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REPUBLIC OF TAJIKISTAN

Selected Issues and Statistical Appendix

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Approved by Middle East and Central Asia Department

March 4, 2005

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LIST OF ACRONYMS

AIB	Agroinvestbank
AsDB	Asian Development Bank
BRO	Baltics, Russia, and other former Soviet Union countries
CIS	Commonwealth of Independent States
CIS-7	Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan, Uzbekistan
CRT	Cost recovery tariff
DSA	Debt sustainability analysis
EAEC	Euro-Asian Economic Community
EBRD	European Bank for Reconstruction and Development
ECM	Energy Compensation Mechanism
FAD	IMF Fiscal Affairs Department
FDI	Foreign direct investment
FSI	Financial soundness indicator
GDP	Gross domestic product
GGG	Government and government-guaranteed
GNDI	Gross national disposable income
HIPC	Heavily indebted poor countries
IAS	International Accounting Standards
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IOM	International Organization of Migration
MOF	Ministry of Finance
MOET	Ministry of Economy and Trade
NBT	National Bank of Tajikistan
NFA	Net foreign assets
NIR	Net international reserves
NPL	Nonperforming loan
NPV	Net present value
PIP	Public Investment Program
PRGF	Poverty Reduction and Growth Facility
PSIA	Poverty and social impact analysis
SM	Somoni
SME	Small- and medium-size enterprises
SOE	State-owned enterprises
TadAZ	Tajik Aluminum Plant
TFP	Total factor productivity
UNESCO	United Nations Educational, Scientific, and Cultural Organization
VAT	Value-added tax
WTO	World Trade Organization

I. INTRODUCTION

1. **Tajikistan has made substantial progress in its transition to a fully fledged market economy over the past two years.** Growth has continued to average 10 percent per year, inflation was sharply reduced to about 5 percent by end-2004, the exchange rate has been relatively stable, monetary policy has been strengthened, and the budget balance (excluding the foreign funded public investment program) has recorded surpluses. In addition, regional ties have been strengthened, enabling greater labor mobility, more trading opportunities, and better investment prospects. Compared to four years ago, strong growth, a prudent borrowing policy, and favorable debt restructuring have reduced the stock of public external debt from 131 percent of GDP in 2000 to 40 percent in 2004, an impressive achievement. This volume of selected issues looks at some elements of Tajikistan's recent and prospective performance.

2. **Chapter II analyzes the sources of recent growth.** It concludes that economic growth has been mainly driven by the services sector and a surge in remittances that have been mainly used for private consumption and small scale private investment. While the early years of the transition to a market economy were characterized by a significant drop in total factor productivity (TFP), since 1998 the economy's rebound is mostly attributable to increases in TFP. In particular, the agricultural and service sectors have achieved a significant rebound in output with relatively modest levels of new capital and labor, reflecting the benefits of reform and stability.

3. **The next three chapters look at specific fiscal issues. Chapter III** summarizes the recently introduced revisions to the Tax Code, which are an evolutionary step in simplifying the tax system and setting the base for better revenue administration. **Chapter IV** looks at the level of government wages in relation to the rest of the Tajik economy and other comparable countries in light of the pressure on the government to grant a large increase in wages. **Chapter IV** examines the likely impact on households of increasing electricity prices to cost recovery levels. It shows that the overall impact on consumers would be manageable, especially if phased in over 5 years, and that a cash payment system has important advantages in targeting measures to reduce the impact on the poor.

4. **Chapter VI reviews the measures adopted over the past 2–3 years to strengthen the banking system** but notes that the system is still very small in relation to the economy and that further measures are needed for it to support private sector development.

5. **Tajikistan's recent progress at reestablishing regional ties has benefited trade and investment (discussed in Chapter VII) and labor mobility and workers' remittances (discussed in Chapter VIII).** Progress in these areas has been a very important factor behind the recovery in output; and further reforms and improvements in bilateral relations will greatly improve Tajikistan's growth prospects. In the investment area, regional linkages are spurring development of additional hydro-electric power projects which could be an important source of growth and budget revenue.

6. **Finally, Chapter IX presents the debt sustainability analysis (DSA) and discusses recent developments in external debt arrangements,** including the debt agreement with the Russian Federation. The DSA shows that, even with slightly higher concessional borrowing than in the recent past, under a baseline scenario Tajikistan's external debt profile will remain sustainable. However, given the historical volatility, continued prudence in debt management would be required to ensure this result.

II. SOURCES OF ECONOMIC GROWTH[1]

This chapter analyzes the sources of growth in Tajikistan in 1995–2004. The early years of transition were characterized by a significant drop in total factor productivity (TFP). Since 1998, growth resumed and TFP has increased due to the benefits of stability and reforms. While the agricultural sector has rebounded, industrial production is still way below its historical level. Nevertheless, continued remittances from migrants and measures to support private sector investment are expected to sustain the current high growth rates.

A. Introduction

1. **The early years of transition from a command to a market-based economy in Tajikistan witnessed a considerable decline in output.** [2] Similar to other CIS countries, the contraction has been attributed to a variety of causes, including the dislocation of traditional domestic and international links, and cut-off of transfers from the center.[3] However, growth resumed by 1998, averaging about 10 percent a year during the period 2000-2004.

2. **This paper analyzes the sources of growth from 1990 to 2004 by assessing the contribution of capital, labor, and technological progress, both at the aggregate and sectoral levels**. An important objective in examining Tajikistan's recent growth performance is to determine whether the growth process has been intensive or extensive, where intensive growth denotes efficiency-driven growth and extensive growth is achieved by employing more factor inputs.

3. **The results of the growth accounting exercise demonstrate that starting in 1998, overall TFP growth resumed for the first time since the breakup of the Soviet Union, and has averaged about 7 percent per year.** At a sectoral level, significant increases in TFP have been realized in agriculture and industry, averaging 3 and 8 percent a year, respectively. On the growth outlook, assuming that TFP growth is maintained at current levels, and the forthcoming investments (both public and private) are realized, this would result into sustaining the current growth rates.

4. The remainder of this paper is organized as follows. Section B briefly discusses the recent growth process in Tajikistan compared to other CIS countries; section C analyzes the

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[1] Prepared by John M. Matovu.

[2] These results in this paper should be interpreted with caution due to data deficiencies. Its documented that part of the falling activity was due to the incentive to report the under fulfillment of plan targets to avoid the scrutiny of tax and other authorities (Koen, 1994).

[3] For an empirical cross-country study, see for instance Berg et al. (1999) and Havrylyshyn et al (2000). This paper focuses on changes in inputs and the evolution of productivity.

sources of aggregate and sectoral growth; and section D provides a cross-country comparison of TFP and marginal productivity of capital. Lastly, Section E presents some conclusions.

B. Real GDP Growth Developments in Tajikistan and Other CIS Countries

5. **Tajikistan experienced a drastic decline in output —**averaging 20 percent a year during 1990-1994 (Table 1). The cumulative decline in real output during the same period was 69 percent. While all other CIS countries were undergoing recovery during 1995-1999, Tajikistan's output continued to contract, declining by about 7 percent due to the civil war. By the end of the 1990s, the country began to show positive growth rates averaging 10 percent a year in 2000-2004 (the CIS-7 average growth was 7 percent). Although much of the growth in Tajikistan during this period is based on the recovery of traditional exports (cotton and aluminum), there are signs that new sectors, especially services, are also expanding. Despite these positive developments, output in 2004 was only about 68 percent of its 1990 level.

Table 1: Real GDP Growth in the CIS-7 Countries, 1990-2004 1/
(In percent)

	Average			Cumulative Growth			Recovered GDP
	1990-1994	1995-1999	2000-2004	1990-1994	1995-1999	2000-2004	(1990-2004)
Armenia	-15.2	5.3	9.9	-63.2	29.7	59.9	78.0
Azerbaijan	-15.6	2.5	10.4	-58.1	11.7	63.8	86.7
Georgia	-24.1	5.9	6.3	-76.6	32.8	35.7	49.6
Kyrgyz Republic	-11.4	3.4	4.6	-45.9	17.4	24.9	81.2
Moldova	-17.3	-5.9	5.5	-64.1	-26.8	30.3	35.1
Tajikistan	-20.2	-1.2	9.6	-68.9	-7.1	57.8	67.7
Uzbekistan	-2.8	1.7	2.9	-13.6	9.0	15.2	103.9
CIS (Incl. Tajikistan)	-15.2	1.7	7.0	-57.2	8.4	40.3	...
CIS (Excl. Tajikistan)	-14.4	2.2	6.6	-55.2	11.1	37.5	...

Source: World Economic Outlook (IMF, 2003)
1/ The 2004 growth rates are preliminary.

6. **While Tajikistan's real GDP has rebounded, some sectors (particularly industry) have not fully recovered to their pre-transition production levels.** The sectoral contribution of industry and agriculture started declining in 1995, and has continued to be substituted by services, which contribute 35 percent of GDP. The changes in the sectoral composition of GDP are mainly explained by the stagnation of both the agricultural and industrial sectors compared to their pre-transition production levels.

7. **Recovery for most of the agricultural crops production to their pre-transition levels has been achieved (Figure 1a).** However, cumulatively, cotton production fell by

more than 31 percent during the period 1990–2004. Likewise, output of other crops like corn, vegetables and fruits is still way below their maximum potential.

8. **The fall in production is even more pronounced in industry, where output fell by over 60 percent (Figure 1b).** The downward trend of aluminum production bottomed out in 1997, but the current level of production is 70 percent of the 1990 level. Aluminum contributes more than 40 percent of the value added in the manufacturing sector and further increases in capacity utilization could lead to higher growth in the sector. For most of the other manufactured products (cement, fertilizers, caustic soda and cotton fabrics), production levels remain low.

Figure 1a. Agriculture Production, 1990-2003
(Index 1990-100)

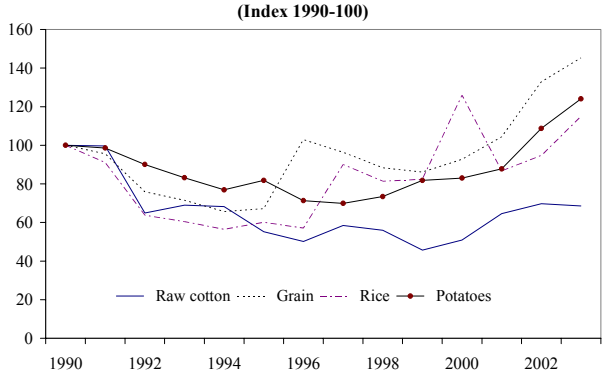
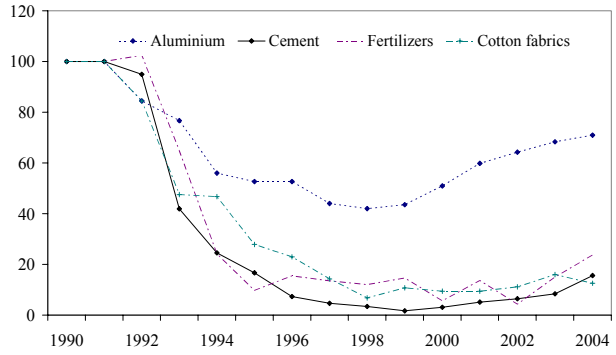


Figure 1b. Industrial Production, 1990-2004
(Index 1990=100)



C. Sources of Aggregate and Sectoral Growth

9. **TFP contracted sharply during the transition.** The average annual growth rates of real GDP, capital, labor, and TFP for the different periods are summarized in Table 2. The drop in TFP was particularly pronounced during the conflict years. Negative growth rates of TFP affected all sectors, especially manufacturing and agriculture. Tajikistan sustained high economic growth during the period 2000–2004, averaging 10 percent per annum. For the most part growth was driven by improvements in the use of factors of production, averaging 7 percent a year, and an increase in labor input. While it is widely accepted that growth in services during the past decade has been remarkable for all CIS countries, this sector is not adequately analyzed in this section due to data limitations.

10. **The rapid deterioration of the manufacturing sector between 1990–95 can be attributed to several factors.** First, there was a significant decline in the demand for the products following the break up of the Soviet Union. As a result, industrial enterprises shed labor. Moreover, investments were too low to maintain the obsolete capital stock and keep up with depreciation.[4] While the production function used does not capture vintage effects, the

[4] The proportion of uncompleted construction projects and uninstalled equipment rose significantly during this period.

efficiency loses associated with increasing capital obsolescence are reflected in the declining TFP growth estimates. Subsequently, output in the manufacturing sector rebounded due to moderate growth in labor and TFP growth during the period 2001–04.[5]

Table 2: Growth Rate of Output, Capital, Labor and TFP

	1981-85	1986-90	1991-95	1996-00	2001-04
			Total		
Capital	4.6	2.9	0.2	-0.1	1.1
Labor	3.1	2.9	-0.9	-1.1	3.0
TFP	-2.4	-1.6	-15.5	1.3	7.2
Output	1.2	1.3	-16.1	0.5	9.7
			Agriculture		
Capital	4.3	1.7	-2.4	-5.2	-3.2
Labor	3.6	2.9	5.7	0.9	1.8
TFP	-3.7	-5.0	-26.3	2.4	7.1
Output	0.0	-2.4	-23.1	1.5	3.6
			Industry		
Capital	5.0	2.0	1.7	0.5	-0.9
Labor	3.1	1.6	-6.7	-7.9	5.3
TFP	-1.4	0.9	-8.1	4.8	8.1
Output	2.2	2.6	-12.3	-0.5	11.5
			Construction		
Capital	6.7	6.3	-2.6	-3.8	-4.2
Labor	2.5	6.7	-12.6	-14.7	-13.4
TFP	-3.9	-8.7	-8.1	6.7	16.0
Output	-0.1	-2.1	-17.7	-4.7	5.0

Sources: Tajik authorities and Fund staff estimates.

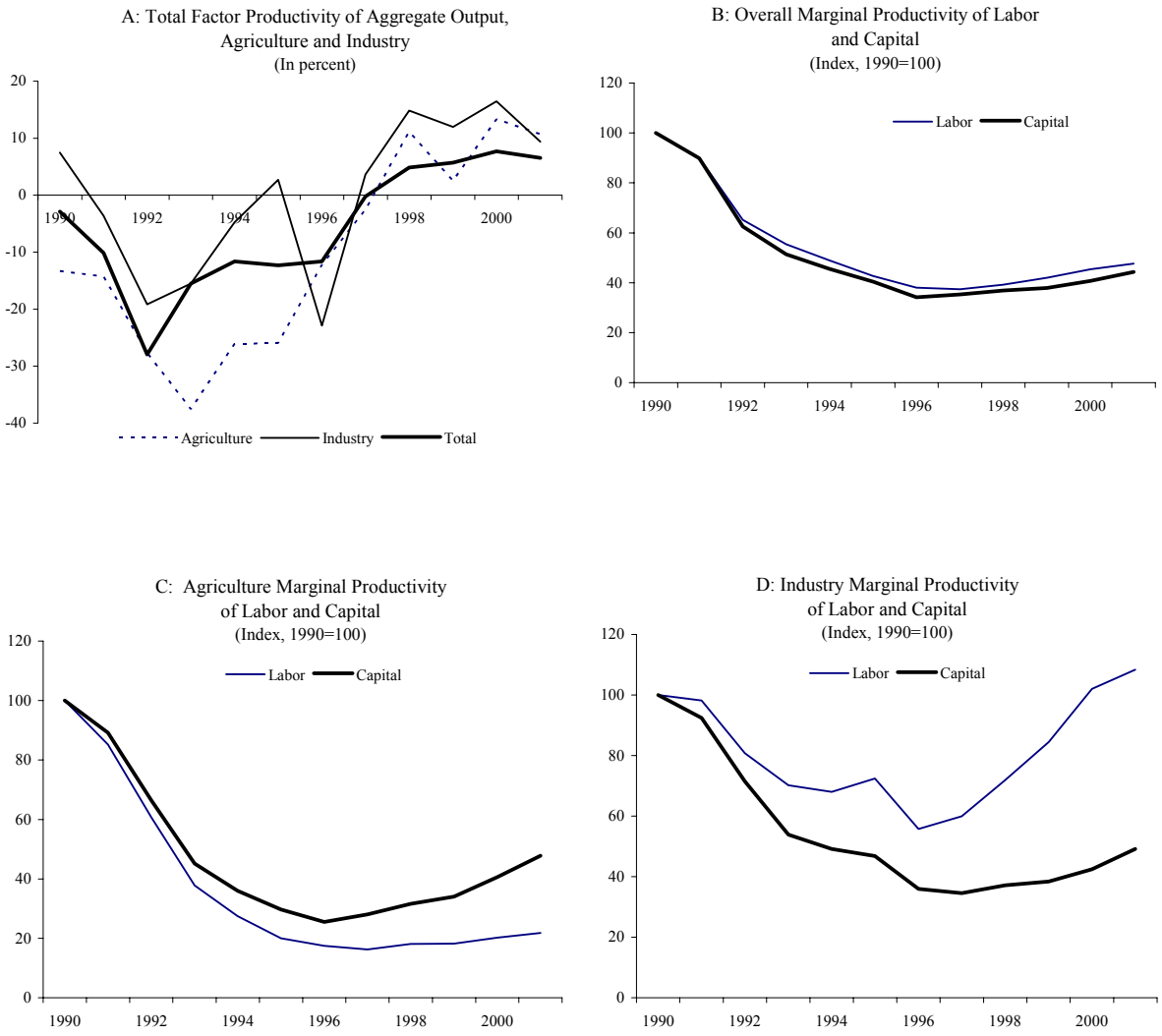
11. Regarding the agricultural sector, the growth accounting framework shows that, following a disappointing performance in the 1990s, the improvement in TFP from 1999 onwards has been encouraging.

12. **To test for the robustness of these computations, alternative calculations are presented based on productivity of factor inputs.** TFP has its limitations as a measure of productivity and should be interpreted with care, particularly as it is not directly observable and must be calculated as a residual after relevant values of output and factor inputs have

[5] It is difficult to measure value added in the services sector.

been estimated. The marginal productivity of both capital and labor (an alternative measure of efficiency) declined significantly at the start of the transition (Figure 2). However, for the past five years, these marginal productivities have been increasing suggesting more efficient use of factor inputs. Capital and labor productivities are measured as GDP/K and GDP/L, respectively.

Figure 2. Factor and Marginal Productivity

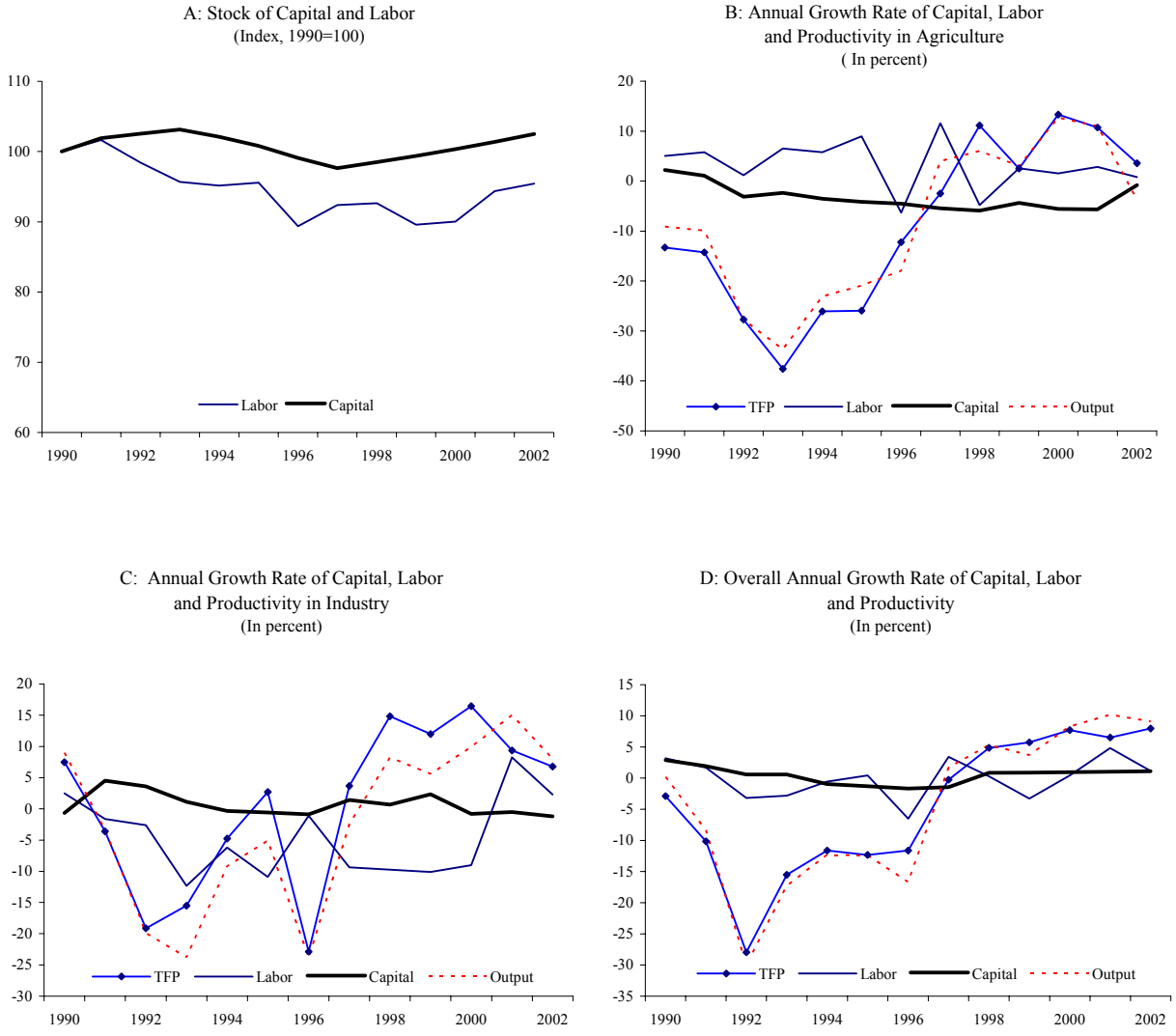


Sources: Tajik authorities; and Fund staff estimates.

13. **During the early 1990s, both labor and capital growth was negative, reflecting reductions in employment and investment (Figure 3).** Total employment fell by 10 percent between 1990–1998. On a sectoral basis, the reduction in employment was particularly pronounced in construction, industry and the services sector. In the agricultural

sector we see a significant increase in the growth rate of labor, suggesting labor shedding in other sectors and shifting towards agriculture. The decline in capital inputs in the agricultural sector reflects a movement away from traditional capital-intensive farming to subsistence farming.

Figure 3. Growth Rate of Capital and Labor



Sources: Tajik authorities; and Fund staff estimates.

D. Cross-Country Comparisons

14. **Table 3 below provides a comparison of Tajikistan's growth and TFP performance with a number of CIS-7 countries.** In all CIS-7 countries including Tajikistan, capital obsolescence and economic distortions inherited from the central planning system contributed to the significant decline in TFP. However, by 1998 most CIS countries witnessed more efficient use of factor inputs. For all the CIS countries (including Tajikistan), this result should be interpreted with caution as TFP captures not only technological progress, but also capacity utilization, increases in GDP due to regularization of the informal sector, and changes in hidden employment.

Table 3. CIS Total Factor Productivity 1991-2003
(In percent of GDP)

	1991-97	1998-2003
Armenia	-6.5	8.0
Azerbaijan	-11.1	1.9
Georgia	-10.2	6.3
Kyrgyz Republic	-9.4	1.3
Moldova	-13.5	4.1
Tajikistan	-12.9	8.1
Uzbekistan	-3.1	3.8
CIS-7 Countries	-9.5	4.6

Sources: De Broeck and Koen (2000); and authors' estimates.

E. Conclusions

15. **TFP started increasing in 1998, which suggests that stability and reform efforts are showing some results on the production side.** While agriculture production has rebounded, production in the industrial sector is still way below its 1990 level. The significant growth of labor in the agriculture sector has helped to reduce rural poverty.

16. **In the short term,** the forthcoming FDI-financed investment in the energy sector and the continuing flow of remittances from migrant workers, are expected to sustain the current high growth rates. In the long run, several structural measures are needed to sustain higher growth rates. Investment is restrained by institutional impediments and the restrictive business environment. To achieve higher levels of investment, the authorities will need to create a more supportive business environment by removing ownership restrictions, especially in the banking sector, and enhancing governance and transparency, particularly with regard to tax and business registrations.

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III. Main Elements of the Revised Tax Code[1]

1. **Tajikistan revised its tax code at the start of 2005 to improve tax administration and reduce the cost of collecting taxes.[2]** The revised tax code eliminates nuisance taxes and enhances incentives for growth of private businesses while reducing incentives for tax avoidance. The revisions streamline taxes on businesses and concessions, increase the VAT threshold, introduce new taxes to broaden the tax base, and strengthen tax collection procedures while protecting taxpayer rights. These revisions are expected to yield a net revenue increase of about 0.5 percent of GDP in 2005. In addition, the tax code streamlines the procedures for taxpayer registration, assessments, audits and refunds in the case of overpayment. It also reduces tax concessions, including tax holidays for corporate businesses, and introduces accelerated depreciation schedules.

2. **The revisions to the tax code are expected to yield higher revenues, even in the short term, and to strengthen tax administration and tax yields into the medium term**. In 2005, the revenue increase will come mainly from reductions in tax exemptions (0.1 percent of GDP); introduction of a minimum corporate tax on enterprises and a unified agricultural tax (0.3 percent of GDP; on a gross basis, the yield from these taxes is estimated at 0.6 percent of GDP in 2005); and strengthened procedures for collecting taxes from defaulters (0.1 percent of GDP).[3] The details of the main changes in the tax code are as follows:

- **The corporate profit tax on businesses** is reduced from 30 percent to 25 percent. Businesses can carry-over losses for only three years, compared to five years under the previous tax system, and tax deductions for repair costs and contributions to charity are doubled. Corporate property taxes are also abolished, and a simplified tax system (with a higher rate of 12 percent) for small businesses with annual turnover below SM 144,000 is introduced (Table 1). This tax replaces the corporate profit tax as well as the minimum tax on enterprises that small businesses were hitherto subject to. In addition, the local retail tax rate is reduced from 5 percent on cash-only sales to 3 percent. Concessions and tax exemptions have also been reduced.

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[1] Prepared by Francis Y. Kumah.

[2] The customs code was also revised to bring procedures more in line with international practices.

[3] Estimates provided by the Tajik authorities. Slightly more conservative estimates were used in the 2005 budget.

- **The VAT threshold** is increased from an annual turnover of SM 24,000 (equivalent to $30,000 in 1998 when the old tax code was adopted) to SM 48,000[4] (equivalent to $16,000). The tax authorities hold the view that the increase in the VAT threshold would give the opportunity to improve VAT operations without a significant loss of revenue. This is supported by the low contribution of the small taxpayers, who will be deregistered (but would be classified under the new minimum tax regime for small businesses) and by subsequent concentration of tax efforts and resources on the larger taxpayers. The VAT rate remains at 20 percent.

- **The tax base is broadened by introducing two new taxes:** the minimum corporate income tax and the unified tax on agricultural sector enterprises. The minimum corporate income tax replaces the abolished corporate property tax. The purpose of the tax is to eliminate the incentives to undervalue the corporate income tax base; the tax will be applicable to loss-making enterprises. The unified tax on agricultural sector enterprises will replace the agricultural VAT, road user tax, land tax, personal income tax on agricultural workers, and agricultural corporate income tax.

