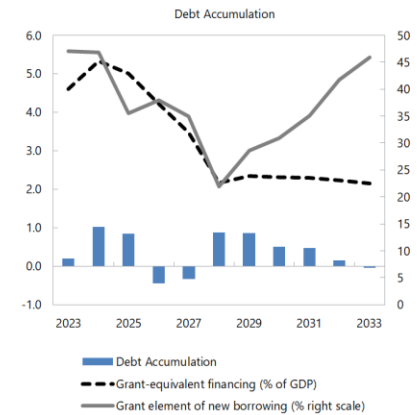


Table 2. Tajikistan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022-2043

(In percent of GDP, unless otherwise indicated)

	Actual		Projections									Average 6/			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Historical	Projections
<b>Public sector debt 1/</b>	32.5	30.9	30.8	30.2	29.4	28.8	29.1	29.6	31.6	32.3	39.7	30.3			
of which: external debt	28.5	27.6	27.8	27.1	26.3	25.5	26.0	26.6	27.9	22.5	33.4	27.1			
<b>Change in public sector debt</b>	-9.6	-1.6	-0.1	-0.6	-0.8	-0.6	0.3	0.5	0.0	0.7					
<b>Identified debt-creating flows</b>	-9.6	-2.4	0.0	0.4	0.6	0.5	0.5	0.5	0.3	0.5	-0.2	0.2			
<b>Primary deficit</b>	-0.5	0.2	1.8	1.7	1.9	1.8	1.9	1.7	1.6	2.2	1.9	1.6			
Revenue and grants	27.7	27.9	27.4	28.4	28.7	28.3	28.0	28.0	28.0	28.0	27.8	28.0			
of which: grants	3.4	3.6	3.5	3.0	2.6	2.1	1.4	1.3	0.9	0.4					
Primary (noninterest) expenditure	27.2	28.2	29.2	30.1	30.6	30.1	29.9	29.8	29.6	30.2	29.7	29.7			
<b>Automatic debt dynamics</b>	-8.2	-3.0	-2.0	-1.5	-1.5	-1.4	-1.4	-1.3	-1.3	-1.7					
Contribution from interest rate/growth differential	-2.4	-3.0	-2.0	-1.5	-1.5	-1.4	-1.4	-1.3	-1.3	-1.7					
of which: contribution from average real interest rate	0.7	-0.5	-0.1	-0.2	-0.2	-0.2	-0.1	0.0	0.1	-0.2					
of which: contribution from real GDP growth	-3.1	-2.5	-1.9	-1.3	-1.3	-1.3	-1.2	-1.3	-1.4	-1.4					
Contribution from real exchange rate depreciation	-5.8	1.6	0.1	-0.4	-0.3	-0.3	-0.1	-0.1	-0.1	-0.1					
<b>Other identified debt-creating flows</b>	-1.0	0.3	0.3	0.2	0.2	0.2	0.0	0.0	0.0	0.0	-0.3	0.1			
Privatization receipts (negative)	-1.1	0.3	0.3	0.2	0.2	0.2	0.0	0.0	0.0	0.0					
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Other debt creating or reducing flow (please specify)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
<b>Residual</b>	0.1	0.8	-0.1	-1.0	-1.4	-1.1	-0.2	0.0	-0.3	-1.5	0.2	-0.2			
<b>Sustainability indicators</b>															
<b>PV of public debt-to-GDP ratio 2/</b>	27.8	26.4	25.2	24.2	22.1	20.4	19.7	19.1	16.4	16.5					
<b>PV of public debt-to-revenue and grants ratio</b>	100.2	94.5	92.0	85.1	77.0	72.2	70.3	67.9	58.3	58.9					
<b>Debt service-to-revenue and grants ratio 3/</b>	6.5	8.2	7.8	13.0	13.8	14.0	10.7	11.4	16.7	38.6					
Gross financing need 4/	0.4	2.8	4.2	5.6	6.0	5.9	4.9	4.9	6.3	13.0					
<b>Key macroeconomic and fiscal assumptions</b>															
Real GDP growth (in percent)	8.0	8.3	6.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	7.1	5.0			
Average nominal interest rate on existing external debt (in percent)	1.1	0.1	2.5	2.4	2.4	2.4	2.4	2.9	3.1	1.1	0.2	2.5			
Average real interest rate on domestic debt (in percent)	-5.5	-1.8	-1.7	-2.0	-1.2	-0.1	-0.4	0.3	0.9	-	-1.2	-0.1			
Real exchange rate depreciation (in percent, + indicates depreciation)	-16.5	...	...	...	...	...	...	...	...	...	3.6	...			
Inflation rate (GDP deflator, in percent)	6.0	3.0	4.4	6.5	6.5	6.5	6.0	6.0	5.5	5.5	5.0	5.5			
Growth of real primary spending (deflated by GDP deflator, in percent)	9.9	12.0	10.1	8.0	6.1	2.8	4.0	3.9	4.7	4.4	9.0	5.8			
Primary deficit that stabilizes the debt-to-GDP ratio 5/	9.1	1.8	1.9	2.3	2.7	2.4	1.6	1.2	1.6	1.5	4.7	1.7			
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					