- **The procedures for collecting taxes from defaulters are clarified** (including court action and confiscation of assets) while protecting and supporting tax payers' rights. Under the new tax code, the tax authorities can seize assets and gain access to bank accounts of tax defaulters by court order.

- **The personal income tax schedule** is revised by reducing the number of tax brackets from four to three. Taxable incomes less than or equal to the monthly minimum wage are zero-rated. The new income tax schedule levies an 8 percent tax on taxable incomes above the monthly minimum wage but lower than SM 100 per month; incomes above this level are subject to a 13 percent tax rate.

[4] The VAT registration thresholds in Kazakhstan and Russia are roughly equivalent to annual business turnovers of $100,000-$ 120,000. The Kyrgyz Republic has a lower VAT threshold, but the Kyrgyz authorities plan to increase the threshold to $120,000 per year.

Table 1. Tajikistan: Changes in the Tax Code, 2005

Type of Tax	Old Tax Code	New Tax Code
1. Corporate Income Tax ("Profit Tax")	1) Tax rate of 30 percent. 2) Carry-over of losses: 5 years.	1) Tax rate of 25 percent. 2) Carry-over of losses: 3 years. 3) Accelerated depreciation allowed with a factor of 2. 4) Deductions of repair costs increased twofold (from 5 percent to 10 percent of value). 5) Deductions for charity increased from 2 percent to 5 percent.
2. Value Added Tax	1) Tax rate of 20 percent. 2) Registration threshold for VAT purposes: annual turnover of SM 24,000 (when the Tax Code was adopted in 1998 this was an equivalent of approx. $30,000).	1) Tax rate of 20 percent. 2) Registration threshold for VAT purposes is increased to SM 48,000 (approximately equivalent to $16,000) per year.
3. Motor Road Users Tax	1) The base of the tax is the same as for VAT. 2) The tax rate is 2 percent (0.5 percent for retail and supply organizations).	No changes.
4. Personal Income Tax	Tax brackets: a. up to the current minimum wage: zero-rated; b. between the minimum wage and SM 200 per month: 10 percent; c. between SM 200 to SM 300 per month: 15 percent; d. above SM 300 per month: 20 percent.	Tax brackets: a. up to the current minimum wage: zero-rated; b. above minimum wage and up to SM 100 per month: 8 percent; c. above SM 100 per month: tax due between the minimum wage and SM 100 plus 13 percent of taxable income over SM 100.

Table 1. Tajikistan: Changes in the Tax Code, 2005 (continued)

Type of Tax	Old Tax Code	New Tax Code
5. Excises	1) Five groups of goods are subject to taxation (alcohol and tobacco, passenger cars, tires, refined petroleum products). 2) Rates determined by the government.	1) All five excisable goods groups retained. 2) Rates determined by the government. 3) Control mechanisms applicable to alcohol and tobacco to be strengthened including warehouses and excise posts planned. 4) Loss of excise stamps shall be considered a taxable transaction (similarly to sale of goods).
6. Social Fund Contributions	The rate is 25 percent for corporate entities and 20 percent for individual entrepreneurs of payroll.	No changes.
7. Subsoil Users Taxes	1) Three levies established: a. bonuses b. royalty c. excess profit tax	Excess profit tax abolished.
8. Land Tax	Rate set for land register zones at a low level (SM 13-23 per hectare of arable plowed land).	Double the rates in rural areas and other towns (SM 150-300 per hectare) and an increase of 2.7 percent in Dushanbe (for land sizes up to SM 400 per hectare).
9. Tax on Owners of Means of Transport	Rate set as percentage of the tax exempt minimum income per engine horse power. Tax for a 100 h.p. vehicle is SM 4.	Double the rate. Use the minimal wage as base.
10. Corporate Property Taxes	The value of assets was taxed at a rate of 0.5 percent.	Tax abolished.

Table 1. Tajikistan: Changes in the Tax Code, 2005 (continued)

Type of Tax	Old Tax Code	New Tax Code
11. Taxes Payable by Small Businesses Under a Simplified Scheme	1) Payers are corporate entities which are not paying VAT, i.e. have a turnover of less than SM 24,000 per year. 2) The tax base is gross revenue. 3) The rate is 5 percent. 4) Do not pay VAT and corporate income tax, property tax, motor road users tax.	1) Taxable income is calculated as the difference between gross revenue and operational costs, excluding labor costs. 2) Payers include companies with a turnover of less than three VAT thresholds (i.e. SM 144,000). 3) Rate of the tax set at 12 percent. 4) Will not pay corporate income tax and minimal income tax.
12. Ginned Cotton and Aluminum	Tax rate of 10 percent on ginned cotton and 1 percent for primary aluminum. Imports of inputs for aluminum production were subject to customs duty.	The tax rate for ginned cotton is set at 10 percent; the tax rate on primary aluminum is raised to 3 percent; customs duty rates applicable to aluminum smelters are reduced.
13. Customs Duties	Charged in accordance with the customs legislation.	No changes.
14. State Duty	Charged in accordance with the Law on State Duty.	No changes.

Table 1. Tajikistan: Changes in the Tax Code, 2005 (continued)

Type of Tax	Old Tax Code	New Tax Code
15. Minimum Corporate Income Tax	None.	1. The tax is based on gross income (excluding the assessed value-added tax and sales tax) for the reporting period. If the corporate income tax liability is higher than the minimum income tax, the corporate income tax is payable. The minimum income tax is paid in full. 2. The minimum business income tax rate is set at 1 percent of gross income. 3. The tax eliminates the incentives to undervalue corporate income for tax purposes; it is applicable to loss-making or marginal enterprises.
16. Unified Tax on Agricultural Producers	Introduced on a pilot basis in four districts (rayons) as the "Unified Tax on Dehkan Farms." Payers do not pay: a. VAT, b. Road user tax, c. Corporate income tax ("profit tax"), d. Land tax, e. Tax on owners of means of transport, f. Corporate property tax, g. Simplified tax on small businesses, h. Local taxes.	The unified tax is applied to all agricultural producers. Payers of this tax do not pay: a. Agricultural VAT, b. Road user tax, c. Agricultural corporate income tax ("profit tax"), d. Minimal income tax, e. Land tax, f. Simplified tax, g. Personal income tax on agricultural workers, h. No exemptions from tax on owners of means of transport provided because it is not an agricultural tax, i. No exemptions from local taxes provided because they are under the authority of the local Majlises.

Table 1. Tajikistan: Changes in the Tax Code, 2005 (concluded)

Type of Tax	Old Tax Code	New Tax Code
17. Local Taxes for Maintenance of Public Transport	1) Base: wage bill 2) Rate: 2 percent	Abolished by the new Tax Code.
18. Local Tax on Immovable Property	Collected only from individuals.	Payable by individuals and corporate entities on the assessed value of immovable property (buildings and construction); the tax liability depends on the living space and the land tax rate.
19. Local Retail Tax	1) The tax rate - up to 5 percent. 2) The retail sale group was not clearly defined.	1) The tax rate reduced to 3 percent. 2) Now clearly defines that the retail sales are cash-only sales. Encourages non-cash payments and eliminates grounds for debates related to wholesale and retail sales.

IV. GOVERNMENT WAGES IN TAJIKISTAN [1]

This chapter reviews some of the considerations that led the government to include a substantial increase in wages in the 2005 budget. The main factor is the need to catch-up with other sectors in the economy whose wages have increased significantly. Even with this increase, the wage bill is not large by historical standards and in relation to other countries.

A. Introduction

1. **Government wages in Tajikistan continue to be among the lowest in the CIS countries.** As economic conditions have improved, private sector wages have increased rapidly. While wages in the government sector have also increased since the late 1990s, they have not kept pace with the increase in nominal GDP and total government expenditures and slipped to 2.7 percent of GDP in 2003-04. Following the civil war, the contraction of the revenue base led to low government wages that in turn contributed to corruption. Under such a weak governance environment, unofficial supplements were condoned as a way of surviving. Recently, as the economy recovers strongly, the government has come under strong pressure to adopt corrective action in this area, especially to address the deterioration in the health and education services. In response, the 2005 budget includes a large wage increase, differentiated by sectors, that raises the general government wage bill to 3.9 percent of GDP in 2005.

B. Recent Trends in Government Wages and Employment

2. **Government wage levels are low and non-competitive, both in comparison with other countries and the domestic private sector.** Average government wages (including other employment related supplements) in 2004 were about SM 74 ($25) per month, just above the poverty line (Table 1). Average wages for teachers and health sector workers, at SM 43 and SM 23 per month, respectively, were even lower (even allowing for the use of vacant positions discussed below). By comparison, the average wage level in the non-agricultural nongovernment sectors (SM 156, $52 per month) was twice the government level. The low level of government wages reflects limited progress in recovering from the sharp decline in real wages following the Soviet Union's break-up and the civil war in the 1990s.

[1] Prepared by Francis Y. Kumah.

Table 1. Wages by Sector, 2000–2004 1/
(In somoni per month)

	2000	2001	2002	2003	2004
Total economy	16	24	33	45	61
Agriculture	8	14	19	27	35
Nonagricultural, nongovernment sectors	35	37	56	87	156
Industry	47	71	92	114	144
Transportation	31	49	70	101	148
Construction	39	55	75	100	151
Banking and insurance	77	91	118	175	231
Private enterprises	...	35	62	89	136
General government	24	30	49	63	74
Health care	7	9	13	17	23
Education	12	17	26	34	43

Source: State Statistical Committee.

1/ Data based on Statistical Appendix Table 18. In 2004, SM 3 exchanged for US1.

3. **An alternative measure of wages is the size of the government wage bill in relation to the economy.** This is a broader indicator of remuneration since it also factors in differences in employment levels. For Tajikistan, the general government wage bill was 3½ percent of GDP in 1998–2002. This compares with ***central*** government wage bills in neighboring countries and countries of similar income levels of 5–6 percent of GDP for the same period (Table 2). The average wage bill for PRGF countries during the same period was estimated at 5 percent of GDP. For Central Asia and the Caucasus (excluding Tajikistan), the average wage bill was 4 percent of GDP in 2003.

Table 2. Central Government Wages and Salaries, 1990–2001

	Central Government Wages and Salaries	
	In percent of GDP	In percent of government expenditures
Country Group		
Tajikistan 1/	3.4	17.1
Central and Eastern Europe	5.1	14.4
Low-Income Countries	5.7	22.6
Middle-Income Countries	6.0	22.1
High-Income Countries	5.9	15.6
PRGF-Supported Programs	4.8	19.9

Sources: *Government Financial Statistics* database (IMF), *International Financial Statistics* database (IMF), *World Economic Outlook* database (IMF), and Fund staff estimates.

1/ General government wages and salaries in 1998–2002.

4. **The wage bill in Tajikistan declined sharply in 2002–2004.** Recent nominal wage increases for government employees were intended to provide for some increase in real wages. However, higher than expected inflation eroded the real value of those nominal wage increases. Also, as the economy expanded faster than projected because remittances boosted incomes and consumption, government wages declined relative to nominal GDP and private sector wages. Government workers have long had nonmonetary fringe benefits. These benefits include generous travel allowances, cars, and mobile phones for senior staff (included in the budget as other goods and services). Other benefits are off-budget, such as land plots for rural teachers. A key benefit for most government workers was discounted gas

and electricity, but this benefit was removed in 2003 following significant energy price increases.

5. **Faster growth in wages in 2002-04 was envisaged after the start of civil service reforms.** However, these reforms were slow to develop both because vested interests, their complexity, especially in education and health, and inertia related to the low level of wages. In particular, low wages (despite the fringe benefits) created an environment of low morale with a high attrition rate, especially in education and health, where qualified staff have found positions abroad. Moreover, it has been very difficult to attract staff with new technical skills into the civil service.

Employment levels

6. **Excessive government sector employment reduces wages for a given wage bill.** For this reason, civil service reforms often look at employment levels. In the case of Tajikistan, core civil service employment numbers are not high by international norms—at 0.6 percent of the population, general government employment excluding education, health and defense is below the norm of 1 percent for low-income countries (Table 3).[2] Thus, while civil service numbers are not a major problem, the more pressing task is to have civil servants perform adequately the functions needed for a market economy.

Table 3. Government Employment
(In percent of total population)

	Civilian central government	Civilian subnational government	Education	Health	Police	Armed forces	Total general government
Tajikistan 1/	0.3	0.3	3.6	1.7	...	0.9	6.7
Europe and Central Asia	0.6	0.6	1.6	1.2	0.7	0.9	5.6
Central and Eastern Europe	0.5	0.5	1.4	1	0.3	0.8	4.5
Low income countries	0.5	0.5	0.9	0.6	0.3	0.3	3.1

Sources: Tajikistan authorities.
1/ Education and healthcare workforce may be overestimated by 10-30 percent, due to double shifting to offset low wages.

[2] However, these numbers are only preliminary and work is on-going to develop more accurate statistics for civil service management. The registry of central government civil service positions has almost been finalized and is expected to show about 15,000 positions (0.2 percent of the population). A registry of civil service personnel is expected to be completed shortly afterwards, which will enable a more accurate understanding of the size and distribution of vacancies and would permit a closer alignment between the two registries.

7. **Although recorded employment in the education and healthcare sectors looks relatively high, there is a bias in the budget system that leads to underreporting of losses from attrition.** Because the budget system is based on the funding of inputs, such as numbers of staff and facilities, there are incentives to maintain the historical count of these inputs to preserve funding. Thus, while actual employment has declined sharply by attrition, the associated vacancies are still included in the budget and remain funded, which allows workers who perform these additional jobs to increase their incomes.

8. **The education sector provides an example of this staffing issue. Total employment in education according to MOF records was 220,000 at the start of 2004, with general education accounting for 170,000 positions.** Resolution 291, issued on June 2004, envisaged reforms which included cuts in personnel of 5 percent per year, over 5 years. However, when implemented in September 2004, the number of positions was reduced by the full amount (25.5 percent), together with a compensating wage increase. This was possible without significant redundancies owing to widespread vacancies and because many teachers were filling more than one position. Further cuts in the number of positions will be made as the reform process moves forward, including by linking teaching resources more closely with the teaching load and training more teachers to teach multiple subjects. At the same time the actual number of teachers does not appear to be excessive.[3] Reform plans will also be adopted shortly to address redundancies in recorded positions for higher and pre-school education.

C. Government Sector Reforms

9. **Key aspects of government reform are underway within a medium-term context.**[4] While civil service numbers are not excessive, many criticize government administration as being ineffective in performing the functions of a modern market economy. To some extent, this is an outcome of the lost decade of the 1990s and the absence of any fundamental change in the government's structure since the break-up of the Soviet Union. Many civil servants are focused on administering complex and redundant regulations and processes that interfere with business development. For this reason, the government is reviewing all aspects of the functioning of government and identifying the main problems. Since governmental reform is fraught with many practical difficulties, initial actions and pilot reform programs are planned in key social and economic ministries to modernize their functions, reduce duplication, and improve services to the public.

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[3] According to UNESCO *Education for All, Global Monitoring Report, 2005*, student/teacher ratios in Tajikistan based on actual numbers was higher than the average for Central Asia and the Caucasus and about the same as developing countries, excluding Sub-Saharan Africa and South and West Asia.

[4] The accompanying Staff Report for the 2004 Article IV consultation and Fourth Review under the PRGF (Box 4) (www.imf.org) presents a summary of near-term reforms.

10. **Reforms in education focus on changing teaching organization, the financing of the sector, and its incentive structure.** This is oriented at providing better incentives for the provision of services and balancing the mix of inputs—staff, facilities, and supplies—based on students' needs. In addition to increases in public funding of education, there is a program to formalize and regulate school fees, which would provide additional resource to raise formal wages.

11. **Reforms in the health sector are also underway.** Based on the work of many donors, wide ranging measures are envisaged that would: (i) shift the focus of health services to primary health care and prevention, which would reduce the need for underutilized and expensive hospital facilities; (ii) shift funding to a per capita basis, possibly with some adjustments to take into account the special circumstances of regions; (iii) establish a set of services comprising a guaranteed benefits package that would be free; and (iv) make other health services optional that would require a co-payment (to replace the informal payments now used), while establishing a set of criteria for patients that would be exempt from the co-payments. Overall, this would mean a major change in the operation of medical staff. Although the impact on actual employment is unclear, formal incomes are expected to increase substantially.

V. THE IMPACT OF ELECTRICITY TARIFF INCREASES ON HOUSEHOLDS[1]

This chapter estimates the direct impact of increasing electricity tariffs on households. Also, because this will have an impact on the poor, various mechanisms to reduce this impact are examined. The calculations show that typical pricing strategies are not the most effective way of achieving this objective and that strengthening the direct transfer system is preferable.

A. Introduction

1. **In Tajikistan, low domestic energy prices have been a major constraint on generating the resources needed to finance much-needed investment in the sector.** The quasi-fiscal deficit of the energy sector in 2003 is estimated by the World Bank to be 19 percent of GDP. To progressively reduce this the authorities are planning extensive reforms of the energy sector, which are expected to provide more stable domestic supplies and encourage new investment in the sector to exploit its export potential (see Selected Issues Chapter VII). Increases in energy prices should be a key component of these reforms. Although such reforms can generate substantial efficiency and welfare gains for all sectors, they can also reduce the real income of households, especially the poor. The purpose of this chapter is to summarize preliminary work on a Poverty and Social Impact Analysis (PSIA) of the *direct* impact[2] of electricity price increases on poor households and compare alternative approaches to mitigating these effects. However, due to the complex policy issues, the impact on farm labor is not examined. While the agricultural sector is heavily dependent on electricity for irrigation, the payment rate is low and many other distortions affect the sector.

B. The Impact of Tariff Structure Reforms on Households

2. **Unlike for gas, where prices have been raised to cost recovery levels, electricity tariffs continue to be well below cost recovery levels.** The World Bank has estimated that electricity tariffs will have to increase fourfold to reach cost recovery levels (SM 0.06/kWh or $0.02 per kWh). Although nearly all households have access to the electricity network, the sector has been characterized by supply shortages, poor service quality, outdated technologies, cross-subsidization of residential consumers by industry, and a widespread tolerance of non-payment of bills. Some reforms were started in 2003 such as the elimination of discounts to "privileged groups" and the introduction of differentiated seasonal tariffs.

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[1] Prepared by David Coady. Details of the calculations can be obtained directly from the author. It draws from ongoing work with Franziaka Gassmann and Irina Klytchnikova and builds on their previous work (Gassmann, 2004; Klytchnikova, 2004). Work by the World Bank (2004) was also a valuable source of information.

[2] We do not address the *indirect* income effects arising from the impact of higher electricity costs, and consequently output prices, on the various sectors of the economy. Incorporating these effects would increase the adverse impact on households. In this sense, our estimates in this paper are lower bounds.

Based on electricity demand patterns calculated using the 2003 national household survey, it is estimated that households allocate around 2.3 percent of their total consumption to electricity and this accounts for about 20 percent of the electricity generated.

Use of alternative pricing structures

3. **Table 1 presents the magnitude and distributional impact of alternative tariff structures.** The top panel presents the subsidy implicit in each structure as well as the effect on household income and government revenue of moving from the existing structure. The existing system involves lifeline tariffs of SM 0.016 and SM 0.008 per kWh in winter and summer, respectively, both applied to the first 250 kWh monthly energy consumption. The above-lifeline seasonal rates were set at SM 0.027 and SM 0.014 per kWh respectively. The bottom panel presents the share of each quintile in the total absolute subsidy. There are no explicit subsidies for electricity, except for the Energy Compensation Mechanism (ECM) which in 2004 involved spending of 0.3 percent of GDP to compensate for past gas and electricity tariff increases.

4. **On average, the subsidy implicit in the existing system is equivalent to 6.8 percent of household income or 3.7 percent of GDP.** This is the percentage decrease in income that would result from a complete withdrawal of subsidies and a move to full cost recovery. The highest impact (8.2 percent of household income) would be on the lowest income quintile, compared with 5.9 percent on the highest quintile. Although the existing subsidy distribution is progressive, it is still badly targeted with each quintile receiving similar amounts.

5. **One scenario for reducing subsidy levels while maintaining their progressivity is to increase all tariffs and retain lifeline limits but at reduced levels.** The second column of Table 1 shows the magnitude and distribution of the subsidy when the lifeline tariff rates are doubled, monthly lifeline limits reduced to 100 kWh and 200 kWh in summer and winter respectively, and above lifeline rates both increased to the cost recovery level of SM 0.06 per kWh. The subsidy decreases to 1.9 percent, falling from 2.3 percent for the lowest quintile to 1.7 percent for the highest. This reform results, on average, in a 4.8 percent decrease in household income relative to the existing structure, with the decrease being greater for the lowest quintile (6.0 percent) than for the highest (4.2 percent). However, the bottom panel indicates that the (lower) subsidy implicit in this tariff structure would not be better targeted than under the existing structure.

6. **The third column of results presents the impact of applying the lower lifeline limits only to those households with monthly consumption below these limits.** This type of reform is often suggested as a way of improving the targeting of the subsidy while simultaneously decreasing its magnitude. The average subsidy falls to less than one percent of household incomes and subsidy implicit in this tariff structure is similar across quintiles. In addition, targeting of the subsidy worsens in that the middle-income households receive the highest subsidy share.

7. **The above results highlight the fact that electricity price subsidies, whether targeted or not, are not a very effective way to protect the incomes of poor households because of the high leakage of the subsidy to higher income households.**

Use of cash transfers

8. **A more effective way of protecting poor households may be to have a social safety net program explicitly targeted to this group.** The final column of results presents the magnitude and distribution of *net* benefits (i.e. the implicit subsidy plus the cash transfer) under the tariff-cum-limit reforms (column 2) plus a direct transfer program. Using characteristics such as household size and composition, age and education of household head, housing characteristics and household assets, all which are typically highly correlated with household income, it is possible to design thresholds to target the benefit to low income households. Under this program nearly 25 percent of households are beneficiaries and the total transfer budget is 0.2 percent of GDP. The average transfer is SM 48 annually, equivalent to 1.5 percent of the average income of the poorest two quintiles. Like all other practical approaches to targeting, this approach is imperfect in the sense that there is still leakage to non-poor households, but 85 percent of beneficiary households fall into the lowest two quintiles.[3]

9. **Under such a system, lower income households are provided a greater degree of protection from the adverse income effects of reforms and the targeting of the net subsidy improves.** The lowest income quintile still receives a 3.4 percent net subsidy and the reforms now decrease their incomes by only 4.8 percent compared to nearly 6–8 percent under the earlier reforms. In addition, the lowest quintile now receives 24 percent of total net benefits, compared to around 20 percent or less under the other reform programs. Of course, increasing the size of the cash transfer would further improve the distributional impact of the reforms, even if this were financed by further scaling up the tariff structure.

C. The Energy Compensation Mechanism

10. **Reflecting the need to compensate for energy tariff increases, the government introduced the ECM in January 2003.** Households apply for this program by providing information to their village committee or local government office regarding their income and assets. Based on this information, and possibly a home visit to inspect living conditions, the local office comes up with an estimate of total household income. Households with total income below the district average wage are in principle eligible for the program. Around half

[3] Note that, although targeting under this approach is imperfect, the targeting performance is still relatively good compared to experiences in other developing countries—see Coady, Grosh and Hoddinott (2004) for a review of the targeting performance of such programs. Although this performance may be improved through refining the approach used here, it should also be recognized that implementation problems could substantially worsen performance.

of all electricity consuming households are identified as beneficiaries under the program. These households are compensated at lifeline tariffs for energy expenditures up to a certain energy threshold limit, fixed at 100 kWh/month per household in summer (April to September) and 150 kWh/month in winter (October to March). The maximum transfer a household can receive is SM 0.8 per month in summer and SM 2.4 per month in winter, equivalent to SM 19.2 per year, slightly more than $6.

11. **Reviewing the system, the government and the World Bank have raised the following concerns regarding the effectiveness of the ECM:** (i) the approach used for determining program eligibility is not conducive to good targeting owing to its reliance on monetary income; (ii) the use of aggregate monetary income rather than a per capita measure biases the eligibility against large households; (iii) the use of district-level wages as a threshold for program eligibility is inconsistent with the program objective of protecting the most vulnerable households regardless of location; (iv) using energy companies to transfer resources to households by discounting energy bills dilutes their incentives to improve metering and collection services, adds an unnecessary extra administrative burden, and distracts them from focusing on the efficient execution of their primary activities; (v) the administrative process for selecting beneficiaries needs to be streamlined to avoid unnecessary administrative costs and costs associated with applying for the program; and (vi) the size of the payment per household is very small, especially in relation to administrative costs. A recent Fund technical assistance identified a number of design and implementation changes that could improve the effectiveness of the program, including introducing an element of geographic targeting of the transfer budget.

D. Concluding Remarks

12. **Increasing electricity tariffs to cost recovery levels in Tajikistan would require substantial adjustments in domestic electricity prices, with an adverse impact on the real incomes of the poor.** It is therefore important to identify the likely magnitude of this impact as well as the most effective way of protecting the poorest households. The PSIA on which this chapter is based is intended to contribute to the discussion of such mechanisms. The associated 8 percent income loss for the poorest households can be mitigated by phasing the tariff increases over 5 years. Although maintaining lifeline tariffs can also help, the implicit subsidies inherent in this approach are not well targeted, with substantial leakage to higher income households.

13. **Well-targeted social safety net programs can provide a higher level of protection to the poorest households** and substantially improve the targeting performance of the overall reform program. In addition, the introduction of such a direct compensation program allows electricity companies to follow a more efficient pricing and operational structure. Higher prices also promote more efficient energy consumption patterns by both households and other users by reducing unnecessary use and switching to alternative cheaper sources. However, before moving to cash transfers the additional administrative costs and implementation problems need to be considered, as well as the current poor payment record due to the low number of metered households. Given the small size of the average transfer,

over time it may be better to incorporate the compensation payments into the general transfer system, which would allow for improvements in targeting. In view of the time and resources needed to develop and implement an efficient a direct transfer mechanism that effectively reaches the poorest households, lifeline tariffs could serve as a transitional measure.

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Table 1. Distribution of Electricity Tariff Reform Burden

Consumption Quintiles	Existing Tariff Structure	Tariff and Limit Reforms	Reforms with Targeted Limits	Reforms with Cash Transfers
		Implicit subsidy as percent of income		
Lowest	8.2	2.3	0.2	3.4
2nd quintile	7.1	2.0	0.2	2.7
3rd quintile	6.6	1.9	0.2	2.2
4th quintile	6.0	1.8	0.1	2.0
Highest	5.9	1.7	0.1	1.8
All	6.8	1.9	0.2	2.4
Subsidy/GDP	3.7	1.1	0.1	1.3
Reduction (percent)		71.2	97.7	65.0
		Share of total implicit subsidy (in percent)		
Lowest	20.3	19.9	19.9	24.0
2nd quintile	20.0	20.0	18.9	21.5
3rd quintile	20.1	20.4	24.8	19.3
4th quintile	19.4	20.0	18.5	18.1
Highest	20.1	19.7	17.8	17.1

Note: Summer electricity expenditures are taken directly from the 2003 Tajikistan Living Standards Survey and quantities derived by applying the tariff schedule for the relevant period. Winter expenditures are estimated using a simple demand model. The resulting quantities are scaled up to match the residential electricity use available from utility data. The cost recovery tariff (CRT) is taken to be SM 0.06 /kWh. The average tariff under the existing tariff structure is approximately SM 0.0154/kWh, equivalent to nearly 26 percent of CRT.