Sources: Country authorities; and staff estimates and projections.

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

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

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

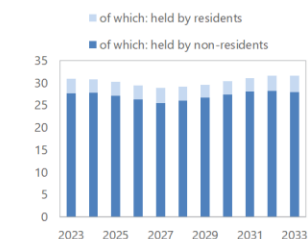
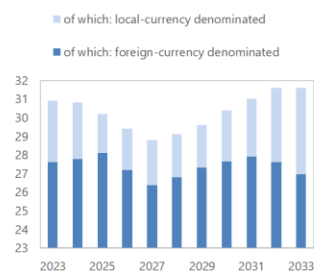
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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

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

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

Public sector debt 1/



**Table 3. Tajikistan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023-2033**

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>PV of debt-to GDP ratio</b>											
<b>Baseline</b>	23	22	21	19	17	16	16	15	15	14	13
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	23	21	20	17	14	12	10	7	4	2	-1
<b>B. Bound Tests</b>											
B1. Real GDP growth	23	22	22	20	18	17	17	16	15	14	13
B2. Primary balance	23	24	28	26	24	23	23	22	21	20	18
B3. Exports	23	26	30	27	25	24	23	22	21	20	19
B4. Other flows 3/	23	28	31	29	27	26	25	24	23	22	20
B5. Depreciation	23	28	26	24	21	21	20	19	18	17	16
B6. Combination of B1-B5	23	29	29	26	24	23	23	22	21	20	18
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	23	35	36	33	31	30	29	28	27	25	24
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	23	25	27	24	21	18	16	13	10	8	5
C4. Market Financing	23	24	23	21	19	18	18	17	16	15	14
<b>Threshold</b>	55	55	55	55	55	55	55	55	55	55	55
<b>PV of debt-to-exports ratio</b>											
<b>Baseline</b>	149	160	165	148	134	129	125	119	113	105	97
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	149	156	156	132	109	92	75	53	33	12	-10
<b>B. Bound Tests</b>											
B1. Real GDP growth	149	160	165	148	134	129	125	119	113	105	97
B2. Primary balance	149	176	221	207	191	184	178	169	162	152	141
B3. Exports	149	238	<b>381</b>	<b>350</b>	<b>321</b>	<b>309</b>	<b>298</b>	<b>285</b>	<b>272</b>	<b>255</b>	<b>238</b>
B4. Other flows 3/	149	201	<b>248</b>	228	210	203	195	187	178	168	157
B5. Depreciation	149	160	165	148	134	129	125	119	113	105	97
B6. Combination of B1-B5	149	227	212	<b>249</b>	228	220	212	203	193	182	169
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	149	<b>252</b>	<b>280</b>	<b>264</b>	<b>246</b>	237	228	218	209	197	185
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	149	<b>246</b>	<b>278</b>	231	187	157	129	106	84	61	38
C4. Market Financing	149	160	165	149	134	130	125	119	112	105	96
<b>Threshold</b>	240	240	240	240	240	240	240	240	240	240	240
<b>Debt service-to-exports ratio</b>											
<b>Baseline</b>	14	16	<b>28</b>	<b>27</b>	<b>24</b>	14	14	16	16	16	16
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	14	17	<b>30</b>	<b>31</b>	<b>28</b>	15	16	19	18	18	19
<b>B. Bound Tests</b>											
B1. Real GDP growth	14	16	<b>28</b>	<b>27</b>	<b>24</b>	14	14	16	16	16	16
B2. Primary balance	14	16	<b>29</b>	<b>31</b>	<b>27</b>	17	17	19	18	18	18
B3. Exports	14	21	<b>49</b>	<b>51</b>	<b>46</b>	27	28	31	30	30	30
B4. Other flows 3/	14	16	<b>30</b>	<b>31</b>	<b>28</b>	17	17	19	18	18	18
B5. Depreciation	14	16	<b>28</b>	<b>27</b>	<b>24</b>	14	14	16	16	16	16
B6. Combination of B1-B5	14	18	<b>38</b>	<b>38</b>	<b>34</b>	20	21	23	22	22	22
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	14	16	<b>32</b>	<b>32</b>	<b>29</b>	18	19	20	20	20	20
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	14	21	<b>38</b>	<b>37</b>	<b>32</b>	17	16	18	16	16	15
C4. Market Financing	14	16	<b>28</b>	<b>28</b>	<b>25</b>	14	17	19	15	16	14
<b>Threshold</b>	21	21	21	21	21	21	21	21	21	21	21
<b>Debt service-to-revenue ratio</b>											
<b>Baseline</b>	9	9	14	13	12	7	7	8	7	8	8
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	9	10	15	15	14	7	8	9	8	9	9
<b>B. Bound Tests</b>											
B1. Real GDP growth	9	9	15	14	12	7	7	8	8	8	8
B2. Primary balance	9	9	15	15	13	8	8	9	9	9	9
B3. Exports	9	9	15	15	14	8	8	9	9	9	9
B4. Other flows 3/	9	9	15	15	13	8	8	9	9	9	9
B5. Depreciation	9	11	18	17	15	8	9	10	9	9	10
B6. Combination of B1-B5	9	10	16	15	14	8	8	9	9	9	9
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	9	9	16	16	14	9	9	10	9	9	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	9	10	16	16	14	8	8	8	7	7	7
C4. Market Financing	9	9	14	13	12	7	8	9	7	7	7
<b>Threshold</b>	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Tajikistan: Sensitivity Analysis for Key Indicators of Public Debt, 2023-2033