VI. BANKING SECTOR DEVELOPMENT AND REFORM[1]

The level of financial intermediation in Tajikistan is among the lowest in the world. However, recent progress in achieving macroeconomic stability and improving confidence in the banking system , as well as several specific measures to strengthen the financial sector considered by the authorities, should support rapid growth of the sector and contribute to Tajikistan's economic development.

A. Introduction

1. **Improved macroeconomic stability and enforcement of banking regulations contributed to the strengthening of the banking system in the past three years.** Enforcement of prudential requirements has been tightened, resulting in the exit of a number of weak banks and an overall improvement in the financial condition of the banking sector. Remaining banks have generally become more cautious in their lending. Furthermore, the divestiture of Agroinvestbank (AIB) at the end of 2003 through the spin-off from AIB of its cotton industry related lending had a profound impact on the structure and condition of the Tajik banking sector. Today, most of the financial soundness indicators (FSI) compare favorably relative to international norms.

2. **The small size of the banking sector poses a major challenge to the Tajik authorities.** The level of financial intermediation is amongst the lowest by international comparison. By the end-2003, total loans, including to the cotton sector, represented 9.1 percent of GDP (see Table 1). As of September 2004, when mostly foreign-financed lending to the cotton sector was no longer intermediated by AIB, loans of the banking sector fell to an equivalent of just 3.4 percent of GDP. Deposits barely reached 4.3 percent in 2004. The low financial depth in Tajikistan can be explained by a combination of factors, in particular, years of civil conflict, high inflation and the impact of geopolitical instability in neighboring Afghanistan. Until recently, commercial bank activities have been predominantly focused on providing short-term trade financing, often to bank insiders and related parties, and speculation in the foreign exchange markets. As a result, lending and other fees and profits from foreign exchange operations are the main source of banks' income, with net interest income contributing only 23 percent of banks' gross earnings. Low

Table 1. Deposit Money Banks' Claims on the Rest of the Economy

Country	2003 Percent of GDP	2002 GDP per capita, in US$
Estonia	33.1	4,315
Euro Area	112.2	26,875
Kazakhstan	22.2	1,930
Kyrgyz Republic	4.8	457
Latvia	37.3	3,029
Lithuania	20.6	2,947
Russia	20.9	3,257
Tajikistan	9.1	237

Sources: IFS and Development Atlas, World Bank.
Note: Figures are not fully comparable across countries.

[1] Prepared by Felix Fischer.

financial intermediation is de facto creating barriers to access to finance and limits private sector-led growth.

3. This chapter first provides an overview of the recent trends in the Tajik banking sector, the regulatory environment (Box 1) and the FSIs, before turning to policy recommendations for developing a deeper financial sector over the medium term.

B. Overview of the Banking Sector

Banking sector structure

4. **The banking system is mainly privately owned, relatively small and concentrated**. In September 2004, Tajikistan's financial sector comprised the central bank—National Bank of Tajikistan (NBT), 12 commercial banks, 5 credit unions and 7 nonbank financial institutions. The sector is highly concentrated, with the four largest banks—the AIB, Orienbank, Tajiksoderotbank, and Amonatbank (saving bank)—controlling 70 percent of assets, 81 percent of household deposits and 71 percent of nongovernment loans. International Financial Institutions (IFIs) played a key role in improving the operational capacity and loan quality of Orienbank and Tajiksoderotbank through technical assistance, credit lines (in the case of Orienbank), and new injections of capital (Tajiksoderotbank).

5. **The banking system has consolidated in the past few years**. In 2004, the NBT withdrew the banking license from four banks, bringing the number of closed banks since 1997 to 21. In 2003, NBT granted two new banking licenses, one to a foreign-owned entity and another to an entity with foreign and domestic capital. The recent increase in regulatory minimum bank capital (Box 1) may lead to yet another round of consolidations.

6. **At the end of 2003, the AIB, the largest commercial bank was divested.** The AIB, deeply insolvent and in chronic violation of prudential norms, was divested through a spin-off from its cotton industry related lending and funding business. The latter was converted into the nonbank financial institution Joint-Stock Company Kredit-Invest.[2] The remaining bank, still called AIB, was restructured and recapitalized and is now the largest universal bank in the country.[3] The revitalized AIB accounts for 38 percent of all assets and

[2] Kredit-Invest in a nonbank financial institution exempt from prudential requirements applicable to similar institutions. It has a large, mainly non-performing loan portfolio of Som 192 million, or the equivalent of 85 percent of the banking system's loans. Kredit-Invest claims that 20 percent of its loans are performing while another 40 percent can be recovered within three years, provided it obtains political support for contract enforcement. Currently, loan recovery is partially hampered by local governors protecting borrowers.

[3] To strengthen AIB's balance sheet, the government issued to AIB SM 25 million worth of treasury bonds to secure its NPLs. These bonds mature on January 30, 2006; and they earn a low nominal interest rate to encourage AIB to recover as many as possible of the NPLs. By the end of 2003, after

(continued…)

Box 1. Main Recent Legal and Regulatory Changes

In May 2004, a new microfinance law was enacted. Necessary regulations for the implementation of this law still need to be drafted.

In November 2004, the NBT passed a new regulation for the interbank market, requiring market participants to collateralize transactions with government securities. The procedures for the functioning of this market and the settlement through the NBT are still being worked out. However, the lack of government securities needed for collateral remains the main constraint for the development of a liquid interbank market.

The minimum capital requirement for new banks has been increased to $5 million. The new capital requirement is applicable to the four largest banks since January 1, 2005, while smaller banks and Amonatbank have time to comply until January 1, 2006. The minimum capital requirement has also been increased from $100,000 to $300,000 for credit unions. For existing credit unions, the new regulation will be adopted gradually until January 1, 2006.

After an extensive training period, a new reporting system, consistent with the International Financial Reporting Standards (IFRS) was introduced on February 1, 2005. Resolution 50 requires banks to keep their books according to IFRS. Resolution 290 defines the new charts of accounts.

In early 2004, the liquidity requirements (K2-1: liquid assets/demand liabilities) has been reduced from 75 percent to 30 percent for banks that are in full compliance with the prudential regulations and to 50 percent for banks that are in breach with one ore more prudential requirements. Consistent with international practice, the definition of liquidity now excludes short-term loans. Furthermore, the liquidity requirement K2-2, measuring liquid assets as a percentage of total capital, has been abolished.

Following Instruction 118, banks are now authorized to open banking representations in the vicinity of a bank branch or headquarters. These representations are smaller than branches and do not keep any cash overnight. The presence of banking representation ought to increase banking penetration to remoter areas and promote microcredit.

22 percent of deposits. Its technology is among the most developed in the country, and the AIB was the first bank to offer ATM services.

7. **Amonatbank, the fourth largest bank in Tajikistan, is the only remaining state-owned bank.** It holds 14.3 percent of the banking system's assets and 8.4 percent of household deposits. Amonatbank has the largest branch network, with 80 branches nationwide, and continues to function primarily as a fiscal agent for the government. The bank delivers pensions and other government transfers to the population and accepts tax payments through its network of branches and agencies. However, electronic connectivity

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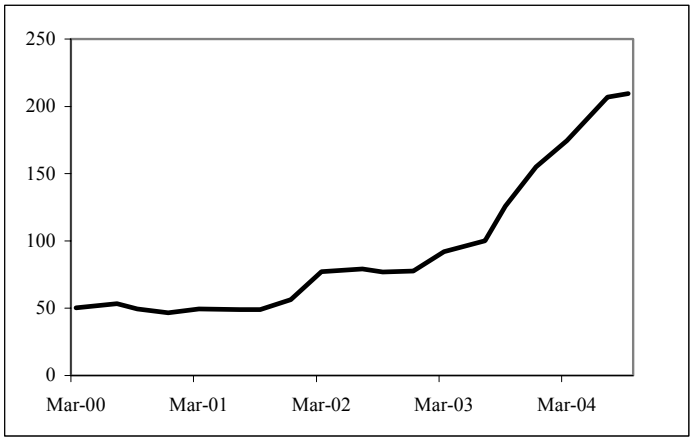
an injection of new capital of SM 9 million by 11 new local individual shareholders, AIB's net capital reached SM 13.9 million (excluding special reserves for fixed assets and foreign exchange revaluation).

with its branch network is low. Only 10 percent of the branches' accounts can be consolidated on a daily basis.

8. **Deposits grew by over 40 percent per year in 2002–03, but deposit growth fell to 17 percent in 2004.** The share of dollar deposits in total deposits has remained stable at about 70 percent in the past few years. The banking system has steadily increased its reliance on deposits as a source of liquidity, so that the share of deposits in total liabilities rose from 24 percent in 2001 to 37 percent in 2003, before increasing sharply to 63 percent during the first nine months of 2004. However, deposits still represent only 4.3 percent of GDP.

Figure 1. Bank Credit to the Economy Excluding Agroinvestbank
(in million somoni)



Source: NBT.

9. **Credit to the private sector has been growing considerably faster on average than in the Baltics, Russia and other former Soviet Union countries (BRO)**. On average, annual credit growth in the BRO area decelerated from 44 percent in 2000–01 to 17 percent in 2002 and accelerated steadily thereafter, reaching 36 percent in the second quarter of 2004 (Table 2). During 2004, credit growth has been accelerating strongly in the Tajikistan, Kyrgyz Republic, Armenia, Kazakhstan, and Azerbaijan, and has decelerated only in Georgia. In Tajikistan, credit growth to non-cotton sector has been particularly strong. To a large extent the accelerating trend reflects improved confidence in banks and a long-sought-after financial deepening. Dollarization of the loan portfolio has been declining steadily from 78 percent in 2001 to 62 percent by September 2004.

Table 2. Middle East and Central Asian subregions: Credit to the Private Sector, 2000-04
(Simple average annual percentage change in local currency)

					2004	
	2000	2001	2002	2003	Q2	Q3
BRO	47.5	41.3	17.0	30.5	35.8	N.a.
of which Tajikistan	38.1	94.0	30.1	41.7	41.3	40.4
excluding cotton sector	n/a	21.2	37.6	100.1	106.7	66.6

Source: International Financial Statistics and NBT

10. **The interbank market remains significantly underdeveloped.** The interbank foreign exchange market is very thin and heavily dominated by the NBT, while the somoni market is dominated by bilateral deals. Currently, the government is not issuing any treasury bills. The NBT bills are insignificant in volumes and due to their short maturities

(28–56 days), they are not suitable for collateralization of interbank lending. Furthermore, market liquidity remains thin; most liquid resources reside with Amonatbank and are invested in NBT bills. The varying credit quality of the financial institutions, the resulting lack of trust between commercial banks, the lack of experience in short-term liquidity management, and uncertainties related to the payment and settlement system hamper the development of the interbank market.

Financial soundness indicators

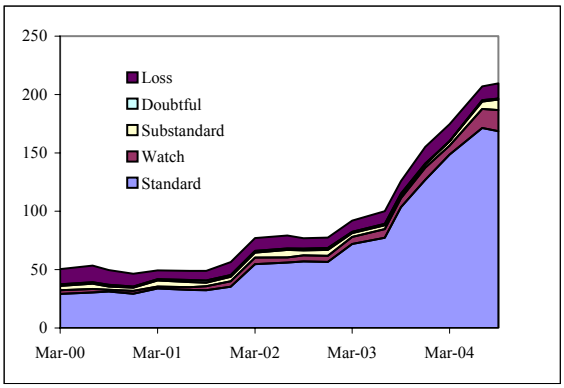
11. **FSIs are very sensitive to the quality of the reported data, and in particular, the accuracy with which the loan portfolio is classified.** FSIs may need to be adjusted after on-site inspection by banking supervision if it discovers inaccuracies in the banks' accounting, and/or after the banks' books have been audited by an independent external auditor. In Tajikistan, five of the large banks have been audited by international auditors. In the first audits, substantial corrections in loan classification were necessary. Auditing firms have reported that after the initial learning phase the audited banks' balance sheets now represent fair value. It can be expected that similar initial adjustments would be necessary in the smaller banks which are not currently audited by international auditing firms.

12. **The FSIs, with the exception of the level of nonperforming loans (NPLs), are sound and compare well to international benchmarks.** Violations of prudential requirements decreased significantly in the past two years, marking a determined effort by the NBT to enforce compliance. Two of the three banks currently violating prudential norms have performance contracts with banking supervision with timetables within which they need to return to full compliance. A similar contract is being worked out for the third violating bank. Although it has declined considerably, the high level of NPLs remains the main weakness of the banking system.

13. **The level of NPLs has been steadily declining.** The banking system (excluding the AIB)[4] has come a long way in reducing the NPLs as a percentage of total loans. The NPLs fell from 32 percent in 2000 to 11 percent in September 2004. The improvement in the loan portfolio is showing a steady positive trend (Figures 2 and 3). The reported NPLs in the most recent months may, however, underestimate the magnitude of the problem. This is because problems with loans show up with a time lag. The portfolio quality reported by Amonatbank has been very volatile, partly owing to several rounds of quality assessments and subsequent reclassifications, but probably also underestimated due to the recent rapid credit expansion (Figures 4 and 5).

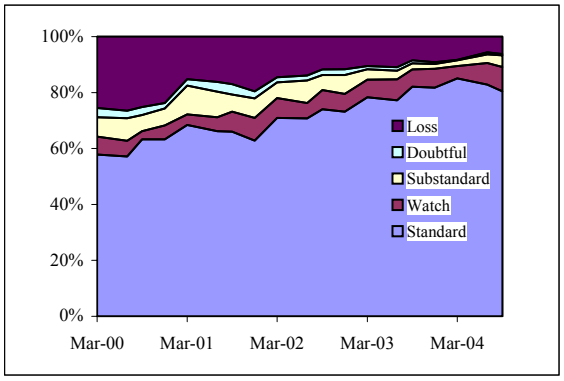
[4] Data including AIB would be misleading as nonperforming loans had not been consistently included in the balance sheet throughout the analyzed time period.

Figure 2. Loan Classification of Total Banking System
Excluding Agroinvestbank, March 2000 - September 2004
(in millions of somonis, end of period)



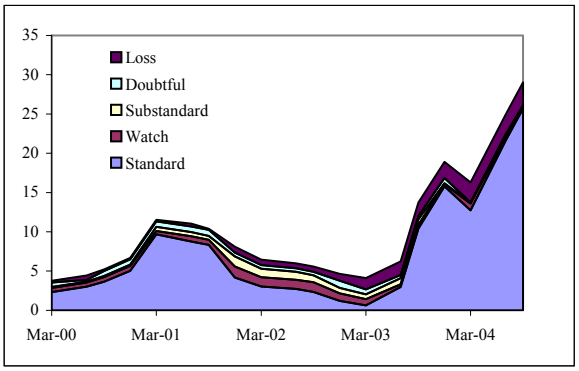
Source: National Bank of Tajikistan.

Figure 3. Loan Classification of Total Banking System
Excluding Agroinvestbank, March 2000 - September 2004
(in percentage of total loans, end of period)



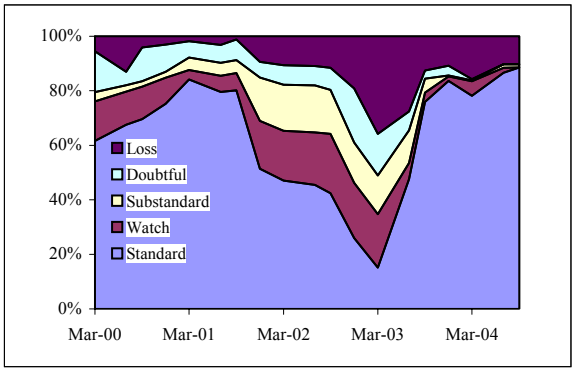
Source: National Bank of Tajikistan.

Figure 4. Loan Classification of Public Bank (Amonatbank)
March 2000 - September 2004
(in millions of somonis, end of period)



Source: National Bank of Tajikistan.

Figure 5. Loan Classification of Public Bank (Amonatbank)
March 2000 - September 2004
(in percentage of total loans, end of period)



Source: National Bank of Tajikistan.

14. **The current ratio of NPLs to total loans of 10.9 percent remains very high by international norms.** The NPLs account for 5 percent in the global sample, and for 3 percent for European and 1 percent for U.S. banks (Table 3), well below the level in Tajikistan. Other FSIs, in contrast, appear to be sound. The ratio of NPLs-net-of-provisions to capital, at 3.6 percent, is in fact lower than in the global and European samples. Although provisions as a percentage of NPLs, at 83 percent, are below the benchmark of 139 percent in the global sample, they are nonetheless substantial, especially compared to other developing countries.

Table 3. Financial Soundness Indicators, 2001 - September 2004
(excluding Agroinvestbank, in percent, unless otherwise indicated)

				International benchmarks (end 2002) 3/		
	2002	2003	Sept. 04	Global sample	European Sample	US sample
Capital adequacy						
Total net capital to unweighted assets 1/	14.9	17.8	25.9			
Reported total capital to risk weighted assets (K1-1)	-10.9	-3.0	37.5			
Asset quality 2/						
Nonperforming loans to gross loans	20.5	11.5	10.9	5.0	3.2	1.0
Nonperforming loans net of provisions to capital	2.3	2.3	3.6	3.7	6.7	-5.3
Provisions to nonperforming loans	93.0	89.9	82.8	139.0	129.0	185.0
Earnings and profitability						
Reported return on assets (ROA)	18.0	10.6	3.4	0.7	0.6	1.6
Reported return on equity (ROE)	14.9	1.4	12.0	9.2	13.7	15.2
Interest margin to gross income	20.2	10.9	23.8			
Non-interest expenditures to gross income	47.5	46.1	53.8	63	62	60
Salary expenditures to non-interest expenditures	29.4	28.2	26.7			
Liquidity						
Liquid assets to total assets	14.6	22.1	37.3			
Liquid assets to demand and savings deposits	88.1	124.7	136.9			
Liquid assets to total deposits	75.6	75.6	75.6			
Sensitivity to market risk						
Net open position in foreign exchange to capital	N/A	N/A	8.8			

Sources: National Bank of Tajikistan; Bankscope and Fund staff estimates.

1/ Calculated on the basis of consolidated balance sheets for the banking system. Total net capital includes statutory capital, reserves, retained earnings, fixed assets reserve and currency revaluation reserves.

2/ Nonperforming loans include three loan classifications: substandard, doubtful and loss.

3/ Total 108 commercial banks from Latin America (56), Europe (42) and the U.S. (10).

15. **Banks in Tajikistan appear to be generally profitable**. Return on assets has been declining from unusually high levels of 18 percent in 2002 to 3.4 percent in 2004, but still score high compared to the international benchmarks. The return on equity ratio, at 12.0 percent, is below the American (15.2 percent) or European (13.7 percent) values, but above the comparator from the global sample (9.2 percent). The strong profitability in Tajikistan is to be expected, considering the high country risk, the type of financial services extended, the very high interest rate margins, and the low salaries and other operating costs. Banks receive their largest share of income from commissions for money transfers and trade financing, foreign exchange transactions and, possibly, foreign exchange speculation. Only 24 percent of income is earned from net interest payments. By the end of 2003, the lending-borrowing margin in dollars for maturities of 1–3 months was 9 percentage points, and for maturities of 6–12 months over 10 percentage points. The corresponding lending-borrowing margins in somoni for these same maturities were, however, much lower (3 percent and 7 percent), which together with the depreciating trend of the somoni could explain the rising share of loans extended in somoni. The high profitability is also a result of low overhead costs (54 percent) compared to international benchmarks (63 percent). Salaries count for less than 30 percent of banks' non-interest expenditures. Finally, banks appear to be very liquid. Liquid assets account for 137 percent of demand and savings deposits and 76 percent of total deposits.

C. Reforms to Deepen the Banking Sector

16. **The financial sector in Tajikistan remains too small to function as an engine of growth**. A survey conducted by IFC[5] highlights that for a large number of small- and medium-size enterprises (SME) lack of access to financing is the most significant problem for conducting business in Tajikistan. The survey found that 82 percent of the respondents do not use bank accounts in their business activities. According to the same report, only 3 percent of SME in need of financing obtained bank loans, while 5 percent received financing from sectoral associations and 13 percent from nongovernment organizations. Past macroeconomic imbalances and high inflation largely explain the low level of financial intermediation in Tajikistan. Recent success at macroeconomic stabilization is a prerequisite for the deepening of the financial market. Additional measures are needed to develop the more traditional banking sector to service medium to large size enterprises, including (i) the opening of the banking system to entry by major international banks (ii) the development of a liquidity market; (iii) a strengthening of contract enforcement; (iv) improved internal and external governance; (v) improved banking expertise; and (vi) further development of microfinance initiatives.

17. **Opening of the banking system to entry by major international banks:** The experience of other transition and developing countries shows that there are significant benefits to attracting major international banks into the domestic banking systems. Such entry yields numerous benefits, including instant access to banking expertise, capital, increased banking credibility, and the establishment of links to foreign investors.

18. **Development of an interbank liquidity market:** The main impediment for the development of an interbank liquidity market is the insufficient availability of government securities. In addition to their function as collateral, government securities provide other crucial benefits to financial markets, by: (a) creating a yield curve as a reference rate for pricing credits by commercial banks; (b) offering safe heaven for temporary cash surpluses and opportunities for investment diversification for financial and nonfinancial entities; and (c) helping establish the government's repayment track record needed for international rating agencies to assess sovereign risk.

19. **Strengthening of contract enforcement:** Credit enforcement has to become credible. This can be achieved by accelerating the resolution of outstanding commercial banks' and NBT's NPLs. The setting up of a credit bureau would promote loan performance, as this would reduce the likelihood of loans being extended by any bank to current defaulters. With a credit bureau in place, loan classification regulations should be further tightened by requiring all banks to rate a client with the lowest classification assigned by any bank within the banking system. Because of the higher provisioning requirement for non-standard loans,

[5] See International Finance Corporation (2004), *2003 Business Environment in Tajikistan as seen by Small and Medium Businesses*.

banks would avoid lending to clients defaulting with another bank (even with sufficient collateral).

20. **Improved internal and external governance:** The entrance of reputable foreign banks into Tajikistan's financial sector would bring access to capital, know-how, international financial networks, and best practice management structures with numerous internal and external checks and balances. Furthermore, more transparency in the financial market would improve the functioning of market forces. Financial information should come from banks, banking supervision, and rating agencies. Banks should endeavor to open websites, and regulations should require banks to regularly disseminate an appropriate set of relevant market information. The NBT should publish regular nonmarket sensitive reports on banking supervision. In the medium to long term, banks should be encouraged to obtain a rating by reputable rating firms. Finally, consideration should be given to privatizing Amonatbank.[6]

21. **Improved banking expertise:** A banking association should be set up to identify reform priorities, coordinate banking sector reforms, and provide feedback on draft legislative and regulatory changes in the financial sector. Banking sector expertise can further be improved by training a critical mass of experts in finance and accounting in universities and the recently established banking institute.

22. **Microfinance development:** The authorities are keen to expand microfinance. Up to now, most microfinance activity was funded by donors. For example, the European Bank for Reconstruction and Development (EBRD) provided capital and intensive training of loan officers to several local banks. Initially, these banks granted mostly small and short-term loans with maturities of up to one year to finance shuttle trade.[7] Further development of microfinance activities will focus on increasing the typical loan size to the $10,000–$50,000 range and extending loan maturities up to 2 years. The average annual interest rate on the larger loans is expected to decline to 20 percent. This will allow a gradual increase in financing of small-scale production and activities in the services sector. Also, recently established specialized microfinance institutions have started taking deposits from the population, trying to tap to local savings pools, including those accumulated from migrant remittances.

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[6] There is substantial cross-country evidence that associates state ownership of banks with slower subsequent financial development, lower growth of per capita income, and lower growth of productivity in the non financial sector. See for example, La Porta, Shleifer, and Lopez-de-Silanes (2000), *Government Ownership of Banks,* NBER Working Paper No. 7620 (March).

[7] Microfinance loans supported by the EBRD ranged from $50 to $10,000, with an average value of $2,600. Most loans were for up to one month and carried an annul interest rate of 24 percent.

VII. Regional Cooperation in Trade and Investment[1]

A. Background

1. **Tajikistan is emerging from years of economic instability and civil conflict and is reintegrating into the world and regional economy.** The breakdown of economic links after the demise of the Soviet Union, civil unrest, poor governance and macroeconomic management, difficult political relations with neighbors, and overall geopolitical instability in the region—all contributed to the disruption of Tajikistan's external economic relations in the 1990s. Exports narrowed to a few products, traditional markets were lost, and the payments system was broken. Daily household consumption had to rely to a large extent on humanitarian aid, revenues from small-scale shuttle trade, and remittances sent by a rapidly rising number of Tajik migrant workers employed outside Tajikistan.

2. **The economic breakdown was aggravated by Tajikistan's difficult geographical location.** Tajikistan is a triple-locked economy: land-locked with no commercial access to sea, even by river; mountain-locked by one of the world's highest mountain-mass—the Trans-Alay Range in the north and the Pamirs in the southeast; and distance-locked. These factors result in one of the highest export costs to international markets. Tajikistan borders four countries (Uzbekistan, Afghanistan, China, and the Kyrgyz Republic), but has only one commercially viable railroad and a few poorly maintained highways to the outside world. The longest borders are with Afghanistan, and with Uzbekistan, which is still largely a command economy.

3. **Since 2000 Tajikistan has made substantial progress in reestablishing economic relations with its neighboring countries**. Traditional channels of cooperation are being normalized with the countries of the former Soviet Union and new links with the partners to the south, in particular, China, Pakistan, and Iran are being established.

B. Cooperation in Trade

4. **Tajikistan has been actively promoting regional cooperation by participating in regional organizations, although many of them are still at an incipient stage.** In addition to CIS, Tajikistan is a member of four regional organizations:

- *The Euro-Asian Economic Community* (EAEC, comprising Belarus, Kazakhstan, the Kyrgyz Republic, Russia, and Tajikistan), which aims at creating a customs union by end-2006 and, eventually, a single economic space (Box 1).

- *The Shanghai Cooperation Organization* (comprising China, Russia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan), which initially focused on regional

[1] Prepared by Alexei Kireyev.

security, but has approved a program of promotion of trade and investment. Uzbekistan has floated the idea of a Central Asian Common Market.

External Trade by Regional Group, 2004

	Exports		Imports	
	$ mill.	Percent	$ mill.	Percent
Total	**915**	**100.0**	**1375**	**100.0**
Euro-Asia Economic Community	**70**	**7.7**	**614**	**44.7**
Belarus	2	0.2	19	1.4
Kazakhstan	4	0.4	210	15.2
Kyrgyzstan	4	0.5	53	3.8
Russia	61	6.6	333	24.2
Shanghai Cooperation Organization	**140**	**15.3**	**821**	**59.7**
China	6	0.7	57	4.1
Kazakhstan	4	0.4	210	15.2
Kyrgyzstan	4	0.5	53	3.8
Russia	61	6.6	333	24.2
Uzbekistan	66	7.2	169	12.3
Central Asian Cooperation Organization	**134**	**14.7**	**764**	**55.5**
Kazakhstan	4	0.4	210	15.2
Kyrgyzstan	4	0.5	53	3.8
Russia	61	6.6	333	24.2
Uzbekistan	66	7.2	169	12.3
Economic Cooperation Organization	**258**	**28.2**	**619**	**45.0**
Afghanistan	8	0.8	4	0.3
Azerbaijan	0	0.0	86	6.3
Iran	30	3.2	26	1.9
Kazakhstan	4	0.4	210	15.2
Kyrgyzstan	4	0.5	53	3.8
Pakistan	0	0.0	0	0.0
Turkey	140	15.3	38	2.8
Turkmenistan	8	0.8	34	2.4
Uzbekistan	66	7.2	169	12.3

Source: Goskomstat of Tajikistan.

- *The Central Asian Cooperation Organization* (comprising Kazakhstan, the Kyrgyz Republic, Russia, Tajikistan, and Uzbekistan), which focuses on developing consortiums for joint projects in hydroelectricity, foodstuffs, and transport.

- *The Economic Cooperation Organization (*comprising Afghanistan, Azerbaijan, Iran, Kazakhstan, the Kyrgyz Republic, Pakistan, Turkey, Tajikistan, Turkmenistan, and Uzbekistan), which seeks to develop energy infrastructure, trade, transportation, agriculture, and drug control.

5. **Three main factors motivate Tajikistan's participation in these regional organizations: general formal commercial operations, labor and shuttle trade, and raising Tajikistan's international profile.** First, the main purpose of Tajikistan's involvement in regional trade initiatives is to reestablish economic linkages with enterprises in Russia, Kazakhstan, and the Kyrgyz Republic, which were lost with the collapse of the Soviet Union. At the same time, opportunities to establish links with major regional economies, such as China, Turkey, and Pakistan, reflect pre-Soviet Union trade and cultural links. Second, with the intensive migration and shuttle trading, travel linkages, in particular with Russia and China, are important channels for private import. Finally, participation in regional groups is seen as contributing to the effort to raise the international profile of Tajikistan by engaging larger countries (Russia, China, and Turkey) in frequent and meaningful policy discussions.

6. **The harmonization of trade policies with other members of the EAEC is high on the list of priorities in regional integration.** The Agreement on the Establishment of a Customs Union of February 17, 2000, stipulates that the formation of the customs union should be completed in five years, i.e., by February 2005. (Box 1).

7. **The EAEC members undertook to coordinate their trade liberalization strategies within the regional and multilateral context.** The four EAEC members acceding to the WTO (Belarus, Kazakhstan, Russia, and Tajikistan) undertook to: (a) conduct the WTO accession negotiations individually, while developing and presenting coordinated initial offers on market access; (b) achieve a higher degree of harmonization of national tariffs with the EAEC Basic List, while enhancing its coverage from the current 6,178 to all 11,086 tariff lines; and (c) target the final rates of the common EAEC external tariff at levels below the final tariff rates bound in the WTO, while ensuring adequate protection of the priority sectors of each EAEC member.

8. **The harmonization process resulted in some increase in Tajikistan's external customs tariff.** The simple average tariff has increased from 5 to 7.7 percent. The authorities justify the increased level of protection based on three factors: (i) the previous uniform tariff of 5 percent was a temporary measure introduced in 2002 for a year to allow for a smooth transition from an old—and considerably more restrictive tariff system—to a new, less restrictive system; (ii) the need to harmonize Tajikistan's tariff with that of other members of the EAEC, in accordance with the commitments undertaken under the Agreement on the Establishment of a Customs Union of February 17, 2000, and its basic Harmonized System-based nomenclature; and (iii) the intention to preserve some leverage on tariff reduction in the upcoming negotiations on the WTO accession.

Box 1. The Euro-Asian Economic Community Harmonization Techniques

Harmonization procedures in the EAEC depend on the starting conditions and types of commodities. The basis for harmonization is the Basic List of Common External Tariffs. The list was approved by the EAEC Council in September 2003 and represents an HS-based list of commodities for which tariff rates in Belarus, Kazakhstan, and Russia are identical. The Basic List covers only 6,178 tariff lines, out of 11,086 in the harmonized system. In addition to the Basic List, EAEC members compile other lists:

- A list of commodities for which differences in tariff rates among the EAEC members is less than 5 percent. There are 262 lines in this list (4.2 percent of the total). EAEC members intend to engage in bilateral negotiations with the view to harmonizing the tariffs.

- A list of commodities for which differences in tariff rates among the EAEC members is over 5 percent. There are 1,537 lines on this list (25 percent of the total).

- A list of sensitive commodities identified by each member, which would be exempt from common external tariff rates.

During the transition period before the customs union is completed, each member is allowed to exempt up to 15 percent of its trade in sensitive commodities from the commonly agreed tariffs. Tajikistan is allowed to exempt up to 25 percent in value terms but only alumina. The shares and values are reassessed every year.

9. **Tajikistan is coordinating the EAEC harmonization with its WTO accession, which is at a negotiating stage**. The first meeting of the working party on accession took place in March 2004; the second is scheduled for early 2005. Key issues discussed included: the level of tariff protection for the industrial goods; the maximum level of subsidies in agriculture; and the protection of intellectual property. The Tajik authorities intend to coordinate initial offers on market access with the corresponding offers by the Russian Federation and to bind their tariffs in the WTO at rates above their currently applied rates. This would allow the Tajik authorities to increase their applied rates in case of a need without violating their WTO commitments.

C. Attracting Foreign Investment

10. **Mobilizing foreign investment for projects of national importance is high on the list of the government's priorities**. Tajikistan is well endowed in rich mineral deposits (gold and other non-ferrous metals, coal, and salt) and water, a scarce resource in the region. Water is an important factor in Tajikistan's specialization in cotton cultivation and hydro-power generation, the latter, in turn, being the basis for aluminum smelting. The

government's investment strategy emphasizes the need for attracting foreign investment in key sectors of comparative advantage, which would help increase employment and productivity, raise exports, and contribute to budget revenue and poverty reduction.

11. **Aluminum and energy sectors are the main focus of foreign investment.** In October 2004, Tajikistan signed a seven-year $1.6 billion (76 percent of GDP) investment package with Russian interests, which at this point should be considered as an expression of interest (most of this financing is still to be raised). It includes the commitment of the Russian Aluminum holding company to invest in the Rogun hydro power station ($560 million) in 2005–2009, the reconstruction of the TadAZ aluminum smelter ($160 million), and the construction of two new aluminum plants ($600 million) in 2010—2013. The completion of the power stations will help Tajikistan solve protracted problems of electricity shortages, enhance aluminum production, and start commercial exports of electricity. These agreements are still preliminary and considerably more details about the projects and their export potential will need to be discussed before the investment could materialize.

12. **The agreements on two Sangtuda hydro power stations are closer to the finalization stage, although the modalities of the projects still remain uncertain**. RAO EEC has committed to invest $200 million in Sangtuda I during 2005-2009, which will complement a $50 million investment by the Tajik government on behalf of Russia as part of the debt regularization agreement concluded in October 2004. Iran will invest in the construction of the Sangtuda II power station, which will export to Iran and Pakistan.

13. **Transport infrastructure is also an important area of regional investment projects**. A number of major infrastructure projects are in different phases of development: roads from Dushanbe through the Anzob tunnel to Khujand (estimated cost of $360 million); from Dushanbe to the Chinese border ($290 million); and from Dushanbe to the Kyrgyz Republic ($110 million); as well as roads to the Afghan border and bridges over the Pianj river. Iran is providing co-financing in the form of a $25 million loan and a $10 million grant for the construction of the Anzob tunnel, the project of major economic significance for Tajikistan. The tunnel is viewed as a major economic link for the central and northern parts of Tajikistan, and for Iran, to Kazakhstan and Russia. China provides partial financing for upgrading the road to the Chinese border, which will give Tajikistan access also to Pakistan and India. The United States, together with Norway, will finance the construction of a new transport bridge to Afghanistan. The rehabilitation of roads, in particular to the Kyrgyz Republic, is viewed as an important commercial bypass of Uzbekistan (see Box 2 on problems related to transit through Uzbekistan).

D. Conclusions

14. **Tajikistan has taken substantial steps towards reestablishing regional linkages.** Cooperation in the areas of investment and trade has contributed to economic growth, the cementing of political relations with neighbors, and the easing of social tensions. Regional cooperation has helped raise Tajikistan's profile in the world by promoting private sector

development, learning from the experience of others, and facilitating the transition to a market economy. However, the cumbersome transit through Uzbekistan and numerous procedural requirements in Russia and other EAEC countries still need to be addressed on a bilateral and regional basis.

Box 2. The Tajikistan-Uzbekistan Nexus

Difficult relations with Uzbekistan remain the main bottleneck for Tajik exports. All commercially viable export routes—the only railroad and a few highways—go through Uzbekistan. During the winter closure of the Anzob Pass, Tajik traders have to transit through Uzbek territory even for domestic trade between the south and the north of the country. Because of delays at the border, harassment of traders and bribes, Tajikistan cannot take full advantage of its export potential, especially in agriculture, and incurs substantial export losses, as the cost of delivering perishable produce to the traditional markets in Russia becomes prohibitive.

Part of the problem is due to inefficiencies in Tajikistan. Poor transportation grid, corruption, and cumbersome customs top the list of impediments. As an illustration, a study commissioned by the World Bank found that in Tajikistan there is one security control post every 20-kilometer segment of all major roads leading to foreign markets, with an average bribe required of $3 for clearance. The total bribes required for one commercial ride from Dushanbe to the Uzbek border is about $50 per truck, similar to the estimated monthly wage in the private sector in Tajikistan. By presidential decree of February 4, 2005, the number of traffic police will be cut by 50 percent.

But the transit crossing of Uzbekistan is much more problematic. The World Bank estimates that non-transport related transaction costs are around $50 per ton for the domestic route but can amount up to $200 per ton for the route via Uzbekistan. The difference of $150 per ton can be loosely interpreted as a cost estimate for the bureaucratic hassle and corruption involved in border crossing and transit through Uzbekistan. There are at least eight types of official fees to be paid for transit through Uzbekistan, which may amount to $500 per truck. Official and unofficial transit and border crossing payments in Uzbekistan constitute more than 30 percent of the total road transportation costs from Dushanbe to Moscow. Under the Uzbek regulations, each cargo crossing the Tajik-Uzbek border has to be unloaded on the Tajik side and reloaded on vehicles with Uzbek licence plates. Passengers are required to leave their vehicles in Tajikistan, cross the border on foot, and use Uzbek vehicles in Uzbekistan.

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Tajikistan: Evolution of the Trade Regime

Tajikistan's trade regime remains liberal. New customs tariffs have been applied starting on November 1, 2003. All imports from members of the Euro-Asian Economic Community, excluding alumina, are exempt from import duties. The tariff on imported alumina was increased from 2 to 5 percent in November 2003. In addition to import duties, new specific excise taxes were approved on March 31, 2003, and are levied on imports of alcohol (HS 22), tobacco (HS 24), and oil products (HS 27). Other explicit trade restrictions include the licensing of trade in alcohol and tobacco, and other goods restricted for health, security, moral, and cultural reasons. Tajikistan has no export tariff.

Trade Policy Instrument	1995	1996	2001	2004
Tariff rates: Minimum Maximum	 2 percent 5 percent	 10 percent 25 percent	 5 percent 30 percent	 2 percent 15 percent
No. of tariff bands	2	2	6	6
Simple average	...	...	8.0	7.7
Goods subject to specific import tariffs		None	Fruit and vegetable juices, mineral water, soda, beer, wine, spirits, tobacco products	Mineral water, soda, beer, wine, spirits, tobacco products
Import duty exemptions	Associated gas, grain harvesters, alumina, electricity, and goods imported by diplomats	Eliminated	Natural gas, alumina, electricity, and grain combines	Natural gas, electricity, and some products included in tariff groups No. 01, 04, 30, 49, 51, 70, 87, 93, 97
Export taxes: Ad valorem Specific	 67 product categories were subject to export duties at the rates of 1-500 percent On metals	 Abolished, effective March 1, 1996 None	 Sales tax on exports of aluminum and cotton. Export duty on goods produced by joint ventures None	 Sales tax on exports of aluminum and cotton. None
Excise taxes		Some excise rates on imported goods were higher than on domestic goods	No differentiation by the origin of imports or producer	No differentiation by the origin imports or producer
Quantitative restrictions: Import quotas Export quotas	 None Cotton	 None Abolished	 Quotas on exports and imports of ethyl alcohol None	 Quotas on imports of alcohol products and tobacco None
State monopoly on external trade		Monopoly on cotton export lifted	None	None

Trade Policy Instrument	1995	1996	2001	2004
State orders	70 percent of the targeted cotton crop	Abolished	None	None
State trading companies	Tajik Oil, Ministry of Bread, Somonion, State Committee for Contracts and Trade			State enterprises and joint venture
Goods subject to licensing: Exports Imports	 100 percent None	 70 percent of the 1995 cotton crop None	 Exports and imports of tobacco products, ethyl alcohol, and alcohol products	 Export and imports of tobacco products, ethyl alcohol, and alcohol products
Price controls	Monitoring of export contracts by the Tajik Commodity Exchange		Floor on the price of vodka and arak	Control of tariffs set by natural monopolies
Barter trade	Most of trade	Prohibited with the exception of the inputs included in list approved by the government	Prohibited, with some exceptions	Prohibited, except for aluminum
Prepayment requirements		Exports of cotton fiber, aluminum, precious metal products, tobacco, leather, fertilizers, and some other products are subject to 100 percent prepayment requirement	Exports of cotton fiber, aluminum, precious metal products, tobacco, leather, fertilizers, and some other products are subject to 100 percent prepayment requirement	Exports of cotton fiber, aluminum, precious metal products, tobacco, leather, fertilizers, and some other products are subject to 100 percent prepayment requirement
Import valuation			Valuation of imports is not compatible with WTO requirements	The new customs Code and customs valuation of imports are compatible with WTO requirements

VIII. Labor Migration and Remittances[1]

1. **Migrant workers' remittances are a key aspect of regional integration and have played a significant role in supporting economic activity in Tajikistan.** According to recent surveys, almost every Tajik family has sent at least one of its members to work abroad. Recent studies of household incomes and expenditure indicate that remittances from labor migrants are an important means for survival of families left in Tajikistan. This trend is likely to continue, and the authorities have taken steps toward regularizing labor migration issues with Tajikistan's neighbors. In October 2004, the authorities signed an agreement on labor migration with the Russian Federation and are seeking to regularize migration rules by simplifying document requirements with other Euro-Asian Economic Community (EAEC) members.

A. Employment Abroad and Remittances

2. **The role of labor migration and remittances in Tajikistan's development in recent years has been substantial**. Reliable data on migration and remittances are not available and the estimates inevitably vary within wide margins. Depending on underlying assumptions, estimates of remittance inflows in 2004 range from $433 million (used in the balance of payments) to about $1 billion a year, or from 21 to 50 percent of GDP, respectively (see Annex for the underlying calculations).[2] Annual labor migration increased steadily in the 1990s and peaked in 1999. With economic stabilization in recent years, labor migration has moderated, although annual levels remain high. The balance of payments statistics cover only remittances made through the banking system. These remittances increased almost tenfold in 2001–2004, as confidence in the banking system improved following reforms at end-2002 that eliminated the 30 percent tax on international transfers of foreign exchange and allowed transfers through Tajik banks without opening a current account.

Remittances at a Glance

Source country	Percent
Russia	92.3
Kazakhstan	2.1
Uzbekistan	1.3
Kyrgyz Rep.	0.3
Other BRO	1.3
Other non-BRO	2.8
Frequency of remittances	
monthly	34
bimonthly	18
quarterly	20
semi-annually	17
annually	7
other	4
Amount	
less than $100	17
$100-250	26
$250-500	26
$500-1,000	18
$1,000-3,000	10
$3,000-5,000	2
$5,000-10,000	1
over $10,000	0.1
Source of remittance	
salary	44
non-salary income	35
pension	2
alimony	1
small agro exports	12
other	6

Source: NBT February 2004 survey.

[1] Prepared by Alexei Kireyev.

[2] This is high by international standards and comparable to Moldova, where recorded remittances reach 25 percent of GDP, Jordan (18 percent), and Albania (15 percent). In other traditionally high remittance countries (Egypt, Morocco, and Tunisia) remittances do not exceed 10 percent of GDP.

3. **Russia is the main destination of labor migration and the largest source of remittances**. According to the 2003 International Organization of Migration (IOM) study, about 90 percent of the Tajik labor migrants stay (legally and illegally) in Russia, and 5 percent in Uzbekistan. Accordingly, money transfers from Russia represent 92 percent of remittances. Half of migrant workers from Tajikistan are employed in housing and industrial construction, a third are involved in trade and services, and the remainder works in gas and oil development, manufacturing, catering, and agriculture. About 60 percent of Tajik migrants have no professional qualifications or skills; those with qualifications include teachers, doctors, engineers, technicians, traders, and farm workers.

B. Macroeconomic Impact of Remittances

4. **Labor migration and remittances have had a significant positive macroeconomic impact.**

- Remittances provided a precious breathing space for the authorities to recover from the civil disruption of the 1990s. They helped most of the population to offset the income shortfalls caused by the civil war and economic dislocations during the transition, and to ease the overall social strain and pressures on the government.

- Remittances have fueled consumption and growth. A rough approximation suggests that Tajikistan's gross national disposable income (GNDI) per capita, at $342 in 2004, was at least 15 percent higher and growing faster than the GDP per capita. Remittances of under $1,000 a year are spent on consumption, mainly food, clothing, and medical care. Remittances of $1,000-$5,000 are used to buy durable goods, finance major family events, such as weddings, invest in home repair and improvement, and finance small-scale import transactions. Remittances exceeding $5,000 are mainly invested in rural house construction, while those exceeding $10,000 are invested in remodeling city apartments and larger-scale imports.

- Remittances have financed the growing trade deficit and kept the current account deficit manageable. Remittances covered up to 80 percent of the trade deficit, which reached 19 percent of GDP in 2004, driven by high import demand.

- Remittances have helped to strengthen the banking system and enhance competition. With simplified regulations on bank transfers, recipients of remittances do not need to have a current account with the bank to receive remittances, and the banks have to compete with each other and other financial intermediaries (i.e., Western Union) for the clientele. The NBT surveys of remittances revealed that 96 percent of the respondents were satisfied with bank services. However, 82 percent of the respondents were not ready to deposit the remitted funds in the banks, and 62 percent explained this by the need to use money immediately to finance current household and business transactions.

5. **The inflow of remittances presents a significant challenge for macroeconomic management.** In a small economy with a shallow foreign exchange market and lack of instruments for the conduct of monetary policy, the sheer magnitude of foreign currency inflows and their pronounced seasonal pattern creates significant problems. The inflows can prompt an appreciation of the national currency, complicate monetary management, and rekindle inflationary pressures. In addition, the continuous exodus of qualified labor and young people from Tajikistan deprives the country of future manpower. Remittances-financed investment has so far been largely concentrated in the residential construction and refurbishing rather than commercial investment. Finally, remittances have been volatile and sensitive to the political climate, both in Tajikistan and the host countries.

C. Conclusion

6. **Labor migration and remittances will continue to play an important role in Tajikistan and the authorities need to implement policies to put these resources to their best use.** In particular, improving the business environment would stimulate the use of remittances for productive investment. Especially important for this is the strengthening of the financial sector to intermediate savings from remittances to business investment. The importance of labor migration and remittances for the Tajik economy also requires continued efforts to regularize regional relations in this area. The 2004 agreement with Russia on labor migration is a welcome development.

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Tajikistan: Remittances—Methodological Issues

1. **The amount of remittances shown in the balance of payments may not accurately reflect actual inflows.** The official statistics, which capture only transfers through the banking system, put the inflow of remittances at $433 million (21 percent of GDP) in 2004. Rough calculations suggest that the actual remittances may be substantially higher. The authorities estimate the share of migrant workers at about 17 percent of the economically active population, or 300–400 thousand. Under the broader definition, the IOM (2003) report indicated that some 1.2 million Tajik citizens were working abroad in 2001. With an average migrant bringing annually at least $1,300 from their income abroad to Tajikistan, annual inflows of remittances are likely to exceed $1 billion (50 percent of GDP).

2. **The inflows recorded as remittances through the banking system represent a mixture of remittances and export proceeds.** According to NBT estimates, such trade-related payments may represent up to 40 percent of total remittances, which points to a substantial overestimation of actual workers' remittances in the balance of payments. Based on a survey of banks and their clients, the NBT established the following statistical treatment of bank transfers endorsed by a Fund technical assistance mission: all single transfers of more that $1,000 plus 50 percent of transfers between $1,000 and $3,000 will be considered workers' remittances; all single transfers of more than $3,000 and 50 percent of transfers between $1,000 and $3,000 will be reclassified as exports. The BOP data are being revised accordingly back to 2003. Further analysis of the flows through banks is needed to estimate a threshold under which current transfers are classified as workers' remittances, with the remainder to be classified as other transfers or export proceeds.

Tajik migrant's income statement	
	US dollars
Gross earnings	2,700
Fixed expenses	410
Transportation	330
Border crossing	30
Other	50
Variable expenses	945
Food	540
Accommodation	225
Police	135
Other	45
Remittance to Tajikistan	1,345

Source: WB survey of a typical seasonal worker staying in Russia 9 months at a time

3. **The actual inflow of remittances may be substantially higher as amounts brought into Tajikistan outside of the banking system are largely unknown**. At least two informal channels are used to remit migrant earnings to Tajikistan:

- *Transportation of cash*. Because of threat of extortion and physical abuse at checkpoints on the way to Tajikistan, cash deliveries are done mainly by air. With some 23 weekly flights to Dushanbe from Russia by Tajik Air and some local airlines, the air transport is capable to deliver to Tajikistan 200,000 people a year. If half of this number brings an average $1,000, at least $100 million (5 percent of GDP) should be added to remittances.

- *Money 'throwing.'* For relatively large amounts usually in excess for $3,000, an illegal money transfer network known as "perekidka" (from Russian "перекидка"—throwing,

juggling, a cardsharper's trick) is used, mainly by shuttle traders and moonlight workers. As these groups of migrants cannot document the legal nature of their income to the remitting bank in Russia, they have to use the throwing system.

4. **All remittances through the banking system are shown as current transfers in the balance of payments statistics, although part of them can be treated either as trade-related payments or income.** According to the International Organization for Migration (IOM) 2003 study, there are three main types of labor migrants:

- *Migrants on official or informal contracts with the recipient enterprises* (20 percent of all migrants). As such industrial and trade enterprises operate year round, the Tajik migrants usually stay for more than a year abroad and transfer a substantial part of their salaries to relatives in Tajikistan. Their transfers of salaries through the banking system are correctly shown as workers' remittances.

- *Crews for moonlight construction and agricultural workers* (50 percent). They usually work abroad in March-November, during the most active construction and agricultural season in Russia, and return for winter in Tajikistan, remitting their incomes irregularly and bringing most of them in cash. All their wages and other emoluments should be classified in the income account as compensation of employees, with their expenditure abroad classified in the travel account. Currently, all their remittances are shown in the current transfers account as no reliable data on the length of actual stay abroad are available.

- *Shuttle traders* (30 percent). Finally, the shuttle traders, the majority of them the best educated part of the Tajik migrants, remain abroad for a short period of time and function either individually or through established networks that operate continuously. Their remittances through the banking system represent a mix of family support, which should be shown as income, and export receipts, which should be included in exports.

The item in the current transfers account on workers' remittances may also capture some bank transfers by Tajiks living abroad permanently to their relatives in Tajikistan. Such transfers should be classified as other current transfers, not as workers' remittances.

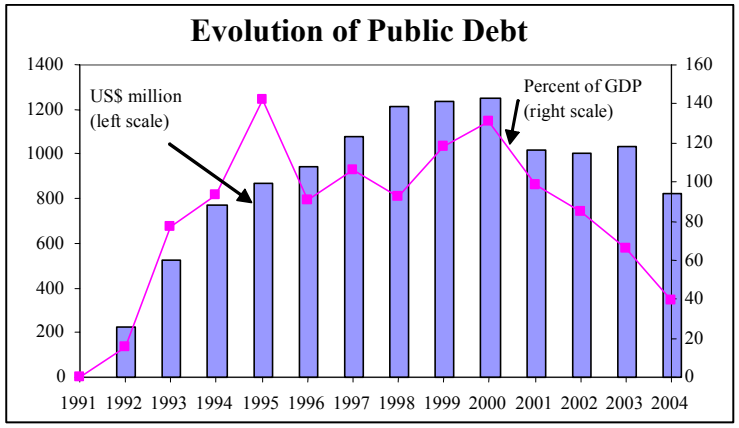
5. **In addition to the inflow of remittances, Tajikistan's balance of payments registers a substantial outflow of remittances.** These outflows are estimated at $120 million (6 percent of GDP) in 2004 and include transfers by workers from neighboring Afghanistan and Iran, misclassified payments for small imports, and—most likely—drug-related outflows. On a net basis, remittances through the banking system included in the balance of payments are estimated at $313 million (15 percent of GDP).

IX. External Public Debt Developments and Sustainability [1]

This chapter reviews the substantial progress made by the Tajikistan authorities in improving external debt sustainability. However, it notes that the debt profile still needs to be managed prudently, especially from a fiscal sustainability perspective.

A. Historical Trends

1. **In 1991, Tajikistan started its development as an independent state without external debt, but debt accumulated rapidly during the 1990s.** In the early years of transition, against the backdrop of a chaotic political situation, civil conflict, poor governance and cessation of transfers from the central budget, the authorities had to import petroleum products, grain, and consumer staples, all at market prices. These imports relied initially on short-term suppliers' credits and subsequently on offsets through correspondent accounts in central banks of former Soviet states. As a result, Tajikistan's external debt increased from zero at independence to 15 percent of GDP by end-1992 and to 60 percent a year later. The explosive trend in debt accumulation continued through the 1990s and culminated in 2000, when external debt reached 128 percent of GDP.



2. **Attempts to regularize the debt situation began in the mid-1990s but initially were only partly successful.** In 1995, to arrest the buildup of arrears under bilateral trade arrangements with CIS partners, the government announced that it would no longer guarantee payments by Tajik enterprises. In the late 1990s-early 2000s, Tajikistan conducted a series of debt rescheduling negotiations with its main bilateral creditors, which helped to improve its debt service profile, although the terms of rescheduling were not sufficiently concessional to stabilize the debt ratios. At the same time, the authorities started using external concessional loans to finance development projects and accumulated additional debt.

3. **Since the early 2000, prudent policies have reversed the pattern of a rising debt burden.** The authorities implemented tighter policies on contracting new debt, avoiding non-concessional borrowing, and limiting new concessional loans under the public investment

[1] Prepared by Alexei Kireyev.

program (PIP) to 3 percent of GDP annually. In the absence of an effective debt management system, the ceiling on borrowing under the PIP has helped to restrain and better prioritize externally financed public investment. With a rapid recovery in output and further aggressive debt restructuring and regularization, the ratio of external debt to GDP first stabilized and then started to decline.