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>PV of Debt-to-GDP Ratio</b>											
<b>Baseline</b>	26	25	24	22	20	20	19	18	18	17	16
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	26	25	24	22	20	19	19	18	17	17	17
<b>B. Bound Tests</b>											
B1. Real GDP growth	26	26	27	25	24	24	25	25	25	25	25
B2. Primary balance	26	28	32	30	28	27	26	25	24	23	22
B3. Exports	26	28	32	29	27	26	25	25	24	23	22
B4. Other flows 3/	26	31	35	32	30	29	28	27	26	25	24
B5. Depreciation	26	29	26	21	17	14	11	9	6	3	1
B6. Combination of B1-B5	26	26	27	24	22	21	19	18	17	16	14
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	26	42	40	37	35	34	32	31	30	29	28
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	26	28	31	32	33	34	34	34	33	33	32
<b>TOTAL public debt benchmark</b>	70	70	70	70	70	70	70	70	70	70	70
<b>PV of Debt-to-Revenue Ratio</b>											
<b>Baseline</b>	95	92	85	77	72	70	68	66	63	61	58
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	95	92	85	76	72	69	67	65	62	61	59
<b>B. Bound Tests</b>											
B1. Real GDP growth	95	95	93	88	86	87	88	88	88	89	89
B2. Primary balance	95	102	114	104	98	96	93	89	86	84	80
B3. Exports	95	103	111	102	97	94	91	88	84	82	78
B4. Other flows 3/	95	112	123	112	107	104	100	97	93	91	87
B5. Depreciation	95	108	91	74	61	51	41	31	21	12	3
B6. Combination of B1-B5	95	95	94	84	78	74	69	65	60	56	50
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	95	153	140	129	123	120	116	112	108	105	100
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	95	111	117	120	122	125	123	120	118	117	115
<b>Debt Service-to-Revenue Ratio</b>											
<b>Baseline</b>	8	8	13	14	14	11	11	13	13	14	17
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2023-2033 2/	8	8	13	14	14	10	11	12	13	13	15
<b>B. Bound Tests</b>											
B1. Real GDP growth	8	8	14	15	16	13	14	15	16	17	20
B2. Primary balance	8	8	16	18	16	13	13	14	15	16	18
B3. Exports	8	8	13	15	15	12	12	13	14	15	18
B4. Other flows 3/	8	8	14	15	16	12	13	14	15	15	18
B5. Depreciation	8	9	16	17	17	12	12	13	14	14	16
B6. Combination of B1-B5	8	8	14	13	12	9	9	10	12	14	18
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	8	8	29	19	17	14	14	15	16	16	19
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	8	9	15	17	20	17	17	18	18	19	22

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

**Statement by Mr. Marcel Peter and Mr. Ilhomjon Rajabov on  
Republic of Tajikistan  
February 28, 2024**

On behalf of our Tajik authorities, we thank staff for their continuous support and coherent policy advice. The authorities are convinced that the proposed arrangement under the Policy Coordination Instrument will help preserve macroeconomic stability and support sustainable growth by underpinning comprehensive structural and institutional reforms. The authorities are committed to pursue these reforms to strengthen fiscal policy, financial stability, as well as governance, accountability, and transparency. Ultimately, these reforms will help build a strong track record of policy implementation to pave the way for a potential future financing arrangement. To ensure a high level of transparency, the authorities expressed their consent to publish the staff report.