B. Recent Developments

4. **Tajikistan's external debt burden is relatively low compared with most other low-income countries.** At end-2004, Tajikistan's external debt amounted to $822 million (40 percent of GDP) and total debt service due was equivalent to 10 percent of relevant exports.[2] The debt service payments due on government and government-guaranteed debt stood at 15 percent of fiscal revenue. In net present value (NPV) terms, Tajikistan's external public sector debt at end-2004 amounted to about 33 percent of GDP, compared with 72 percent in the Kyrgyz Republic, 53 percent in Moldova, 41 percent in Georgia, and 39 percent in Armenia.

5. **At end-2004, multilateral creditors accounted for two-thirds of the debt stock.** Two largest multi-lateral creditors are the World Bank and the IMF. Uzbekistan is now the largest bilateral creditor, (after the October 2004 debt reduction agreement with Russia) followed by Russia, the United States, and Turkey. Over half of Tajikistan's external debt is denominated in SDRs, 34 percent is in US dollars, 7 percent is in Euros, and the rest is in other currencies.

Public External Debt at a Glance

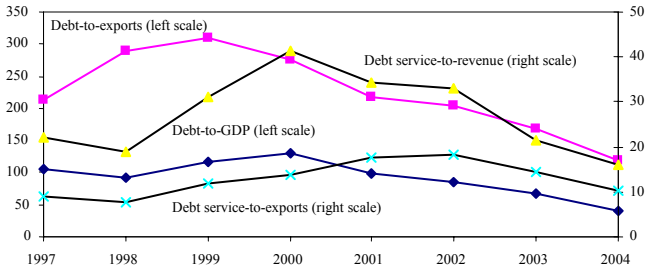
	2003			2004		
	US$ million	Percent of total	Percent of GDP	US$ million	Percent of total	Percent of GDP
Total public debt	1,031	100.0	66.3	822	100.0	39.7
Government	827	80.3	53.2	649	78.9	31.3
Bilateral	468	45.4	30.1	213	25.9	10.3
Multilateral	360	34.9	23.1	436	53.0	21.0
NBT	100	9.7	6.4	116	14.1	5.6
Public enterprises	103	10.0	6.6	58	7.0	2.8
Government-guaranteed	63	6.1	4.1	25	3.1	1.2
Non-guaranteed	40	3.9	2.6	32	3.9	1.6

Source: Tajik authorities.

[2] In addition to public sector external debt, which is the subject of analysis in this chapter, there is private external debt incurred mainly by the cotton sector. Data on this debt are not currently available, but can be approximated by foreign liabilities of Kredit-Invest, the bank involved in cotton financing, which reached $150 million (7 percent of GDP) in 2004.

6. **The external debt situation improved markedly in 2002–2004 owing to the reduction in face value and favorable endogenous debt dynamics.** The authorities concluded a number of debt cancellation and restructuring (most recently with Russia and Pakistan) which help reduce the face value of external debt by 20 percent in 2004 alone. Also, the government did not contract any new bilateral loans, other than from two development funds (the Saudi Fund and the Kuwait Fund) classified as bilateral lenders. Most bilateral assistance is now provided in the form of grants. Endogenous debt dynamics, in particular from the rapid increase in the nominal GDP, both from the high real growth rate and the improvement in the coverage of previous informal economic activities, have also contributed markedly to the reduction of debt ratios.

Key Debt Ratios
(In percent)



7. **The agreement on regularization of debt with Russia was an important factor behind the reduction of the debt burden.** The agreement signed in October 2004 affecting $306 million of principal and interest is part of a broader investment package and includes: a debt-for-asset swap of $242 million; offset of the National Bank of Tajikistan's claims on the Central Bank of Russia; and cancellation of the bulk of the unpaid interest accrued in 2004. Under the swap, $242 million will be converted into Russia's state ownership of the Nurek space tracking station located in Tajikistan. The formal write-off of the debt will take place after Russia's ownership of Nurek is legally finalized. The government of Tajikistan will repay the remaining $50 million by investing this amount during 2005–2008 on behalf of Russia in the construction of the Sangtuda I hydro-power station.

Debt Reduction Agreement with Russia
(In millions of US dollars)

Total debt	305.7
Stock	299.7
Interest for 2004	6.1
Debt reduction	254.7
Offset against claims on CBR	12.3
Principal	7.2
Interest	5.0
Debt-for-equity swap	242.4
Remaining debt	51.0
Investment in Sangtuda	50.0
Interest	1.0

Source: Tajik authorities.

8. **Tajikistan's debt to Uzbekistan has been the subject of protracted negotiations.** Uzbekistan's total debt outstanding is $94 million. The debt originated from trade credits and negative balances on correspondent accounts opened in the early 1990s in the central banks of both countries for offsets in trade-related payments. This debt has been serviced by offsets with services provided by Tajik Rail for the transportation of Uzbek goods through the Tajik territory. After protracted negotiations, in February 2005 the governments of Tajikistan and Uzbekistan signed an agreement for debt payments in 2004 and 2005. The debt service of $14 million falling due in 2005 will be paid with services by Tajik Rail. As the offset agreements have to be renegotiated annually, this creates significant uncertainty regarding future debt payments.

C. Debt Sustainability

9. **The assumptions underlying this debt sustainability analysis (DSA) include:** continued strong real growth of 6.5 percent a year on average in 2005–2010, moderate inflation of 5 percent annually, fiscal deficit, (excluding the PIP) of 0.5 percent of GDP, externally financed PIP at 4.5 percent of GDP, and current account deficit of 4–5 percent of GDP. Commodity prices (aluminum, cotton) and exchange rate projections are based on the January 2005 WEO baseline, updated with recent near-term price movements. The discount rate for NPV calculations is set at 5 percent, and exports are computed as the current year exports of goods and services, excluding barter exports of aluminum and electricity. The DSA is based on the operational framework for low-income countries[3] adjusted to Tajikistan's circumstances, mainly by calibrating stress tests.

10. **Under the baseline scenario, Tajikistan's public debt will remain sustainable in the foreseeable future**.[4] Assuming highly concessional new borrowing and overall prudent debt management, the face value of Tajikistan's public external debt is not expected to exceed 40 percent of GDP in the long-run (Table 1). The non-interest current account is projected to remain close to balance as the trade deficit will be largely offset by net transfers, while FDI, other non-debt creating inflows, and high GDP growth will have a positive impact on the endogenous debt dynamics. In the medium term, reflecting its highly concessional nature, the NPV of Tajikistan's debt will average 31 percent of GDP. The NPV of public debt-to-exports ratio is projected to decline gradually from 100 to 91 percent during the projection period, reflecting mainly faster exports growth, with the NPV of debt remaining broadly stable. The public debt service-to-export ratio will also decline from 10 to 5 percent. The profile of the government and government-guaranteed (GGG) debt is largely similar to that of the public debt (Table 2).

11. **The most optimistic scenario of conservative borrowing policies and the continuation of favorable recent macroeconomic trends would ease the debt burden further.** A historical scenario assumes the continuation of the favorable 2002–2004 trends in debt dynamics—key macroeconomic variables (real GDP growth, GDP deflator, non-interest current account and non-debt creating flows) at their 1998-2004 averages. Under this scenario, the NPV of public debt would decline from the baseline of 33 percent of GDP in 2004 to 24 percent in 2013, the NPV of debt-to export ratio will decline from 100 to 72 percent, and the debt service ratio will drop from 10 to 6 percent. (Table 3, Figure 1). In

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[3] *Debt sustainability in Low-Income Countries—Proposal for an Operational Framework and Policy Implications* (www.imf.org).

[4] The coverage of public sector external debt in the external framework is slightly broader than in the fiscal framework. Compared to the former, the latter uses a concept of government and government-guaranteed (GGG) external debt. Thus, it excludes debts of public enterprises not guaranteed by the government, which in Tajikistan is very small (about 2 percent of GDP).

addition, if the primary fiscal deficit remains at the low level of 2002–2004 during the projection period, the NPV of debt-to-revenue ratio will decline from 175 percent in 2004 to 65 percent in 2013 and debt service-to-revenue ratio will drop to from 11 to 3 percent (Table 4, Figure 2) However, the economic factors that led to the recent rapid improvement in the debt outlook are not likely to be repeated.

12. **Alternative less favorable scenarios suggest that the prospects of debt sustainability will depend critically on the continuation of sound policies and concessional borrowing.** An extreme alternative scenario of a deterioration in all key variables by one-half standard deviation yields a significant deterioration of debt ratios. During the five years after such a shock, the NPV of public debt-to-GDP ratio may worsen by almost 50 percentage points on average, and a permanently lower GDP growth (by one standard deviation compared to the baseline) results in a deterioration in the NPV of debt-to-revenue ratio by 44 percentage points on average in 2005–2010. In the long run (Table 3), the scenario of less favorable terms for new public sector borrowing (interest rate 2 percentage points higher than in the baseline) may result in a significant deterioration the NPV of debt-to-GDP ratio from 33 percent of GDP in 2004 to 48 percent in 2023 and in the NPV of debt-to-exports ratio from 100 to 137 percent. A permanently lower GDP growth is also a significant risk factor for fiscal debt sustainability in the long-term prospective (Table 4), as the associated lower revenue collection can result in an increase of NPV of debt-to-revenue ratio from 175 to 304 percent in 2004–2023, and the debt service-to-revenue ratio on GGG debt from 11 to 18 percent.

Stress tests results, 2005-2010 averages

		The most extreme shock		
	Baseline	to exports	to real GDP	combined
NPV of debt-to-GDP	29	...	...	78
NPV of debt-to-exports	93	169	...	...
Debt service-to-exports	7	11	...	...
NPV of debt-to-revenue	157	...	201	...
Debt service-to-revenue	12	...	14	...

13. **Additional bound tests show that Tajikistan's external public debt position will remain highly sensitive to adverse shocks.** As just three commodities—aluminum, cotton, and fruits and vegetables—constitute some 40 percent of GDP, 70 percent of exports, and 10 percent of fiscal revenue, Tajikistan's debt sustainability in the long run will depend substantially on price and volume dynamics in these highly volatile sectors. Not surprisingly, an export revenue shock is one of the more extreme shock modeled by this DSA. In the medium term (see box above), assuming that export revenue declines by one standard deviation from its historical average, the NPV-to-exports ratio worsened from an average of 93 percent under the baseline in the next five years, to 169 percent in 2004-2010 on average, and the debt service ratio on public debt will deteriorate from 7 to 11 percent. In the longer-term prospective (Table 3), the debt dynamics are particularly sensitive to the export revenue shock. A one standard deviation shock compared to historical averages can lead to a protracted deterioration of the NPV of debt-to exports ratio, which will not disappear even by 2023. A surge in inflation and nominal depreciation are also important risk factors, which can have lasting effect on the NPV of debt-to-GDP and the fiscal ratios, in particular the

NPV of debt-to-revenue and debt service-to-revenue ratios (Table 4). Therefore, if the forecast of the underlying GDP growth does not materialize, a permanently lower GDP growth is the most negative alternative scenario, which can have an adverse impact on the overall debt dynamics. Shocks to GDP and export growth, exchange rate depreciation and inflation are the most important risk factors for fiscal sustainability of the existing debt burden.

D. Conclusions

14. Tajikistan's debt situation seems sustainable, but vulnerable to shocks and hinges on continued strong policy implementation.

- **External concessional borrowing not exceeding 4.5 percent of GDP annually is broadly consistent with long-term debt sustainability.** Stability of debt ratios in the long run depends on cautious borrowing policies and strong macroeconomic performance. With strong growth underpinned by sustained reforms and no new non-concessional borrowing, Tajikistan debt indicators are projected to remain stable in the longer term. However, slippages in reforms, lower growth, and adverse exogenous shocks, in particular to exports, are the largest sources of debt vulnerability.

- **Fiscal sustainability of debt, although improved after the recent debt regularization agreements, needs to be monitored closely and continuously.** Government's debt service obligations will remain an important expenditure item, in particular in the medium term. The revenue effort (taxes and grants) of at least 18.0–18.5 percent GDP during the forecast period and a fiscal deficit excluding the PIP not exceeding 0.5 percent of GDP are needed to target the debt service-to-revenue ratio at below 15 percent. This targeted level of debt service is appropriate based on historical experience and would permit additional budget expenditure on development and social needs, without diverting an excessive share to debt repayments. Lower GDP growth and revenue are the main risks to debt sustainability, as debt service payments could increase up to 20 percent of fiscal revenue in the worst case scenario.

- **Restructuring of bilateral debt with large creditors remains a priority.** Debt rescheduling or cancellation of obligations to the largest creditors (Uzbekistan, the United States, and Turkey) would help smoothen the debt profile in the medium term and reduce strain on fiscal resources.

- **Strengthening debt management capacity must continue.** The authorities need to establish a reliable computerized debt tracking system for all external debts—public and private—and start using it for budget and balance of payment forecasting and analysis. The terms and conditions of significant loans under the PIP or any other public credit line should be analyzed carefully to determine their impact on Tajikistan's debt profile and its sustainability. A fully-fledged DSA should be prepared annually, as a contribution to the annual budget exercise.

Table 1. Tajikistan: Sensitivity Analyses for Key Indicators of Public External Debt, 2002-23

(In percent of GDP, unless otherwise indicated)

	Actual	Historical Average 6/	Standard Deviation 6/	Actual	Est.	Projections							
	2002			2003	2004	2005	2006	2007	2008	2004-08 Average	2013	2023	2009-23 Average
Public external debt (nominal) 1/	**84.4**			**66.3**	**39.7**	**38.5**	**36.5**	**35.7**	**35.1**	**37.1**	**36.3**	**40.5**	**37.7**
o/w government and gov. guaranteed (GGG) debt 10/	81.6			63.7	38.1	37.1	35.3	34.7	34.1	35.9	35.7	40.3	37.3
Change in external debt	-14.1			-18.1	-26.6	-1.2	-2.0	-0.8	-0.7	-6.2	0.6	0.2	0.4
Identified net debt-creating flows	-12.2			-20.4	-14.1	-1.7	-3.4	-2.5	-2.7	-4.9	0.9	1.0	0.7
Non-interest current account deficit	-0.3	8.3	8.8	-0.1	1.8	2.2	1.8	1.5	1.3	1.7	4.3	3.8	4.0
Deficit in balance of goods and services	34.5			34.1	36.8	36.0	35.3	35.2	35.1	35.7	35.7	37.4	36.2
Exports 7/	41.4			39.3	32.9	31.4	31.6	31.4	31.3	31.7	33.1	35.0	33.5
Imports	75.9			73.4	69.7	67.4	66.8	66.5	66.4	67.4	68.8	72.3	69.7
Net current transfers (negative = inflow)	-15.5	-2.8	5.9	-21.1	-19.2	-18.9	-18.3	-18.1	-18.0	-18.5	-18.7	-22.0	-19.7
Other current account flows (negative = net inflow)	-19.4			-13.0	-15.8	-14.9	-15.1	-15.6	-15.9	-15.5	-12.6	-11.6	-12.5
Net FDI (negative = inflow)	-1.8	-2.1	0.8	-2.0	-1.4	-1.7	-3.3	-2.5	-2.6	-2.3	-2.4	-1.5	-2.1
Endogenous debt dynamics 2/	-10.0			-18.3	-14.4	-2.2	-1.9	-1.5	-1.4	-4.3	-1.0	-1.3	-1.2
Contribution from nominal interest rate	3.1			1.4	2.1	0.6	0.5	0.6	0.6	0.9	0.6	0.6	0.6
Contribution from real GDP growth	-7.8			-6.6	-5.3	-2.8	-2.5	-2.0	-2.0	-2.9	-1.7	-1.9	-1.8
Contribution from price and exchange rate changes	-5.4			-13.1	-11.3	...	...	...	...	...	-0.6	-0.7	-0.6
Residual (3-4) 3/	-1.8			2.3	-12.5	0.5	1.5	1.8	2.0	-1.4	-0.4	-0.8	-0.3
o/w exceptional financing 8/	0.0			0.0	-0.6	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
NPV of public external debt 4/	**54.7**			**43.2**	**32.9**	**31.4**	**30.1**	**29.4**	**28.7**	**30.5**	**28.0**	**31.7**	**29.4**
In percent of exports 7/	132.1			109.8	99.9	100.1	95.5	93.8	91.7	96.2	84.5	90.6	87.8
NPV of GGG external debt	**52.0**			**40.6**	**31.3**	**30.1**	**28.9**	**28.3**	**27.7**	**29.3**	**27.4**	**31.5**	**29.0**
In percent of exports 7/	125.5			103.3	95.1	95.8	91.7	90.4	88.7	92.3	82.8	90.1	86.5
Public debt service-to-exports ratio (in percent)	**18.3**			**9.6**	**10.4**	**9.3**	**7.8**	**7.6**	**7.6**	**8.5**	**5.1**	**5.1**	**4.9**
GGG debt service-to-exports ratio (in percent)	**13.6**			**4.8**	**6.0**	**8.4**	**7.2**	**7.1**	**7.1**	**7.2**	**4.8**	**5.0**	**4.7**
Total gross financing need (billions of U.S. dollars) 9/	0.1			0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.2	0.3	0.2
Non-interest current account deficit that stabilizes debt ratio 11/	13.7			18.0	28.4	3.4	3.8	2.2	1.9	7.9	3.8	3.6	3.6
Key macroeconomic assumptions													
Real GDP growth (in percent)	9.1	7.3	2.7	10.2	10.6	8.0	7.0	6.0	6.0	7.5	5.0	5.0	5.1
GDP deflator in US dollar terms (change in percent)	5.8	-2.6	17.7	18.3	20.5	4.4	1.9	2.0	2.0	6.2	1.7	1.7	1.7
Effective interest rate (percent) 5/	3.7	2.9	1.2	2.1	4.2	1.7	1.5	1.6	1.7	2.2	1.9	1.5	1.7
Growth of exports of G&S (US dollar terms, in percent) 7/	5.7	0.1	11.7	23.8	11.6	7.5	9.7	7.4	7.7	8.8	7.6	7.5	7.8
Growth of imports of G&S (US dollar terms, in percent)	7.5	1.4	11.7	26.1	26.6	9.0	8.1	7.6	7.9	11.8	7.9	7.4	7.6
Grant element of new public sector borrowing (in percent)	...	...	...	40.9	42.7	38.2	41.9	41.9	41.9	41.3	41.9	41.9	41.9
Memorandum item:													
Nominal GDP (billions of US dollars)	1.2			1.6	2.1	2.3	2.6	2.8	3.0		4.2	8.2	

Source: Tajikistan authorities; and Fund staff estimates and simulations.

1/ Includes external government and government-guaranteed (GGG) debt, not guaranteed debt of public enterprises, and debt serviced by NBT.

2/ Derived as $[r - g - \rho(1+g)]/(1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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/ Assumes that NPV of public not guaranteed debt is equivalent to its face value.

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

6/ Derived over the post-civil war period of 1998-2003.

7/ Non-barter exports of goods and services.

8/ Debt cancellation by Pakistan.

9/ Current account and amortization payments minus FDIs.

10/ Public debt minus not guaranteed debt of public enterprises.

11/ Current account required to keep the debt-to-GDP ratio constant.

Table 2. Tajikistan: Government and Government-Guaranteed Sector Debt Sustainability Framework, Baseline Scenario, 2002-23
(In percent of GDP, unless otherwise indicated)

	Actual			Actual		Projections							
	2002	Historical Average 5/	Standard Deviation 5/	2003	2004	2005	2006	2007	2008	2004-08 Average	2013	2023	2009-23 Average
Government and gov. guaranteed (GGG) debt 1/	**81.6**			**63.7**	**38.1**	**37.1**	**35.3**	**34.7**	**34.1**	**35.9**	**35.7**	**40.3**	**37.3**
o/w foreign-currency denominated	81.6			63.7	38.1	37.1	35.3	34.7	34.1	35.9	35.7	40.3	37.3
Change in GGG debt	-12.9			-18.0	-25.6	-1.0	-1.8	-0.6	-0.6	-5.9	0.6	0.3	0.4
Identified debt-creating flows	**-10.0**			**-17.3**	**-13.2**	**0.2**	**1.6**	**2.4**	**2.0**	**-1.4**	**2.2**	**1.9**	**2.1**
Primary deficit	1.3	2.3	2.0	2.3	2.1	4.2	4.3	4.6	4.1	3.9	3.9	3.9	3.9
Revenue and grants	16.9			17.7	17.9	17.7	17.9	18.0	18.2	18.0	18.4	18.4	18.4
of which : grants	0.2			0.7	0.7	0.5	0.5	0.5	0.3	0.5	0.2	0.0	0.1
Primary (noninterest) expenditure	18.2			20.0	20.0	21.9	22.3	22.6	22.4	21.8	22.3	22.3	22.3
Automatic debt dynamics	-11.3			-19.6	-15.2	-4.0	-2.7	-2.2	-2.1	-5.3	-1.7	-2.0	-1.9
Contribution from interest rate/growth differential	-7.4			-10.8	-7.5	-3.0	-2.7	-2.2	-2.2	-3.5	-1.7	-2.1	-1.9
of which : contribution from average real interest rate	0.4			-3.3	-1.4	-0.2	-0.3	-0.2	-0.2	-0.5	-0.1	-0.2	-0.1
of which : contribution from real GDP growth	-7.9			-7.6	-6.1	-2.8	-2.4	-2.0	-2.0	-3.1	-1.7	-1.9	-1.8
Contribution from real exchange rate depreciation	-3.9			-8.8	-7.8	-1.0	0.0	0.0	0.0	-1.7	...	...	0.1
Residual, including asset changes	-2.9			-0.7	-12.4	-1.2	-3.4	-3.0	-2.6	-4.5	-1.6	-1.7	-1.7
NPV of GGG debt	**52.0**			**40.6**	**31.3**	**30.1**	**28.9**	**28.3**	**27.7**	**29.3**	**27.4**	**31.5**	**29.0**
Gross financing need 2/	6.9			4.2	4.1	6.8	6.6	6.9	6.4	6.1	5.5	5.7	5.5
NPV of GGG debt-to-revenue ratio (in percent) 3/	**307.0**			**230.0**	**174.7**	**170.1**	**161.2**	**157.6**	**152.3**	**163.2**	**149.2**	**171.3**	**157.7**
o/w external	307.0			230.0	174.7	170.1	161.2	157.6	152.3	163.2	149.2	171.3	157.7
Debt service on GGG debt-to-revenue ratio (in percent) 3/ 4/	**33.2**			**10.6**	**11.0**	**14.9**	**12.7**	**12.3**	**12.2**	**12.7**	**8.7**	**9.6**	**8.6**
Primary deficit that stabilizes the debt-to-GDP ratio	14.2			20.3	27.7	5.2	6.1	5.3	4.7	9.8	3.3	3.6	3.5
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	9.1	7.3	5.3	10.2	10.6	8.0	7.0	6.0	6.0	7.5	5.0	5.0	5.1
Average nominal interest rate on foreign currency debt (in percent)	1.6	2.8	2.0	-0.9	1.4	1.0	1.1	1.2	1.4	1.2	1.8	1.5	1.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.4	8.9	13.2	-12.4	...	...	...	...	...	...	...	...	...
GDP deflator (in percent)	21.5	33.4	131.9	28.1	19.3	6.8	5.0	5.0	5.0	8.2	4.8	4.8	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	16.6	10.7	20.7	20.8	10.7	18.1	8.9	7.8	4.7	10.0	4.7	5.0	5.1
Grant element of new external borrowing (in percent)	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	...

Sources: Country authorities; and Fund staff estimates and projections.

1/ Central government, NBT, and guaranteed debt of public enterprises.

2/ Defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues including grants.

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

5/ Historical averages and standard deviations are derived over the past 6 years.

Table 3. Tajikistan: Sensitivity Analyses for Key Indicators of Public External Debt, 2003-23
(In percent)

	Actual	Est.	Projections					
	2003	2004	2005	2006	2007	2008	2013	2023
NPV of debt-to-GDP ratio								
Baseline	43	33	31	30	29	29	28	32
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2004-23 1/	43	40	38	36	35	34	24	11
A2. New public sector loans on less favorable terms in 2004-23 2/	43	34	34	33	33	34	37	48
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2004-05	43	34	34	32	32	31	30	34
B2. Export value growth at historical average minus one standard deviation in 2004-05 3/	43	36	40	38	37	36	34	34
B3. US dollar GDP deflator at historical average minus one standard deviation in 2004-05	43	46	54	52	50	49	48	54
B4. Net non-debt creating flows at historical average minus one standard deviation in 2004-05 4/	43	46	57	55	53	51	45	38
B5. Combination of B1-B4 using one-half standard deviation shocks	43	61	85	81	79	76	66	56
B6. One-time 30 percent nominal depreciation relative to the baseline in 2004 5/	43	44	42	40	39	38	37	42
NPV of debt-to-exports ratio								
Baseline	110	100	100	95	94	92	84	91
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2004-23 1/	110	122	122	116	111	107	72	31
A2. New public sector loans on less favorable terms in 2004-23 2/	110	104	107	105	107	108	113	137
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2004-05	110	100	100	95	94	92	84	91
B2. Export value growth at historical average minus one standard deviation in 2004-05 3/	110	134	182	173	170	166	145	138
B3. US dollar GDP deflator at historical average minus one standard deviation in 2004-05	110	100	100	95	94	92	84	91
B4. Net non-debt creating flows at historical average minus one standard deviation in 2004-05 4/	110	141	182	173	169	165	136	109
B5. Combination of B1-B4 using one-half standard deviation shocks	110	158	228	216	211	206	170	135
B6. One-time 30 percent nominal depreciation relative to the baseline in 2004 5/	110	100	100	95	94	92	84	91
Debt service ratio								
Baseline	9.7	10.4	8.4	7.2	7.1	7.1	4.8	5.0
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2004-23 1/	9.7	14.5	11.4	9.1	8.6	8.5	5.6	2.2
A2. New public sector loans on less favorable terms in 2004-23 2/	9.7	12.2	9.7	8.4	8.4	8.6	7.6	8.7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2004-05	9.7	12.2	9.4	7.8	7.6	7.8	6.3	5.2
B2. Export value growth at historical average minus one standard deviation in 2004-05 3/	9.7	14.8	13.8	11.9	11.5	11.8	11.0	8.4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2004-05	9.7	12.2	9.4	7.8	7.6	7.8	6.3	5.2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2004-05 4/	9.7	12.2	10.3	9.5	9.2	9.3	10.5	7.3
B5. Combination of B1-B4 using one-half standard deviation shocks	9.7	13.8	12.7	11.8	11.4	11.5	13.1	9.0
B6. One-time 30 percent nominal depreciation relative to the baseline in 2004 5/	9.7	12.2	9.4	7.8	7.6	7.8	6.3	5.2
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	41	41	41	41	41	41	41	41

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 4. Tajikistan: Sensitivity Analyses for Key Indicators of Government and Government Guaranteed Debt , 2003-23

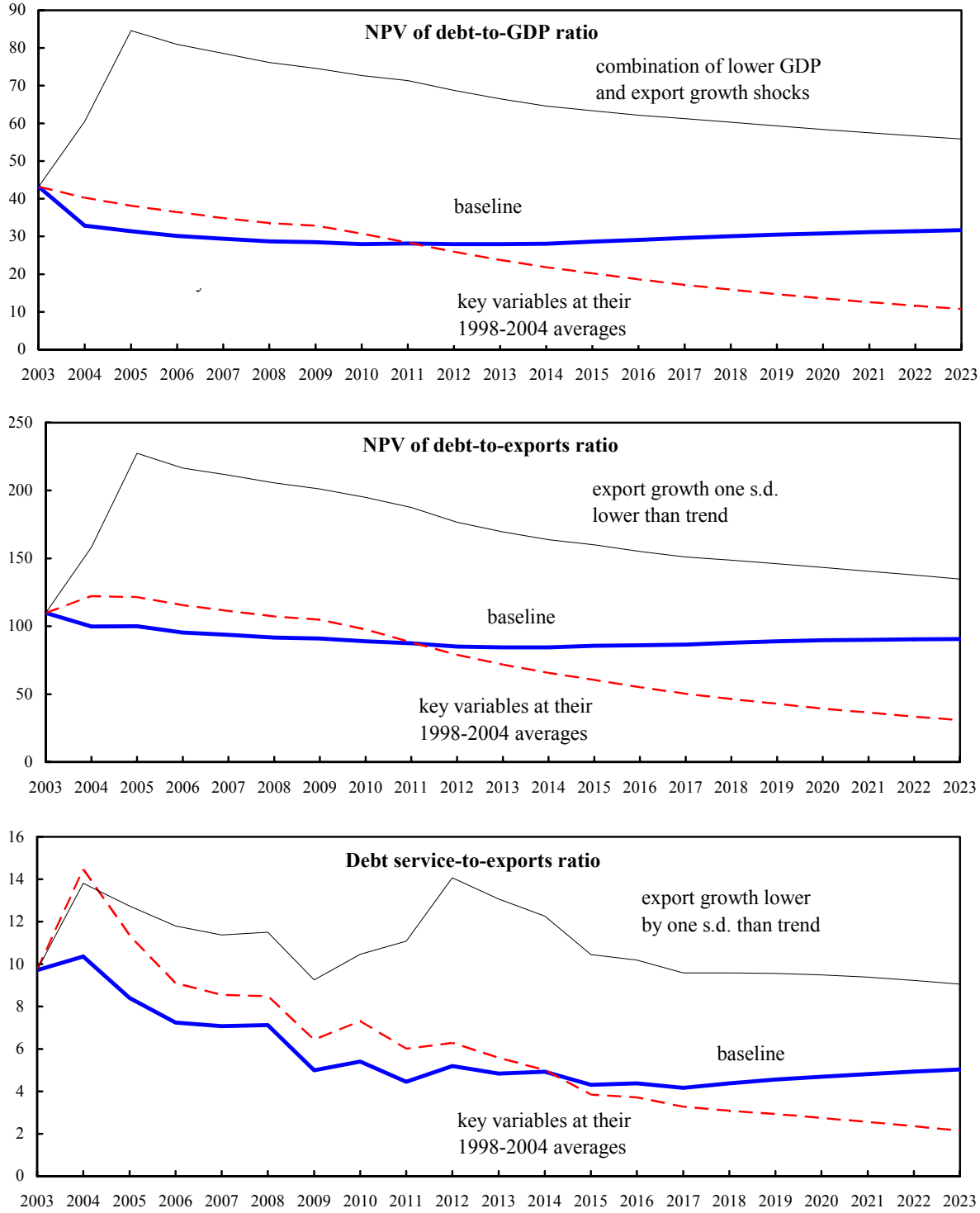
	Actual	Est.	Projections					
	2003	2004	2005	2006	2007	2008	2013	2023
NPV of Debt-to-GDP Ratio								
Baseline	41	31	30	29	28	28	27	31
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	41	32	29	26	23	20	12	7
A2. Primary balance is unchanged from 2003	41	31	28	24	22	19	14	13
A3. Permanently lower GDP growth 1/	41	32	31	30	30	30	34	56
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviation in 2004-2005	41	34	35	36	36	37	44	61
B2. Primary balance is at historical average minus one standard deviation in 2004-2005	41	34	32	31	30	30	29	33
B3. Combination of B1-B2 using one half standard deviation shock	41	34	32	30	29	29	27	29
B4. One time 30 percent real depreciation in 2004	41	49	46	43	42	40	36	38
B5. 10 percent of GDP increase in other debt-creating flows in 2004	41	41	40	38	37	36	35	38
NPV of Debt-to-Revenue Ratio 2/								
Baseline	230	175	170	161	158	152	149	171
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	230	181	165	144	126	110	65	38
A2. Primary balance is unchanged from 2003	230	175	157	136	120	107	75	69
A3. Permanently lower GDP growth 1/	230	176	174	167	166	164	187	304
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2004-2005	230	190	199	198	202	204	239	331
B2. Primary balance is at historical average minus one standard deviations in 2004-2005	230	187	183	173	169	164	159	178
B3. Combination of B1-B2 using one half standard deviation shocks	230	188	180	169	164	157	147	159
B4. One time 30 percent real depreciation in 2004	230	274	257	241	231	219	195	207
B5. 10 percent of GDP increase in other debt-creating flows in 2004	230	230	224	212	207	200	191	204
Debt Service-to-Revenue Ratio 2/								
Baseline	10.6	11.0	14.9	12.7	12.3	12.2	8.7	9.6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	10.6	11.4	15.5	12.4	11.0	9.9	3.3	0.8
A2. Primary balance is unchanged from 2003	10.6	11.0	14.9	12.7	12.3	12.2	8.7	9.6
A3. Permanently lower GDP growth 1/	10.6	11.1	15.1	13.1	12.8	13.0	10.9	17.7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2004-2005	10.6	11.7	16.7	14.9	15.0	15.5	14.3	20.0
B2. Primary balance is at historical average minus one standard deviations in 2004-2005	10.6	11.0	16.0	13.6	13.2	13.1	9.4	9.9
B3. Combination of B1-B2 using one half standard deviation shocks	10.6	11.5	16.4	13.5	13.0	12.7	8.5	8.5
B4. One time 30 percent real depreciation in 2004	10.6	11.8	15.7	13.7	13.4	13.5	10.5	11.9
B5. 10 percent of GDP increase in other debt-creating flows in 2004	10.6	11.0	19.7	16.5	16.0	15.7	11.7	11.8
Debt Service-to-GDP Ratio								
Baseline	1.9	2.0	2.6	2.3	2.2	2.2	1.6	1.8
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	1.9	2.0	2.7	2.2	2.0	1.8	0.6	0.2
A2. Primary balance is unchanged from 2003	1.9	2.0	2.6	2.3	2.2	2.2	1.6	1.8
A3. Permanently lower GDP growth 1/	1.9	2.0	2.7	2.3	2.3	2.4	2.0	3.3
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2004-2005	1.9	2.1	3.0	2.7	2.7	2.8	2.6	3.7
B2. Primary balance is at historical average minus one standard deviations in 2004-2005	1.9	2.0	2.8	2.4	2.4	2.4	1.7	1.8
B3. Combination of B1-B2 using one half standard deviation shocks	1.9	2.1	2.9	2.4	2.3	2.3	1.6	1.6
B4. One time 30 percent real depreciation in 2004	1.9	2.1	2.8	2.5	2.4	2.4	1.9	2.2
B5. 10 percent of GDP increase in other debt-creating flows in 2004	1.9	2.0	3.5	3.0	2.9	2.9	2.1	2.2

Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

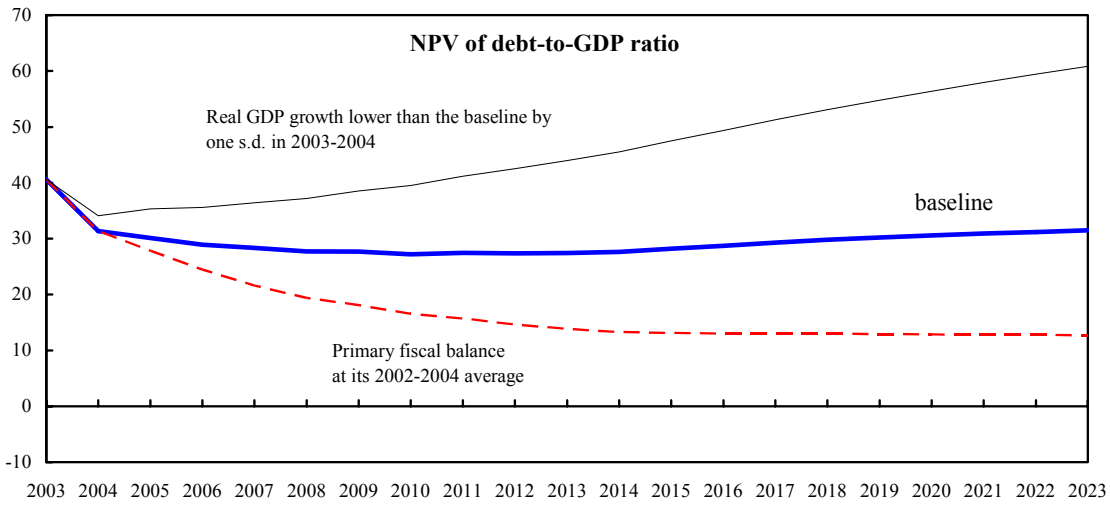
2/ Revenues are defined inclusive of grants.

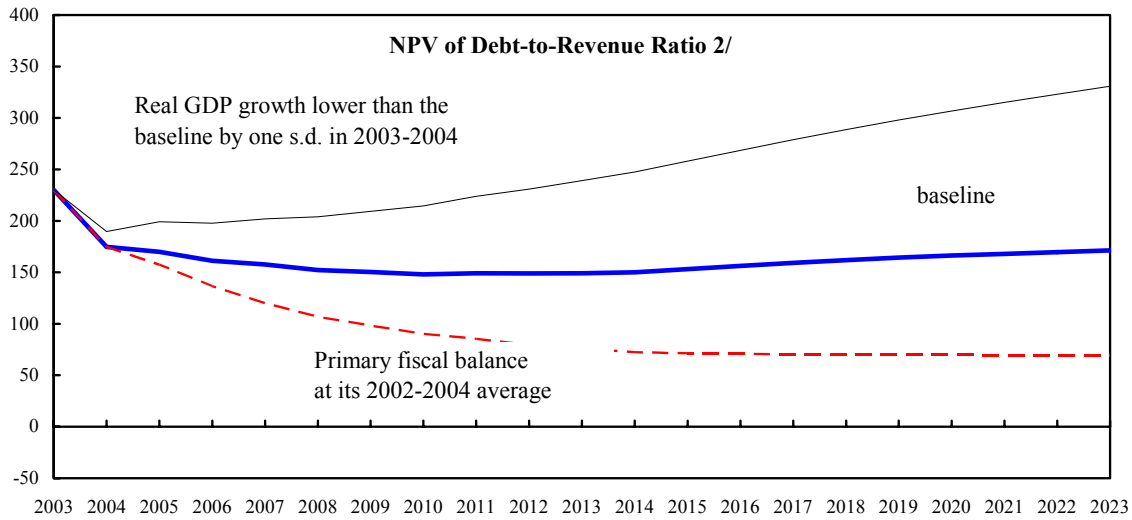
Figure 1. Tajikistan: Indicators of Public External Debt
Under Alternative Scenarios, 2003-2023
(In percent)

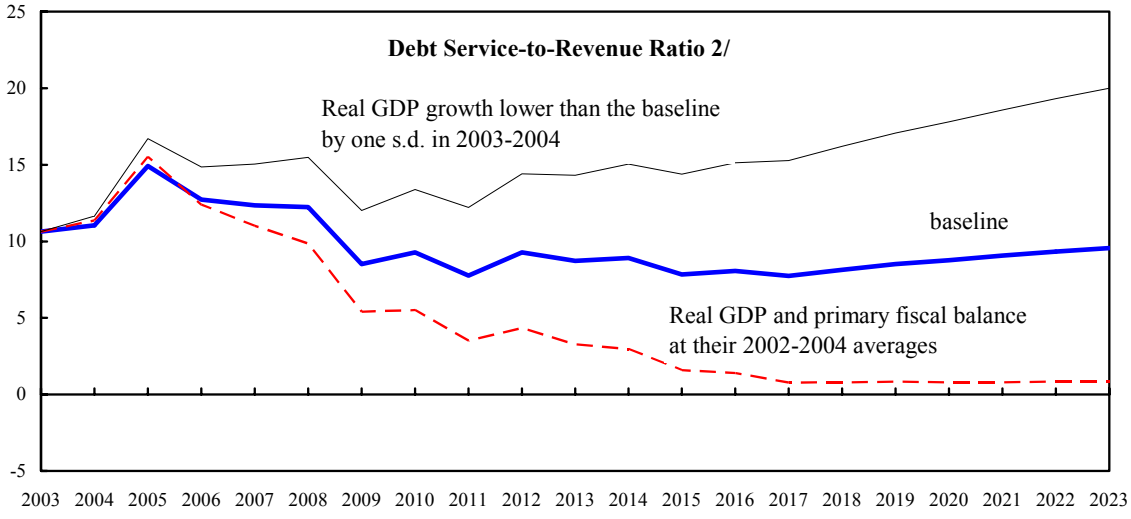


Source: Staff projections and simulations.

Figure 2. Tajikistan: Indicators of Government and Government-Guaranteed Debt Under Alternative Scenarios, 2003-23 1/
(In percent)







Source: Staff projections and simulations.
1/ Most extreme stress test is test that yields highest ratio in 2013.
2/ Revenue including grants.

Table A-1. Tajikistan: Basic Economic Data, 2000–04

Demographic indicators					
Area (2002)			143,100 km^2		
Arable land (2002)			7,155 km^2		
Population as of Dec 31, 2004 (in thousand)			6,732		
Rate of population growth (in percent)			1.9		
Life expectancy at birth (1998)			66.9		
Men			64.3		
Women			69.7		
Infant mortality rate (per 1,000 births, 1999)			36.7		
Hospital beds (per 10,000 inhabitants, 2002)			62.2		
Physicians (per 10,000 inhabitants, 2002)			20.1		
	2000	2001	2002	2003	2004
					Prel.
Nominal GDP (in millions of somoni)	1,807	2,512	3,345	4,758	6,158
Real GDP growth (in percent)	8.3	10.2	9.1	10.2	10.6
Inflation (in percent, end of period)	60.6	12.5	14.5	13.7	5.6
Inflation (in percent, average)	32.9	38.6	10.2	17.1	7.1
			(In percent of GDP)		
Sectoral distribution of GDP					
Agriculture	27.0	26.5	26.3	25.2	21.6
Industry	23.9	22.7	22.1	20.9	19.6
Trade	18.3	19.1	19.9	19.0	19.7
Construction	3.4	4.1	3.8	4.2	5.5
Other	27.4	27.6	27.9	30.7	33.6
Balance of payments					
Current account balance (In percent of GDP)	-6.5	-6.7	-2.7	-1.3	-3.9
Gross official reserves (in months of imports)	2.1	1.9	1.8	1.8	2.0
			(In percent of GDP)		
Consolidated government finances					
Revenue	13.9	15.1	16.7	17.3	17.9
Expenditure 1/	15.2	16.3	16.8	16.4	17.6
Overall balance 1/	-1.3	-1.1	-0.1	0.9	0.3
			(Percent change from previous period)		
Money and credit					
Somoni broad money	78.2	40.0	39.7	29.2	14.3
Credit to private sector	90.2	54.3	20.2	10.9	57.9
Interest rate 2/	34.4	18.5	23.1	4.9	6.2

Source: Tajik authorities.

1/ Excludes externally-financed public investment program.

2/ Lending rate for domestic currency denominated 3–6 months loans; end of year.

Table A-2. Tajikistan: Nominal and Real GDP, 2000–04 1/

		Nominal GDP (In millions of somoni)	Real GDP (Index, 2000=100)	Percent change of real GDP
				(Over the previous year)
	2000	1,807	100.0	8.3
	2001	2,512	110.2	10.2
	2002	3,345	120.2	9.1
	2003	4,758	132.5	10.2
	2004	6,158	146.5	10.6
				(Over same quarter of the previous year)
2000	Q1	243	14.9	3.8
	Q2	306	19.7	2.6
	Q3	555	33.1	20.2
	Q4	702	32.4	3.4
2001	Q1	401	16.0	7.6
	Q2	490	22.1	12.3
	Q3	757	36.9	11.5
	Q4	864	35.2	8.7
2002	Q1	508	17.5	9.3
	Q2	686	23.7	7.5
	Q3	979	40.5	9.8
	Q4	1,171	38.5	9.3
2003	Q1	755	19.6	12.1
	Q2	1,039	25.2	6.0
	Q3	1,374	43.4	7.2
	Q4	1,590	44.3	15.1
2004	Q1	1,123	21.4	9.1
	Q2	1,231	28.3	12.7
	Q3	1,886	49.7	14.6
	Q4	1,917	47.0	6.2

Source: State Statistical Committee.
1/ The data for 2004 are preliminary.

Table A-3. Tajikistan: Nominal GDP by Sector of Origin, 2000–04

(In thousands of somoni; unless otherwise specified)

	2000		2001		2002		2003		2004	
		Share (in percent)		Share (in percent)		Share (in percent)		Share (in percent)		Share (in percent)
Industry	431,661	23.9	573,789	22.8	744,230	22.2	994,777	20.9	1,206,865	19.6
Agriculture	487,960	27.0	669,809	26.7	886,818	26.5	1,198,970	25.2	1,330,014	21.6
Construction	61,059	3.4	103,682	4.1	127,821	3.8	199,828	4.2	338,662	5.5
Trade	330,016	18.3	483,396	19.2	671,424	20.1	903,985	19.0	1,213,022	19.7
Transport	88,270	4.9	98,465	3.9	123,487	3.7	180,797	3.8	338,662	5.5
Supplies	4,153	0.2	3,256	0.1	7,025	0.2	9,516	0.2	12,881	0.2
Procurement	...	...	...	...	...	...	...	...	...	...
Other material sectors 1/	5,784	0.3	7,450	0.3	8,308	0.2	23,395	0.5	19,038	0.3
Nonmaterial services 1/	248,183	13.7	358,670	14.3	463,653	13.9	742,219	15.6	1,040,613	16.9
Indirect taxes	149,681	8.3	213,484	8.5	312,234	9.3	504,329	10.6	657,716	10.7
GDP	1,806,767	100.0	2,512,000	100.0	3,345,000	100.0	4,757,816	100.0	6,157,472	100.0

Source: State Statistical Committee.

1/ Since 1998, includes the State Statistical Committee's estimate of the informal sector.

Table A-4. Tajikistan: Production and Yields of Major Agricultural Crops, 2000–04

	2000	2001	2002	2003	2004
	(In thousands of somoni at constant 2000 prices)				
Crop production	594,192	642,143	753,683	828,184	959,037
	(In thousands of tons)				
Production					
Of which:					
Raw cotton	335	453	515	537	557
Grain	550	494	596	730	734
Sweet corn	38	42	55	95	95
Feed corn	226	241	299	294	295
Rice	82	39	50	59	59
Potatoes	303	308	357	473	527
Vegetables	354	397	473	583	679
Fruits	169	144	147	89	144
Grapes	110	110	81	28	93
Hay	290	275	376	356	443
	(In kilograms per hectare)				
Yield					
Of which:					
Raw cotton	1,410	1,790	1,930	1,900	1,910
Grain	1,270	1,430	1,820	1,990	1,970
Sweet corn	2,700	2,950	3,510	3,770	3,540
Feed corn	10,250	11,750	13,080	14,800	14,223
Rice	3,790	2,610	2,850	3,460	3,000
Potatoes	11,870	12,550	15,550	17,740	17,400
Vegetables	11,370	11,710	13,890	16,200	18,300
Fruits	2,420	2,490	2,470	1,520	2,400
Grapes	3,270	3,290	2,460	950	3,100
Hay	1,714	1,010	1,430	1,360	2,060

Source: State Statistical Committee.

Table A-5. Tajikistan: Animal Husbandry, 2000–04

	2000	2001	2002	2003	2004
	(In thousands of somoni at constant 2000 prices)				
Animal husbandry	121,611	143,461	156,838	169,747	203,187
	(In thousands)				
Total production	3,357	3,432	3,643	3,886	4,113
Of which:					
Beef cattle	510	532	549	583	636
Milk cows	552	559	587	636	642
Pigs	1	1	1	1	1
Sheep	1,478	1,490	1,591	1,672	1,782
Goats	744	779	842	920	975
Horses	72	71	73	74	77

Source: State Statistical Committee.

Table A-6. Tajikistan: Agricultural Production by Type of Farm, 2000–04

	2000	2001	2002	2003	Jan-Sep. 2004
	(In thousands of somoni at 2000 prices)				
Total for all types of farms	715,803	785,604	910,525	1,001,995	1,171,571
	(In percent)				
Total for all types of farms	100.0	100.0	100.0	100.0	100.0
Of which:					
Crop production	83.0	81.7	82.8	83.0	81.0
Animal husbandry	17.0	18.3	17.2	17.0	19.0
State and collective farms	36.2	32.7	32.4	48.0	24.9
Of which:					
Crop production	95.0	96.2	96.6	97.0	95.6
Animal husbandry	5.0	3.8	3.4	3.0	4.4
Personal lots	63.8	67.3	67.6	52.0	75.1
Of which:					
Crop production	85.0	74.7	76.1	60.0	76.1
Animal husbandry	15.0	25.3	23.9	40.0	23.9

Source: State Statistical Committee.

Table A-7. Tajikistan: Allocation of Agricultural Land, 2004

	Total	Collective and Other Farms 1/	Private Farms and Employees	Other 2/
		(In hectares)		
Total crops	886,864	451,815	240,132	194,917
Of which:				
Irrigated land	592,006	328,997	167,158	95,851
Winter crops	187,215	61,081	36,245	89,889
Of which:				
Winter wheat	177,050	56,695	34,519	85,836
Rye	248	220	28	0
Barley	9,917	4,166	1,698	4,053
Spring crops	209,113	96,630	68,698	43,785
Of which:				
Wheat	157,816	73,001	51,411	33,404
Barley	27,570	13,722	10,015	3,833
Maize	8,320	2,714	923	4,683
Rice	11,394	6,362	2,544	2,488
Oats	681	565	116	...
Other grains and beans	11,652	2,980	4,612	4,060
Cotton	284,367	200,178	84,189	0
Flax	21,108	6,162	8,581	6,365
Tobacco	795	471	246	78
Potatoes	25,988	2,966	5,395	17,627
Vegetables	30,299	5,505	3,812	20,912
Fodder	96,098	65,118	23,556	7,424
Melons and gourds	10,671	3,817	3,500	3,347
Other industrial crops	12,867	6,919	5,439	119
Seed trees of vegetables and melons	93	84	6	3
		(In percent of total)		
Total crops	100.0	50.9	27.1	22.0
Of which:				
Irrigated land	66.8	37.1	18.8	10.8
Winter crops	21.1	6.9	4.1	10.1
Of which:				
Winter wheat	20.0	6.4	3.9	9.7
Rye	0.0	0.0	0.0	...
Barley	1.1	0.5	0.2	0.5
Spring crops	23.6	10.9	7.7	4.9
Of which:	0.0	0.0	0.0	0.0
Wheat	17.8	8.2	5.8	3.8
Barley	3.1	1.5	1.1	0.4
Maize	0.9	0.3	0.1	0.5
Rice	1.3	0.7	0.3	0.3
Oats	0.1	0.1	0.0	...
Grains and beans	1.3	0.3	0.5	0.5
Other grains and beans	1.3	0.3	0.5	0.5
Other cereals	3.7	1.7	1.5	0.5
Cotton	32.1	22.6	9.5	...
Flax	2.4	0.7	1.0	0.7
Tobacco	0.1	0.1	0.0	0.0
Potatoes	2.9	0.3	0.6	2.0
Vegetables	3.4	0.6	0.4	2.4
Fodder	10.8	7.3	2.7	0.8
Melons and gourds	1.2	0.4	0.4	0.4
Other industrial crops	1.5	0.8	0.6	0.0
Seed trees of vegetables and melons	0.0	0.0	0.0	0.0

Source: State Statistical Committee.

1/ Includes collective farms (kolkhozes), state farms (sovkhozes), state farms in transformation to collective farms (mezhozes), and other farms.

2/ Personal plots, including 75,000 hectares of land distributed by presidential decree in 1997.

Table A-8. Tajikistan: Industrial Output by Sector at Constant Prices, 2000–04

	2000	2001	2002	2003	2004 Prel.
	(In millions of somoni at 1998 prices)				
Total industry	710,482	817,054	885,686	973,369	1,112,561
	(In percent)				
Share in total industrial output					
Of which:					
Electric energy	7.2	6.6	5.8	7.5	6.0
Fuel, refinery	0.2	0.2	0.2	0.2	0.3
Nonferrous metallurgy	56.3	54.2	48.9	44.6	47.2
Chemical and petrochemical	1.7	1.2	0.9	1.1	1.3
Mechanical engineering and metal working	0.9	0.7	0.9	1.0	1.6
Wood and wood-working, paper	0.0	0.0	0.1	0.1	0.2
Glass	0.3	0.4	0.4	0.3	0.2
Construction material	0.8	0.7	1.1	1.4	1.5
Light industry	15.5	12.7	17.8	21.7	17.8
Food	10.7	16.9	17.9	15.4	15.0
Flour grinding	6.1	6.3	5.8	6.5	8.7
Unallocated	0.3	0.1	0.2	0.2	0.2
	(Index 1990=100)				
Total industry	40.6	46.7	50.6	55.6	63.6
Of which:					
Electric energy	107.4	111.3	119.8	127.7	127.8
Fuel, refinery	7.9	8.7	11.5	13.9	17.4
Nonferrous metallurgy	59.4	66.3	69.8	72.7	82.4
Chemical and petrochemical	10.5	8.8	8.9	13.8	21.4
Mechanical engineering and metal working	14.7	17.7	23.8	31.5	69.5
Wood and wood-working, paper	5.1	7.6	9.4	13.0	26.6
Glass	26.5	42.5	45.4	41.3	45.8
Construction material	3.6	4.2	5.6	8.5	9.9
Light industry	35.7	37.7	47.1	55.5	61.8
Food	16.8	25.3	26.0	26.8	31.2
Flour grinding	34.4	37.9	38.6	53.2	62.3

Source: State Statistical Committee.

Table A-9. Tajikistan: Selected Indicators of Industrial Production, 2000–04

	2000	2001	2002	2003	2004
High-capacity electrical transformers (in thousand kWh)	37.4	61.2	58.9	63.9	78.8
Aluminum (in thousand tons)	269.2	289.1	307.6	319.4	358.3
Cement (in thousand tons)	54.8	68.9	89.2	166.3	193.6
Prefabricated reinforced concrete construction elements (in thousand cubic meters)	12.5	12.0	16.5	17.0	18.3
Construction bricks (in million units)	29.9	23.9	29.2	32.5	39.5
Asbestos-roofing (in million sheets)	2.3	1.0	2.2	2.9	0.6
Lumber/Timber (in thousand cubic meters)	0.1	0.2	…	...	...
Caustic soda (in thousand tons)	3.7	3.0	2.8	2.8	3.0
Fertilizers (in thousand tons)	11.1	3.5	12.2	19.3	40.0
Detergents and soaps (in thousand tons)	0.6	0.3	0.5	0.4	0.3
Knitwear (in million items)	0.30	0.20	0.04	0.20	0.06
Cotton fabrics (in million square meters)	11.5	13.6	19.5	16.8	18.4
Silk fabrics (in million square meters)	0.3	0.2	0.1	0.0	0.0
Rugs, carpets (in million square meters)	0.3	0.5	0.3	0.4	0.4
Hosiery (in million pairs)	3.1	4.4	5.2	5.5	5.7
Shoes (in million pairs)	0.1	0.1	0.1	0.0	0.0
Refrigerators and freezers (in thousands)	1.7	1.7	1.4	0.6	1.9

Source: State Statistical Committee.