### **Recent Economic Developments**

A sound macroeconomic framework has helped sustain growth after the pandemic. Real GDP grew by 8.3 percent year-on-year in 2023, supported by strong growth in services, construction, and agriculture, while inflation was contained at 3.8 percent year-on-year, supported by lower food and fuel prices as well as an appreciation of the Tajik somoni against the Russian ruble. In 2022, the inflow of remittances reached its highest level since the pandemic, which helped maintain foreign exchange (FX) reserves at more than seven months of imports.

### **Fiscal Policy**

Higher-than-expected tax revenues, including from the mining sector, and lower-than-budgeted capital spending supported a sound fiscal performance. As a result, the budget deficit was lower than expected. In addition, external borrowing remained below its budgeted amount. The public debt-to-GDP ratio decreased by 9.6 percentage points between end-2021 and end-2022 as a result of strong growth and somoni appreciation. The authorities are committed to maintaining the budget deficit at 2.5 percent of GDP to preserve medium-term

debt sustainability and fiscal space. Improved revenue mobilization will help accommodate high-priority spending needs. The authorities' fiscal strategy for 2024 continues to include contingency plans should revenues weaken. In addition, the authorities will enhance the quality and transparency of fiscal statistics to improve fiscal governance.

In collaboration with the Fund's Fiscal Affairs Department, the authorities set up a new debt management strategy for 2024-2026, which includes a strategy to develop a domestic government securities market and to comprehensively address risks to debt repayments and overdue domestic liabilities. The objective of this market is to diversify the debt portfolio by reducing the large share of foreign currency-denominated debt. An initial issuance already attracted some domestic financial intermediaries, including retail banks and insurance companies, and the authorities plan to gradually increase the stock of marketable debt in the domestic securities market.

### **Monetary and Exchange Rate Policy**

The National Bank of Tajikistan (NBT) has pursued a conservative strategy to safeguard monetary and financial stability. The NBT managed to broadly contain inflation within its target range in recent years, supported by maintaining a double-digit refinancing rate and quantitative ceilings on reserve money growth as well as on the stock of NBT credit to the government. Supported by Fund technical assistance (TA), a gradual transition toward an inflation targeting regime will strengthen monetary policy transmission, including by amending NBT legislation to introduce a reserve averaging mechanism, as proposed by staff. Supported by Fund TA, open market operations will be streamlined and the key policy rate better integrated, and the liquidity forecasting model will be improved. On exchange rate policy, the authorities are committed to improving the functioning of the foreign exchange market and enhancing exchange rate flexibility.

### **Structural Reforms and Climate Change**

The authorities expressed firm commitment at the highest level to conduct comprehensive structural and institutional reforms with the aim to improve governance and transparency as well as to further support long-term and inclusive growth. This agenda includes the financial sector reform based on recommendations from the Financial Sector Stability Review, financial inclusion reforms under the National Financial Inclusion Strategy, reforms to achieve the long-term objective of adequately managing fiscal risks of state-owned enterprises (SOEs), reforms to address AML/CFT, as well as reforms to improve the surveillance, governance, and transparency of the extractive sector. The authorities appreciate the new Fiscal Risk Management Strategy, developed with Fund support, to improve the financial performance of SOEs by establishing a corporate governance structure which aims to ensure that (i) a supervisory board has adequate oversight over SOEs and that (ii) all best international corporate practices are coherently implemented over an initial set of

24 SOEs, which will subsequently be augmented to include the 27 largest SOEs currently monitored by the Ministry of Finance.

The authorities' Green Development Strategy for 2023-2037 remains a key tool to reduce the economy's carbon footprint by focusing on the green transition in core economic sectors—including energy, water management, transportation, and agriculture. This strategy will help Tajikistan tap into its high renewable energy potential and ensure the environmental sustainability of their plans for accelerated industrialization during 2022-2026. The authorities expressed their strong commitment to advance reforms under the National Strategy for Adaptation to Climate Change 2020-2030 to strengthen the economy's resilience against climate change while ensuring adequate social protection of populations in disaster-prone areas.