Table A-10. Tajikistan: Electricity Output, Trade and Consumption, 2000–04
(In billions of kilowatt hours)

	2000	2001	2002	2003	2004 Prel.
Output	14.3	14.4	15.3	16.5	16.8
Of which:					
Hydropower	14.1	14.2	15.2	16.4	16.5
Thermal power	0.2	0.2	0.1	0.1	0.3
Imports	5.2	5.4	4.7	4.6	4.8
Exports	3.9	4.1	3.9	4.6	4.4
Total internal consumption (by sector)	15.6	15.7	16.1	16.5	...
Of which:					
Industry	5.8	6.1	6.2	6.7	...
Construction	0.0	0.0	0.0	0.0	...
Agriculture	4.3	4.5	4.2	4.3	...
Transport	0.0	0.0	0.0	0.0	...
Other sectors	0.5	0.4	0.4	0.4	...
Households	2.8	2.5	2.9	2.6	...
Losses	2.2	2.2	2.3	2.5	...
Discrepancy	-1.0	-0.1	0.1	0.0	...

Source: State Statistical Committee.

Table A-11. Tajikistan: Labor Resources and Employment, 2000–04

	2000	2001	2002	2003	2004
	(In thousands of persons)				
Population 1/	6,250	6,376	6,507	6,640	6,732
Of which:					
Working age 2/	3,247	3,397	3,573	3,740	...
Nonworking age	3,003	2,979	2,933	2,900	...
Urban	1,660	1,691	1,720	1,758	...
Rural	4,590	4,685	4,787	4,882	...
Labor force participation rate 1/3/	55	55	53	55	...
Total labor resources 4/	3,186	3,301	3,463	3,644	...
Of which:					
Economically active population 4/ 5/	1,794	1,872	1,904	1,932	1,918
Of which:					
Total employment 4/	1,745	1,829	1,857	1,885	1,897
Of which:					
Government 6/	558	520	517	481	...
Collective farms	364	397	425	369	...
Cooperatives	1	1	0	0	...
Private farming	641	684	721	723	...
Clergy and other religious activity	1	1	1	1	...
Unallocated	180	227	193	311	...
Registered unemployment	49	43	47	47	41
Nonworking students 4/	343	357	395	399	...
Working age population at home 4/	1,049	1,072	1,164	1,313	...
	(In percent of total employment)				
Total labor resources	182.6	180.5	186.0	193.0	...
Of which:					
Economically active population	102.8	102.4	102.5	102.5	...
Of which:					
Total employment	100.0	100.0	100.0	100.0	...
Of which:					
Government 6/	32.0	28.4	27.8	25.5	...
Collective farms	20.9	21.7	22.9	20.0	...
Cooperatives	0.0	0.0	0.0	0.0	...
Private farming	36.7	37.4	38.8	38.4	...
Clergy and other religious activity	0.1	0.1	0.1	0.1	...
Unallocated	10.3	12.4	10.4		...
Registered unemployment	2.8	2.4	2.5	2.4	...
Total unemployment	…	…	…	…	...
Nonworking students	19.7	19.5	20.8	21.2	...
Working age population at home	60.1	58.6	63.9	69.7	...

Source: State Statistical Committee

1/ End of year.
2/ Working age is defined as follows: In 1997-2000, for men 15-59, women 15-54; in 2001, for men 15-60, women 15-55; from 2002 onwards, men is 15-62, women is 15-57.
3/ Defined as the ratio of economically active over working age population.
4/ Annual averages.
5/ Comprises employed and registered unemployed.
6/ Includes central and local governments, state enterprises and state farms.

Table A-12. Tajikistan: Registered Unemployment, 2000–04

(In thousands of people; end of period)

	2000		2001		2002		2003		2004	
	Total	Receiving benefits	Total	Receiving benefits	Total	Receiving benefits	Total	Receiving benefits	Total	Receiving benefits
January	49.8	0.7	42.2	0.5	43.7	1.6	46.0	0.6	42.8	0.4
February	49.3	1.5	42.9	0.7	45.0	0.5	46.1	0.6	43.3	0.2
March	49.2	4.1	41.7	2.9	46.2	4.9	46.6	1.6	42.4	0.4
April	49.9	2.6	42.4	2.0	47.0	1.7	47.5	1.1	42.1	0.2
May	50.4	2.5	43.3	2.1	47.9	2.4	47.5	0.7	42.3	0.6
June	50.2	3.9	43.5	2.2	48.8	2.2	48.7	3.8	42.0	0.6
July	50.3	1.3	44.0	1.7	48.8	1.5	49.5	1.5	42.1	0.4
August	50.4	2.2	43.9	1.8	49.0	1.3	49.7	1.3	42.2	0.3
September	50.0	4.1	44.4	1.7	48.9	2.5	46.3	2.5	40.6	1.1
October	49.7	1.6	44.7	1.6	49.0	1.3	46.0	1.2	40.7	0.3
November	49.7	1.0	44.2	1.7	48.1	1.4	45.4	1.1	40.4	0.5
December	43.2	2.3	42.9	2.3	46.7	3.4	42.9	1.7	...	...

Source: State Statistical Committee.

Table A-13. Tajikistan: Employment by Sector of Economy, 2000–04

	2000	2001	2002	2003	2004
	(In thousands of persons; annual average)				
Total employment	1,745	1,829	1,857	1,885	1,897
Material sphere	1,416	1,495	1,516	1,554	...
Of which:					
Agriculture	1,135	1,218	1,255	1,275	...
Industry	121	123	122	115	...
Construction	36	33	31	31	...
Transport and communication	42	45	43	45	...
Trade, supply and other	81	76	65	88	...
Nonmaterial sphere	326	334	341	331	...
Of which:					
Government	27	28	34	28	...
Education, culture and art	179	180	185	183	...
Medical care, physical training and social security	82	79	76	78	...
Scientific research	5	5	5	4	...
Communal services	27	29	32	31	...
Other	3	14	9	7	...
	(In percent of total employment)				
Total employment	100.0	100.0	100.0	100.0	...
Material sphere	81.1	81.8	81.6	82.4	...
Of which:					
Agriculture	65.0	66.6	67.6	67.6	...
Industry	6.9	6.7	6.6	6.1	...
Construction	2.1	1.8	1.7	1.6	...
Transport and communication	2.4	2.5	2.3	2.4	...
Trade, supply and other	4.7	4.1	3.5	4.7	...
Nonmaterial sphere	18.7	18.2	18.4	17.6	...
Of which:					
Government	1.5	1.5	1.8	1.5	...
Education, culture and art	10.3	9.8	10.0	9.7	...
Medical care, physical training and social security	4.7	4.3	4.1	4.1	...
Scientific research	0.3	0.3	0.3	0.2	...
Communal services	1.5	1.6	1.7	1.6	...
Other	0.2	0.8	0.5	0.4	...

Source: State Statistical Committee.

Table A-14. Tajikistan: Sectoral Output, Employment and Productivity, 2000–03
(Index 1991 = 100)

	2000	2001	2002	2003
Industry				
Output	42.2	48.5	52.6	57.9
Employment	47.3	48.0	47.7	44.9
Productivity	89.2	100.9	110.3	128.9
Agriculture				
Output	48.2	52.9	61.3	67.4
Employment	128.8	138.2	142.4	144.6
Productivity	44.4	38.3	43.0	46.6
Transport				
Output	...	...	...	...
Employment 1/	64.4	69.1	66.0	69.1
Productivity	...	...	...	...
Construction				
Output	...	...	...	...
Employment	27.8	29.7	28.4	29.7
Productivity	...	...	...	...

Sources: Tajik authorities; and Fund staff estimates.

1/ Includes transport and communications.

Table A-15. Tajikistan: Consumer Price Index, 2000–04

	Overall CPI	Foodstuff	Nonfood	Services
	(Monthly percent change)			
2003 January	3.7	1.7	0.9	25.4
February	1.5	1.8	0.8	0.5
March	2.5	3.4	0.3	0.3
April	1.4	1.3	0.4	3.8
May	-0.4	-0.7	0.6	0.4
June	-0.8	-2.3	1.2	5.3
July	0.4	0.6	1.1	-9.0
August	0.3	-0.6	0.4	0.1
September	1.1	1.2	0.6	1.5
October	3.8	3.0	0.7	14.7
November	0.6	0.2	0.9	2.6
December	0.3	0.1	0.1	1.5
2004 January	0.7	0.1	0.1	5.8
February	0.2	-0.2	1.0	1.0
March	0.1	-0.1	0.0	0.9
April	0.2	0.4	0.3	-1.1
May	0.1	0.3	2.8	-6.3
June	-0.3	-0.4	0.1	0.0
July	1.1	1.7	0.3	-0.6
August	0.5	0.4	0.6	1.0
September	1.7	2.5	0.1	-0.1
October	1.1	0.4	0.2	7.4
November	-0.3	-1.1	0.5	3.1
December	0.4	0.5	0.1	0.3
	(Quarterly percent change; end-period)			
2000 Q1	4.9	5.4	4.0	2.0
Q2	11.3	13.5	3.3	3.8
Q3	14.1	15.3	11.1	2.9
Q4	20.7	20.6	20.7	22.8
2001 Q1	5.0	6.1	1.7	1.0
Q2	3.3	4.0	0.7	0.6
Q3	-1.4	-2.7	3.5	0.7
Q4	5.2	5.5	4.3	0.7
2002 Q1	2.9	3.5	1.5	2.0
Q2	2.8	3.1	1.2	2.2
Q3	4.2	5.2	0.8	3.7
Q4	3.8	4.3	2.7	1.8
2003 Q1	7.9	7.1	2.1	26.4
Q2	0.2	-1.7	2.2	9.7
Q3	0.4	1.2	2.1	-7.5
Q4	4.7	3.3	1.7	19.4
2004 Q1	1.0	-0.1	1.0	7.9
Q2	0.0	0.3	3.2	-7.3
Q3	3.4	4.7	1.0	0.3
Q4	1.2	-0.2	0.9	11.1
	(Annual percent change; end-period)			
2000	60.6	66.3	44.2	34.0
2001	12.5	13.7	10.5	3.2
2002	14.5	17.0	6.3	9.9
2003	13.7	10.2	8.3	53.1
2004	5.6	4.6	6.4	11.4

Source: State Statistical Committee.

Table A-16. Tajikistan: Wholesale Price Index, 2000–04

		Overall WPI	Foodstuff	Fuel	Light Industry
		(Monthly percent change)			
2003	January	1.3	0.2	3.6	0.1
	February	2.7	0.3	0.0	2.7
	March	-0.6	0.1	1.4	-0.3
	April	-2.3	0.0	-1.9	0.0
	May	3.4	0.0	0.8	-0.2
	June	-0.3	0.1	0.0	0.1
	July	0.7	0.1	0.3	0.9
	August	1.2	0.1	27.9	0.0
	September	-0.6	0.0	7.1	0.0
	October	3.4	3.5	-2.2	0.0
	November	3.0	11.8	-3.0	3.2
	December	1.8	2.7	2.4	0.2
2004	January	1.7	0	1.3	0
	February	2.2	0.1	9	-0.6
	March	-0.7	-0.1	-3	5.1
	April	3.5	3	8.6	0.5
	May	-3.4	0	-0.3	2.7
	June	2.6	0	-1	-0.3
	July	2.3	1.3	-0.9	0.3
	August	-0.1	0.1	1.4	0.6
	September	1.5	0	0.2	0.2
	October	3.5	0.1	1.1	0.2
	November	-0.1	0.0	1.9	-0.4
	December	1.4	0.0	0.9	-0.4
		(Quarterly percent change; end-period)			
2000	Q1	3.7	-5.9	37.7	0.6
	Q2	2.8	21.9	-1.1	6.5
	Q3	15.8	-12.3	7.1	11.3
	Q4	16.9	47.1	2.5	3.7
2001	Q1	5.0	7.4	7.8	0.8
	Q2	1.1	1.3	1.1	1.0
	Q3	-3.6	0.8	22.9	-1.2
	Q4	0.8	-0.1	-12.0	-5.4
2002	Q1	5.4	-6.8	8.2	3.2
	Q2	3.9	-3.7	8.8	-0.3
	Q3	1.0	1.5	0.0	1.6
	Q4	7.7	9.0	-0.9	2.2
2003	Q1	3.4	0.6	5.1	2.5
	Q2	0.7	0.1	-1.2	-0.1
	Q3	1.3	0.2	37.4	0.9
	Q4	8.4	18.8	-2.9	3.4
2004	Q1	3.2	0.0	7.1	4.5
	Q2	2.6	3.0	7.2	2.9
	Q3	3.7	1.4	0.7	1.1
	Q4	4.8	0.2	2.7	1.0
		(Annual percent change; end-period)			
2000		33.9	48.1	49.4	23.7
2001		9.4	37.7	23.7	-6.0
2002		19.0	-0.6	16.6	6.9
2003		14.3	21.0	38.5	6.9
2004		15.2	4.7	18.7	9.8

Sources: State Statistical Committee; and Fund staff estimates.

Table A-17. Tajikistan: Monthly Wages, 2002–04
(In somoni; unless otherwise specified)

	Average Monthly Wage					Minimum Wage	Real Wage 2/	Percent Change in CPI
	Total	Industry	Agriculture	Construction	Services			
2002								
January	26.52	79.50	8.50	56.47	22.02	4.00	233.5	1.6
February	29.52	80.45	11.24	54.69	23.74	4.00	257.6	0.9
March	31.64	92.01	11.88	61.80	28.50	4.00	275.0	0.4
April	28.70	83.00	10.82	73.60	25.60	4.00	241.9	3.1
May	29.70	85.36	13.28	69.52	27.69	4.00	249.4	0.4
June	31.41	84.42	15.70	80.85	29.80	4.00	265.7	-0.7
July	30.73	86.49	15.35	73.48	27.92	4.00	257.9	0.8
August	31.92	90.24	16.84	77.61	26.54	4.00	266.5	0.5
September	39.18	94.15	29.79	83.38	28.20	4.00	317.9	2.9
October	38.62	94.36	28.96	78.56	28.46	4.00	312.1	0.4
November	40.52	106.03	27.41	96.54	29.53	4.00	325.5	0.6
December	45.57	111.72	28.90	115.64	33.90	4.00	356.1	2.8
2003								
January	38.34	99.69	15.04	80.56	28.54	4.00	288.9	3.7
February	38.77	100.55	15.34	81.74	29.45	4.00	287.8	1.5
March	40.23	111.57	15.52	101.52	32.64	4.00	291.4	2.5
April	39.96	107.51	15.82	94.89	34.38	5.00	285.4	1.4
May	39.94	111.96	17.02	106.24	34.99	5.00	286.5	-0.4
June	42.58	114.02	19.98	108.89	39.98	5.00	307.8	-0.8
July	42.67	110.92	22.04	103.76	36.47	5.00	309.7	-0.4
August	41.52	117.30	21.19	112.52	35.03	5.00	302.3	-0.3
September	52.59	123.29	38.36	128.74	38.73	5.00	378.7	1.1
October	60.26	123.25	56.77	120.68	37.56	5.00	418.1	3.8
November	55.58	122.93	42.82	118.92	39.85	5.00	383.3	0.6
December	63.51	135.78	44.68	152.25	47.07	5.00	436.7	0.3
2004								
January	54.05	124.61	26.89	119.22	53.96	7.00	369.1	0.7
February	53.76	127.26	24.30	120.31	55.65	7.00	366.3	0.2
March	60.37	149.69	24.46	150.23	71.10	7.00	411.1	0.1
April	55.00	144.99	23.57	144.79	66.77	7.00	373.8	0.2
May	55.96	152.36	26.30	155.51	64.28	7.00	380.1	0.1
June	61.20	154.21	29.16	163.24	69.52	7.00	416.8	-0.3
July	57.25	146.11	28.71	158.21	65.70	7.00	385.6	1.1
August	58.11	148.80	29.27	152.84	70.48	7.00	389.3	0.5
September	73.73	156.21	56.17	179.13	78.01	7.00	485.6	1.7
October	75.18	174.52	60.04	166.22	63.22	7.00	489.8	1.1
November	71.77	157.49	47.87	308.02	74.88	7.00	469.0	-0.3
December	81.36	161.40	56.00	207.50	70.00	7.00	529.5	0.4

Sources: State Statistical Committee; and Fund staff estimates.

1/ The data in this table are based on preliminary monthly figures on wages and employment, while average annual wages reported in Table 18 are final and reconciled annual data. As a result, annual averages in Table 17 are not entirely consistent with the data reported in Table 18.

2/ Index deflated by the CPI (July 1995=100).

Table A-18. Tajikistan: Average Monthly Wages by Sector, 2000–04 1/

	2000	2001	2002	2003	2004
			(In somoni)		
Total economy	15.6	23.5	32.6	44.6	60.8
Of which:					
Agriculture	7.8	13.7	18.9	27.0	35.0
Industry	47.1	71.2	92.5	114.2	144.1
Forestry	5.3	7.0	10.7	13.0	20.7
Transportation	31.0	48.9	69.6	101.1	147.6
Communication	38.4	59.6	95.2	149.0	212.8
Construction	38.9	55.4	74.8	100.0	150.8
Trade and supplies	16.9	23.1	32.7	46.1	50.7
Housing and municipal services	18.3	26.3	36.8	49.8	66.9
Health care	6.7	8.9	12.7	17.1	22.8
Education	11.6	17.3	25.6	34.4	43.4
Arts and culture	11.5	18.3	24.2	33.8	40.7
Sciences	16.4	23.4	34.8	44.8	66.5
Banking and insurance	76.7	90.5	118.5	174.9	230.9
General government	23.9	29.9	49.2	63.3	74.2
Private enterprises	...	35.04	62.25	88.6	136.4
			(Percent change)		
Total economy	34.1	50.9	38.5	37.1	36.3
Of which:					
Agriculture	44.6	76.0	38.3	42.6	29.5
Industry	31.5	51.2	29.8	23.5	26.2
Forestry	-8.7	32.1	52.9	53.9	53.9
Transportation	33.3	57.8	42.5	45.2	46.0
Communication	34.1	55.0	59.9	56.4	42.8
Construction	5.0	42.4	35.0	33.8	50.8
Trade and supplies	42.1	36.9	41.6	41.0	10.0
Housing and municipal services	8.1	43.3	40.1	35.5	34.2
Health care	50.5	31.5	43.4	34.8	33.2
Education	51.7	49.2	48.4	34.5	26.1
Arts and culture	39.5	58.4	32.4	39.8	20.3
Sciences	0.0	43.0	48.6	28.8	48.3
Banking and insurance	56.8	18.0	30.9	47.6	32.0
General government	4.7	25.5	64.2	28.7	17.3
Private enterprises	...	...	77.7	42.3	54.0

Source: State Statistical Committee.

1/ Data are based on final and reconciled annual data on wages and employment, while average annual wages reported in Table 17 are preliminary monthly figures. As a result, annual averages in Table 18 are not entirely consistent with the data reported in Table 17.

Table A-19. Tajikistan: General Government Operations, 2000–04

	2000	2001	2002	2003	2004
		(In millions of somoni)			
Total revenue	245	382	560	824	1,104
Tax revenue	233	353	501	713	934
Individual income tax	22	33	39	51	68
Enterprise profits tax	11	14	21	24	36
Payroll tax	30	45	65	87	120
Value-added tax	46	86	159	248	349
Excise taxes	9	16	29	49	57
Customs revenue	26	52	60	72	98
Taxes on aluminum and cotton	59	63	63	88	87
Property tax	11	15	19	28	34
Other internal indirect taxes	17	27	43	59	76
Other taxes	3	3	3	7	8
Non-tax revenue	12	29	51	97	130
Grants	0	0	8	15	41
Expenditure	346	462	642	908	1,273
Current	225	332	459	597	770
Wages and salaries	67	82	108	133	168
Goods and services	82	140	182	261	370
Subsidies	13	12	17	19	23
Social safety net	40	60	89	126	166
Interest payments	24	38	63	59	43
Capital	119	127	181	310	500
Domestically financed	48	74	102	182	311
Externally financed PIP	72	54	79	128	188
Net lending	1	2	1	1	3
Balance on a cash basis (deficit -)	-101	-80	-82	-84	-169
Financing	101	80	82	84	169
External	118	75	86	134	271
Domestic	-18	6	-5	-50	-102
Of which: Privatization proceeds	17	7	31	22	26
		(In percent of GDP; unless otherwise specified)			
Total revenue	13.6	15.2	16.7	17.3	17.9
Tax revenue	12.9	14.1	15.0	15.0	15.2
Individual income tax	1.2	1.3	1.2	1.1	1.1
Enterprise profits tax	0.6	0.6	0.6	0.5	0.6
Payroll tax	1.7	1.8	1.9	1.8	1.9
Value-added tax	2.5	3.4	4.8	5.2	5.7
Excise taxes	0.5	0.6	0.9	1.0	0.9
Customs revenue	1.4	2.1	1.8	1.5	1.6
Taxes on aluminum and cotton	3.3	2.5	1.9	1.9	1.4
Property tax	0.6	0.6	0.6	0.6	0.6
Other internal indirect taxes	0.9	1.1	1.3	1.2	1.2
Other taxes	0.1	0.1	0.1	0.1	0.1
Non-tax revenue	0.7	1.1	1.5	2.0	2.1
Grants	0.0	0.0	0.2	0.3	0.7
Expenditure	19.2	18.4	19.2	19.1	20.7
Current	12.5	13.2	13.7	12.6	12.5
Wages and salaries	3.7	3.3	3.2	2.8	2.7
Goods and services	4.5	5.6	5.5	5.5	6.0
Subsidies	0.7	0.5	0.5	0.4	0.4
Social safety net	2.2	2.4	2.7	2.6	2.7
Interest payments	1.3	1.5	1.9	1.2	0.7
Capital	6.6	5.1	5.4	6.5	8.1
Domestically financed	2.6	2.9	3.1	3.8	5.1
Externally financed PIP	4.0	2.1	2.4	2.7	3.1
Net lending	0.1	0.1	0.0	0.0	0.1
Balance on a cash basis (deficit -)	-5.6	-3.2	-2.4	-1.8	-2.7
Financing	5.6	3.2	2.4	1.8	2.7
External	6.5	3.0	2.6	2.8	4.4
Domestic	-1.0	0.2	-0.1	-1.1	-1.7
Of which: Privatization proceeds	1.0	0.3	0.9	0.5	0.4
Nominal GDP (in millions of somoni)	1,807	2,512	3,345	4,758	6,158

Source: Ministry of Finance.

Table A-20. Tajikistan: State Budget by Functional Classification of Expenditures, 2000–04
(In millions of somoni; unless otherwise specified)

	2000	2001	2002	2003	2004
Total expenditure (excl. PIP)	346	462	642	908	1,273
General service	49	66	91	132	117
Protection	43	57	71	94	134
Defense	22	29	36	47	75
Law enforcement	21	28	35	46	59
Social services	119	172	233	315	437
Education	36	63	87	112	161
Health	16	24	30	43	62
Social protection	42	47	67	109	153
Other social services	25	38	49	51	60
Economic services	37	58	64	101	119
Interest payment	24	38	63	59	43
Others	2	17	41	80	236
Externally financed PIP	72	54	79	128	188
			(In percent of GDP)		
Total expenditure (excl. PIP)	19.2	18.4	19.2	19.1	20.7
General service	2.7	2.6	2.7	2.8	1.9
Protection	2.4	2.3	2.1	2.0	2.2
Defense	1.2	1.2	1.1	1.0	1.2
Law enforcement	1.2	1.1	1.0	1.0	1.0
Social services	6.6	6.9	7.0	6.6	7.1
Education	2.0	2.5	2.6	2.4	2.6
Health	0.9	1.0	0.9	0.9	1.0
Social protection	2.3	1.9	2.0	2.3	2.5
Other social services	1.4	1.5	1.5	1.1	1.0
Economic services	2.1	2.3	1.9	2.1	1.9
Interest payment	1.3	1.5	1.9	1.2	0.7
Others	0.1	0.7	1.2	1.7	3.8
Externally financed PIP	4.0	2.1	2.4	2.7	3.1
Memorandum item:					
Nominal GDP (in millions of somoni)	1,807	2,512	3,345	4,758	6,158

Source: Ministry of Finance.

Table A-21. Tajikistan: Operations of the Consolidated General Government, 2000–04

	2000	2001	2002	2003	2004
			(In millions of somoni)		
Revenue	245	382	560	824	1,104
Republic and local budget	216	337	495	738	985
Tax revenue	204	308	444	641	855
Nontax revenue	12	29	51	97	130
Social Protection Fund	30	45	65	87	120
Expenditure	346	462	642	908	1,273
Republic and local budget 1/	314	417	570	807	1,107
Social Protection Fund	32	45	72	101	166
Overall balance (deficit -)	-101	-80	-82	-84	-169
Financing	101	80	82	84	169
External	118	75	86	134	271
Domestic	-18	6	-5	-50	-102
O*f which:* Privatization proceeds	17	7	31	22	26
			(In percent of GDP)		
Revenue	13.6	15.2	16.7	17.3	17.9
State budget	11.9	13.4	14.8	15.5	16.0
Social security funds	1.7	1.8	1.9	1.8	1.9
Expenditure	19.2	18.4	19.2	19.1	20.7
State budget	17.4	16.6	17.0	17.0	18.0
Social security funds	1.8	1.8	2.1	2.1	2.7
Overall balance (deficit -)	-5.6	-3.2	-2.4	-1.8	-2.7
Financing:	5.6	3.2	2.4	1.8	2.7
External	6.5	3.0	2.6	2.8	4.4
Domestic	-1.0	0.2	-0.1	-1.1	-1.7
O*f which:* Privatization proceeds	1.0	0.3	0.9	0.5	0.4
Memorandum item:					
Nominal GDP	1,807	2,512	3,345	4,758	6,158

Source: Ministry of Finance.

Table A-22. Tajikistan: Accounts of the National Bank of Tajikistan, 2000-2004
(End-of-period stock; unless otherwise specified) 1/

	2000	2001	2002	2003	2004
	(In millions of U.S. dollars; unless otherwise specified)				
Net international reserves	-23.8	-14.5	2.7	36.0	67.4
Gross assets	87.2	95.7	96.2	135.4	189.3
Gross liabilities	111.0	110.2	93.5	99.5	121.9
	(In millions of somoni)				
Net foreign assets	-52.4	-37.0	8.2	106.3	204.7
Gross assets	191.9	244.0	288.5	400.4	574.8
Gross liabilities	244.3	281.0	280.4	294.1	370.1
Net domestic assets	171.5	190.5	176.9	146.3	73.1
Net credit to general government	46.8	-31.1	-9.3	-77.0	-192.3
Credit to the private sector	149.6	253.3	205.2	210.9	221.2
Claims on banks	148.7	37.6	34.1	39.0	65.6
Claims on private sector	2.0	12.4	85.1	171.9	155.6
Other items, net	-24.8	-31.7	-19.0	12.4	44.1
NBT bills	0.0	-0.2	-9.0	-8.5	-5.4
Reserve money	119.1	153.5	185.0	252.6	277.7
Currency in circulation	96.2	110.8	140.8	172.4	204.8
Bank reserves	18.6	32.5	35.8	63.3	70.3
Of which:					
Required reserves	9.9	8.8	11.9	23.9	44.7
Somoni	7.6	7.0	5.5	9.5	16.5
Foreign exchange	2.2	1.8	6.3	14.4	28.3
Other	8.7	23.7	23.9	39.4	25.5
Somoni	4.5	15.7	17.5	32.2	22.9
Foreign exchange	4.3	8.0	6.4	7.2	2.6
Other deposits	4.3	10.2	8.4	16.8	2.7
Somoni	2.1	1.5	1.3	2.8	2.2
Foreign exchange	2.3	8.7	7.1	14.0	0.5
Memorandum items:	(12-month change as a percent of initial reserve money stock)				
Net international reserves	11.4	12.9	29.4	53.0	38.9
Net domestic assets	39.9	15.9	-8.9	-16.5	-29.0
Reserve money	51.4	28.9	20.5	36.5	10.0
Official exchange rate (Sm/US$)	2.20	2.55	3.00	2.96	3.04

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

1/ Data are based on official SDR/U.S. dollar and somoni/U.S. dollar exchange rates.

Table A-23. Tajikistan: Monetary Survey, 2000–04 1/
(In millions of somoni; end-of-period stock unless otherwise specified)

	2000	2001	2002	2003	2004
Net foreign assets	-192.3	-251.0	-267.2	-179.5	-272.2
National Bank of Tajikistan	-52.4	-37.0	8.2	106.3	204.7
Commercial banks	-139.9	-214.0	-275.4	-285.8	-476.9
Net domestic assets	354.2	486.5	585.4	580.2	892.6
Net credit to general government	37.1	-36.9	-16.5	-93.7	-217.9
Of which:					
Somoni credits	132.6	90.4	154.2	153.8	155.4
Treasury bills	0.7	5.5	3.3	0.3	0.3
Deposits (-)	-36.9	-46.9	-73.0	-139.5	-207.6
Counterpart deposits	-59.1	-85.8	-101.0	-108.6	-166.0
Credit to the private sector	346.2	575.2	627.2	695.5	1098.2
O*f which* : Credit excluding NBT	100.3	321.9	456.1	523.7	942.6
Cotton financing	...	...	365.0	375.5	626.2
Other items net	-29.1	-51.8	-25.3	-21.6	12.3
Broad money	153.8	215.3	300.7	388.7	444.4
Somoni broad money	106.8	140.5	194.4	251.0	264.9
Currency outside banks	86.8	103.6	135.6	158.1	175.4
Deposits	20.0	36.8	58.8	92.9	89.5
Foreign currency deposits	47.0	74.8	106.3	137.7	179.5
Bills payable 5/	8.1 .	20.2	17.5	12.0	175.9
Memorandum items:					
Broad money (12-month percent change)	78.2	40.0	39.7	29.2	14.3
Credit to the private sector (12-month percent change)	90.2	54.3	20.2	10.9	57.9
Quarterly velocity (four-quarter average)	3.7	3.4	3.1	3.0	3.8
Money multiplier	1.3	1.4	1.6	1.5	1.6

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

1/ Data are based on official SDR/U.S. dollar and somoni/U.S. dollar exchange rates.

Table A-24. Tajikistan: Credit to the Economy from Commercial Banks, 2002–04

(In thousands of somoni; end of period)

	2002				2003				2004		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Total credit to the economy	640,877	628,329	592,096	633,097	726,986	804,812	801,630	371,398	730,416	1,024,956	1,096,645
From commercial banks											
Of which:											
From operating banks	467,530	458,339	419,545	454,700	547,031	624,775	651,108	222,148	588,420	875,011	945,564
Of which:											
Agroinvestbank	378,335	366,449	329,114	365,019	442,031	524,869	525,507	49,289	52,632	75,418	80,622
Orionbank	14,489	15,863	15,000	13,558	14,430	17,386	26,197	32,938	41,282	48,917	44,134
Tajiksodirotbank	12,830	15,785	19,012	19,828	25,539	28,991	32,871	34,176	42,270	50,856	52,560
Khojentbank	4,984	4,858	4,680	4,236	4,499	4,055	4,317	4,135	4,908	...	...
Somonbank 1/	5,460	5,841	6,083	6,093	6,220	5,808	5,851	5,646	...	...	...
Amonatbank	6,848	6,313	5,860	4,365	3,907	6,154	13,746	21,605	21,031	24,912	27,532
Ganjina 2/	516	547	567	584	538	581	636	653	629	880	719
Fonon 3/	74	70	85	80	90	95	92	449	1,070	1,967	2,908
Dehkon 4/	1,619	1,625	1,625	1,595	1,605	1,630	1,607	1,532	1,529	1,504	1,498
Eskhata	534	773	995	1,079	1,477	2,151	3,009	5,232	6,127	9,117	10,127
Ayom 5/	737	737	…	…	…	…	…	…	…	…	…
Central Asian Bank	1,289	1,522	157	108	126	207	301	734	719	…	…
Tajprombank	18,045	19,264	13,956	14,921	22,206	6,079	8,946	28,284	28,102	35,444	34,598
East-Credit Bank	3,839	232	4,998	4,719	4,997	4,577	4,918	7,261	7,400	…	…
Kafolatbank	5,538	5,621	5,893	6,380	6,278	7,162	7,896	8,332	8,770	8,951	8,717
Sokhibkorbank	9,036	9,257	10,276	10,890	11,506	12,224	12,374	12,819	12,494	13,111	13,588
Olimp Bank	1,031	1,274	1,243	1,244	1,583	2,649	2,683	2,462	2,828	3,196	3,317
Dushanbe 6/	719	703	…	…	…	…	…	…	…	…	…
Textinvestbank 7/	1,605	1,605	…	…	…	…	…	…	…	…	…
Trade financing 8/	…	…	…	…	…	158	158	564	…	…	…
Gulsarabank 9/	…	…	…	…	…	…	…		…	…	…
Tijorat Bank Branch	…	…	…	…	…	…	…		…	…	…
STB-Investbank	…	…	…	…	…	…	…	6,036	6,463	6,242	6,875
Finansirovanie Torgovli	…	…	…	…	…	…	…	…	692	906	963
Ziroat	…	…	…	…	…	…	…	…	…	…	205
First MicroFinanceBank	…	…	…	…	…	…	…	…	…	…	939
Kredit-Invest	…	…	…	…	…	…	…	…	349473	593590	656263

Source: National Bank of Tajikistan.

1/ NBT revoked license by resolution No 287 of December 29, 2003.
2/ NBT revoked license and transformed the bank into a credit union by resolution No 201 of September 11, 2002.
3/ NBT revoked license by resolution No 3 of January 18, 1998. Transformed into credit union by NBT's resolution No 112 of July 18, 2000.
4/ NBT revoked license by order No 224 of December 21, 2000. Transformed into credit union by NBT's order No 85 of March 28, 2001.
5/ NBT revoked license by order No 80 of March 19, 2001.
6/ NBT revoked license by order No 78 of March 19, 2001.
7/ NBT revoked license by resolution No 11 of July 15, 1999.
8/ Credit union registered by NBT's resolution No 188 of August 21, 2002.
9/ Renamed as Olimp Bank by NBT's resolution No 74 of March 15, 2003.

Table A-25. Tajikistan: Average Annual Interest Rates, 2000–04

(In percent; end of period)

	2000				2001				2002				2003				2004			
	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	june	Sep.	Dec.
Interest rate on domestic currency loans																				
National Bank of Tajikistan																				
To banks	20.2	21.6	18.4	20.6	20.6	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	16.8	15.0	10.0	10.0	10.0	...
Commercial banks																				
From 1 – 3 months	41.3	32.6	19.9	18.6	19.6	24.6	18.1	21.3	12.9	13.7	13.7	14.7	12.9	12.0	13.0	12.2	15.1	26.2	26.3	...
From 3 – 6 months	26.4	25.8	28.1	34.4	20.2	20.1	19.7	18.5	32.4	34.3	27.2	21.6	28.5	31.0	17.9	16.0	20.4	23.0	27.3	...
From 6 – 12 months	22.5	22.7	26.3	24.3	23.6	24.1	22.8	23.1	26.7	24.9	20.7	22.6	25.4	21.6	26.4	26.7	24.9	24.5	27.1	...
Interest rates on domestic currency deposits																				
Demand deposits	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.3	0.6	0.6	0.4	0.5	0.6	0.5	...
From 1 – 3 months	35.0	34.5	41.3	41.3	41.6	22.6	27.8	25.5	12.5	12.0	12.7	14.8	15.3	16.0	15.0	14.9	13.4	13.4	13.9	...
From 3 – 6 months	24.1	19.6	22.0	22.0	19.4	17.2	24.9	24.3	15.1	15.0	14.7	15.4	18.4	16.4	13.8	17.7	15.5	11.7	12.2	...
From 6 – 12 months	24.9	24.1	19.6	19.6	11.5	15.9	17.1	24.4	14.8	14.3	14.5	15.3	16.6	17.7	20.8	19.4	18.3	19.5	15.6	...
Interest rate on foreign currency loans																				
Commercial banks																				
From 1 – 3 months	15.8	14.9	45.8	19.5	22.6	27.0	29.4	29.1	14.0	25.2	13.7	20.5	17.8	31.4	30.3	22.9	23.4	24.4	26.6	...
From 3 – 6 months	25.1	21.0	25.6	26.7	25.4	24.5	23.0	22.0	34.4	26.9	27.2	17.6	20.9	24.1	21.2	23.3	23.5	26.0	26.4	...
From 6 – 12 months	22.3	26.1	20.4	20.2	21.1	19.1	21.5	23.4	22.1	24.3	20.7	25.1	25.8	25.1	24.9	25.1	23.9	23.4	26.8	...
Interest rates on foreign currency deposits																				
Demand deposits	0.1	0.1	0.0	0.0	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...
From 1 – 3 months	22.1	24.1	24.2	23.9	23.0	22.1	21.2	16.3	13.9	13.7	11.6	14.8	10.6	8.5	8.1	14.0	8.2	8.1	13.4	...
From 3 – 6 months	24.2	30.1	29.6	29.6	15.0	15.0	15.0	21.6	17.3	14.4	14.4	10.9	12.4	10.4	10.8	10.8	10.7	9.7	14.9	...
From 6 – 12 months	13.4	9.6	13.1	13.2	14.4	13.3	13.7	14.5	17.2	17.8	16.6	16.2	18.2	14.4	15.7	14.6	14.9	16.6	12.7	...

Source: National Bank of Tajikistan.

Table A-26. Tajikistan: Balance of Payments, 2000–04
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004 Prel.
Current account	-62	-73	-33	-20	-81
Balance on goods and services	-19	-133	-161	-259	-399
Balance on goods	-24	-125	-125	-205	-332
Exports	788	652	699	799	915
Of which: aluminum	424	398	399	430	573
cotton fiber	92	71	128	193	162
Imports	811	777	824	1,003	1,247
Balance on services	4	-8	-36	-54	-67
Balance on income	-36	-72	-57	-90	-80
Balance on transfers	37	131	184	329	399
Of which: Migrants' remittances, net 1/	...	48	65	189	313
Capital and financial account	63	64	54	55	84
Capital transfers	5	12	5	14	9
Public sector (net)	17	-5	9	32	-211
Disbursements	36	22	28	55	67
Amortization 2/	-18	-27	-18	-23	-278
World Bank	13	25	0	0	25
AsDB	9	0	5	0	0
FDI 2/	24	9	36	32	272
Commercial banks NFA (- increase)	24	20	8	3	63
Electricity credit	23	20	4	0	6
Other capital and errors and omissions	-51	-18	-12	-26	-80
Overall balance	1	-9	21	35	3
Use of international reserves (- increase)	-29	-8	-1	-39	-54
Financing items	28	18	-21	4	51
IMF (net)	16	3	-24	-3	17
Purchases/disbursements	26	15	11	11	29
Repurchases/repayments	10	12	35	14	12
Other reserve liabilities	2	0	0	0	7
Arrears (+ increase)	11	-41	-23	0	0
Drawdown on Tajikistan's claim on the CBR	0	0	27	7	14
Exceptional financing 3/	0	55	0	0	13
Memorandum items:					
GDP (in millions of U.S. dollars)	955	1,033	1,193	1,556	2,073
Current account balance (in percent of GDP)	-6.5	-7.1	-2.8	-1.3	-3.9
Excluding remittances (in percent of GDP)	-10.3	-19.8	-18.3	-22.4	-23.1
Terms of trade	-1.6	-2.0	-7.5	5.1	-1.4
Net international reserves	-24	-15	3	36	67
Gross reserves	87	96	96	135	189
(in months of imports)	2.2	1.9	1.8	1.9	2.0
Debt service on public debt	43.2	53.7	67.0	58.7	70.7
(in percent of exports) 4/	9.6	11.5	13.6	9.6	10.4
Total public sector external debt	1,226	1,017	1,010	1,031	822
(in percent of GDP)	128.4	98.4	84.6	66.3	39.7

Sources: Tajik authorities; and Fund staff estimates.

1/ Includes small export receipts and import payments, which are misclassified.
2/ In 2004 includes debt-for-equity swap with Russia.
3/ Debt cancellation by Pakistan.
4/ Excluding trade in alumina and electricity, which are on barter basis.

Table A-27. Tajikistan: Exports by Product, 2000–04

	2000	2001	2002	2003	2004 Prel.
		(In millions of U.S. dollars)			
Total exports, f.o.b	787.6	651.6	699.1	798.6	915.0
Aluminum	423.9	398.4	398.6	429.6	573.0
Cotton fiber	91.8	71.0	128.0	192.7	162.0
Electricity	180.6	78.5	67.6	55.1	60.5
Other	91.3	103.7	104.9	121.2	119.5
		(Percent change)			
Total exports, f.o.b	14.3	-17.3	7.3	14.2	14.6
Aluminum	37.2	-6.0	0.1	7.8	33.4
Cotton fiber	12.0	-22.7	80.3	50.5	-15.9
Electricity	3.4	-56.5	-13.9	-18.5	9.8
Other	-25.8	13.6	1.2	15.5	-1.4
		(Volumes, in units indicated)			
Aluminum (thousand tons)	274	286	305	317	352
Cotton fiber (thousand tons)	79	75	141	149	134
Electricity (million kWh)	3,908	4,047	3,831	4,597	4,743
Aluminum ($/T)	1,547	1,393	1,307	1,356	1,626
Cotton fiber ($/T)	1,165	942	909	1,291	1,206
Electricity ($/kWh)	0.046	0.019	0.018	0.012	0.013
		(Percent change)			
Aluminum	22.0	4.0	7.0	3.9	11.2
Cotton fiber	-14.0	-8.0	101.0	9.0	9.0
Electricity	2.0	3.6	-4.0	19.0	19.0

Source: State Statistical Committee.

Table A-28. Tajikistan: Imports by Product, 2000–04

	2000	2001	2002	2003	2004 Prel.
			(In millions of U.S. dollars)		
Total imports, f.o.b	811.2	777.0	824.3	1,003.2	1,247.0
Alumina	199.0	184.0	188.3	235.8	334.2
Natural gas	36.4	27.0	22.4	24.3	33.2
Petroleum products	62.7	73.2	70.2	79.6	101.9
Electricity	203.4	98.3	82.0	62.0	66.3
Grain and flour	44.7	62.2	35.7	61.0	53.0
Other	265.0	332.3	425.7	540.5	658.4
			(Percent change)		
Total imports, f.o.b.	22.4	-4.2	6.1	21.7	24.3
Alumina	54.3	-7.5	2.3	25.2	41.7
Natural gas	1.1	-25.8	-17.0	8.5	36.6
Petroleum products	16.1	16.7	-4.1	13.4	28.0
Electricity	13.6	-51.7	-16.6	-24.4	6.9
Grain and flour	-2.8	39.1	-42.6	70.9	-13.1
Other	21.0	25.4	28.1	27.0	21.8
			(In units indicated)		
Alumina (thousand tons)	546.0	537.1	601.0	615.9	685.1
Natural gas (thousand cubic meters)	728.9	571.8	485.8	531.6	707.0
Petroleum products (thousand tons)	202.2	276.0	278.3	305.1	363.4
Electricity (million kWh)	4,342.4	5,396.4	4,659.4	4,617.6	4,676.3
Grains and Wheat flour (thousand tons)	376.7	499.0	415.6	412.7	286.0
			(Percent change)		
Alumina	22.1	-1.6	11.9	2.5	11.2
Natural gas	-2.8	-21.6	-15.0	9.4	33.0
Petroleum products	-36.4	36.5	0.8	9.6	19.1
Electricity	19.3	24.3	-13.7	-0.9	1.3
Grains and Wheat flour (thousand tons)	15.5	32.5	-16.7	-0.7	-30.7

Source: State Statistical Committee.

Table A-29. Tajikistan: Trade Indices, 2000–04 1/

	2000	2001	2002	2003	2004 Prel.
I. Exports		(Index; 1995=100)			
Value	101.2	83.7	89.8	102.6	117.5
Volume	121.7	126.2	144.7	154.8	163.8
Unit value	83.1	66.3	62.0	66.3	71.7
		(Percent change)			
Value	18.4	-17.3	7.3	14.3	14.5
Volume	10.4	3.7	14.7	7.0	5.8
Unit value	7.1	-20.2	-6.5	6.9	8.1
II. Imports		(Index; 1995=100)			
Value	99.5	92.2	98.2	119.7	150.1
Volume	98.9	110.1	108.8	122.4	132.2
Unit value	100.6	83.8	90.3	97.8	113.5
		(Percent change)			
Value	20.5	-7.3	6.5	21.9	25.4
Volume	9.9	11.3	-1.2	12.5	8.0
Unit value	9.5	-16.7	7.8	8.3	16.1
III. Terms of Trade		(Index; 1995=100)			
Terms of trade	77.2	70.2	61.2	64.3	63.4
(Percent change)	-4.2	-9.1	-12.8	5.1	-1.4

Source: State Statistical Committee.

Table A-30. Tajikistan: Destination of Exports, 2000–04

	2000	2001	2002	2003	2004 Prel.
	(In millions of U.S. dollars)				
Total, f.o.b.	787.6	651.6	699.1	798.6	915.0
CIS	354.4	254.8	196.8	138.8	127.6
Russia	236.3	94.5	73.3	52.2	61.0
Uzbekistan	102.4	136.8	102.1	67.4	66.0
Other	15.8	23.5	21.3	19.2	0.6
Non-CIS	433.2	396.8	502.3	659.8	787.4
Europe	338.7	306.3	350.5	394.7	463.3
Asia	94.5	84.7	130.0	263.5	324.0
Other	0.0	5.9	21.8	1.6	0.1
	(Percent change)				
Total, f.o.b.	18.3	-17.3	7.3	14.2	14.6
CIS	15.8	-28.1	-22.8	-29.5	-8.1
Russia	108.8	-60.0	-22.4	-28.8	16.9
Uzbekistan	-40.8	33.6	-25.4	-34.0	-2.1
Other	-21.1	48.9	-9.1	-10.0	-96.9
Non-CIS	20.5	-8.4	26.6	31.4	19.3
Europe	3.8	-9.6	14.4	12.6	17.4
Asia	184.0	-10.4	53.5	102.7	23.0
Other	...	...	...	...	...
	(In percent of total exports f.o.b.)				
Total, f.o.b.	100.0	100.1	100.0	100.0	100.0
CIS	45.0	39.1	28.1	17.4	13.9
Russia	30.0	14.5	10.5	6.5	6.7
Uzbekistan	13.0	21.0	14.6	8.4	7.2
Other	2.0	3.6	3.1	2.7	0.1
Non-CIS	55.0	61.0	71.9	82.6	86.1
Europe	43.0	47.0	50.1	49.4	50.6
Asia	12.0	13.0	18.6	33.0	35.4
Other	0.0	1.0	3.1	0.2	0.0

Sources: Tajik authorities; and Fund staff estimates.

Table A-31. Tajikistan: Origin of Imports, 2000–04

	2000	2001	2002	2003	2004 Prel.
	(In millions of U.S. dollars)				
Total, f.o.b.	811.2	777.0	824.3	1,003.2	1,247.0
CIS	614.6	538.0	548.0	727.6	914.8
Russia	105.0	129.0	164.0	138.8	333.0
Uzbekistan	186.0	151.0	132.0	108.4	169.0
Other	323.6	258.0	252.0	480.4	412.8
Non-CIS	196.6	239.0	276.3	275.6	332.2
Europe	83.0	67.0	81.0	102.0	163.5
Asia	30.0	71.0	78.0	96.0	124.5
Other	83.6	101.0	117.3	77.6	44.2
	(Percent change)				
Total, c.i.f.	13.5	-4.2	6.1	21.7	24.3
CIS	14.8	-12.5	1.9	32.8	25.7
Russia	5.0	22.9	27.1	-15.4	139.9
Uzbekistan	-29.5	-18.8	-12.6	-17.9	55.9
Other	88.7	-20.3	-2.3	90.6	-14.1
Non-CIS	9.9	21.6	15.6	-0.3	20.5
Europe	-35.5	-19.3	20.9	25.9	60.3
Asia	36.4	136.7	9.9	23.1	29.7
Other	194.8	20.8	16.1	-33.8	-43.0
	(In percent of total imports c.i.f.)				
Total, c.i.f.	100.0	100.0	100.0	100.0	100.0
CIS	83.0	81.0	66.5	72.5	73.4
Russia	16.0	17.0	19.9	13.8	26.7
Uzbekistan	27.0	30.0	16.0	10.8	13.6
Other	40.0	34.0	30.6	47.9	33.1
Non-CIS	17.0	19.0	33.5	27.5	26.6
Europe	12.0	11.0	9.8	10.2	13.1
Asia	4.0	7.0	9.5	9.6	10.0
Other	1.0	1.0	14.2	9.4	5.4

Sources: Tajik authorities; and Fund staff estimates.

Table A-32. Tajikistan: Public External Debt by Creditor, 2000–04

	2000	2001	2002	2003	2004 Est.
	(In millions of U.S. dollars)				
Total public debt	1,226	1,017	1,010	1,031	822
Bilateral	532.0	530.4	484.7	467.7	213.0
Uzbekistan	130.0	117.2	104.4	94.0	94.0
Russia	312.5	323.3	299.7	299.7	50.0
United States	22.2	21.2	20.2	19.3	18.3
Turkey	25.7	23.1	20.5	18.0	15.4
Kazakhstan	18.8	18.8	12.1	12.1	12.1
Pakistan	13.0	13.0	13.0	13.0	0.0
China	0.0	0.0	0.0	0.0	0.0
India	7.0	7.5	8.0	0.0	0.0
Kyrgyz Republic	2.0	1.7	1.4	1.1	0.8
Iran	0.8	3.9	3.9	3.9	3.9
Belarus	0.0	0.0	0.0	0.6	0.6
Kuwait Fund	0.0	0.7	1.4	4.7	10.9
Saudi Fund	0.0	0.0	0.0	1.4	7.0
Multilateral	363.5	369.4	405.8	459.6	551.6
IMF	110.8	110.2	92.0	99.8	115.5
European Union	73.3	45.8	52.3	47.8	44.4
World Bank	146.3	171.9	206.5	226.4	277.9
Islamic Development Bank	8.3	11.4	16.2	25.3	34.6
Asian Development Bank	21.6	25.1	33.4	53.2	70.1
OPEC Fund	3.1	5.0	5.4	7.1	9.1
Commercial credits 1/	331.0	117.4	119.3	103.4	57.6
Government guaranteed	22.3	60.2	53.0	63.2	25.1
Non-guaranteed	308.7	57.2	66.3	40.3	32.5
	(In percent of total debt)				
Bilateral	43.4	52.1	48.0	45.4	25.9
Multilateral	29.6	36.3	40.2	44.6	67.1
Commercial credits	27.0	11.5	11.8	10.0	7.0
	(In percent of GDP)				
Total debt	128.3	98.4	84.6	66.3	39.7
Bilateral	55.7	51.3	40.6	30.1	10.3
Multilateral	38.0	35.7	34.0	29.5	26.6
Commercial credits	34.6	11.4	10.0	6.6	2.8
	(In percent of exports) 2/				
Total debt	271.5	217.5	204.3	168.4	120.4
Bilateral	117.7	113.4	98.1	76.4	31.2
Multilateral	80.4	79.0	82.1	75.1	80.8
Commercial credits	73.3	25.1	24.1	16.9	8.4

Sources: Tajik authorities; and Fund staff estimates.

1/ Credits to public enterprises in Tajikistan.

2/ Exports of goods and services, excluding barter trade in alumina and electricity.

Table A-33. Tajikistan: Public Sector External Debt Service, 2000–04

	2000	2001	2002	2003	Est. 2004
	(In millions of U.S. dollars)				
Total debt service	43.2	53.7	67.0	58.7	70.7
Russia	8.8	9.1	6.5	12.2	6.1
United States	2.0	0.7	1.6	1.6	1.6
Turkey	0.7	2.7	2.7	3.1	3.0
Uzbekistan	12.7	0.0	13.0	11.6	1.2
IMF	11.7	13.5	35.3	14.3	12.4
World Bank	0.4	0.4	1.3	1.8	2.2
Other	6.9	27.3	6.5	14.1	44.2
Interest	15.0	15.2	14.0	21.5	14.0
Russia	8.8	9.1	6.5	12.2	6.1
United States	0.7	0.7	0.6	0.6	0.6
Turkey	0.7	0.2	0.1	0.6	0.5
Uzbekistan	1.1	0.0	0.3	1.2	1.2
IMF	1.8	1.6	0.7	0.5	0.6
World Bank	0.4	0.4	1.3	1.8	2.2
Other	1.5	3.3	4.4	4.7	2.8
Principal	28.2	38.5	53.0	37.3	57.0
Russia	0.0	0.0	0.0	0.0	0.0
United States	1.3	0.0	1.0	1.0	1.0
Turkey	0.0	2.6	2.6	2.6	2.6
Uzbekistan	11.6	0.0	12.8	10.5	0.0
IMF	9.9	11.9	34.6	13.8	11.8
World Bank	0	0	0	0	0
Other	5.4	24.0	2.1	9.4	41.7
	(In percent of GDP)				
Total debt service	4.5	5.2	5.6	3.8	3.4
Interest	1.6	1.5	1.2	1.4	0.7
Principal	3.0	3.7	4.4	2.4	2.7
	(In percent of relevant exports)				
Total debt service	9.6	11.5	13.6	9.6	10.4
Interest	3.3	3.2	2.8	3.5	2.0
Principal	6.2	8.2	10.7	6.1	8.3

Sources: Tajik authorities; and Fund staff estimates.

Table A-34. Tajikistan: Exchange Rates and U.S. Dollar Wages, 2000–04

	Somoni per U.S. dollar	Nominal Exchange Rate Indices 1/ 2/			Real Exchange Rate Indices 1/ 2/			Average Monthly Wages (in US$)	
		Average	U.S. dollar	Russian ruble	Average	U.S. dollar	Russian ruble	Tajikistan	Russia
2000	1,740	7.4	2.8	15.5	195	161	195	9	110
January	1,550	8.6	3.4	18.7	198	164	211	9	88
February	1,592	8.4	3.2	18.1	192	157	204	9	88
March	1,631	8.1	3.1	17.4	190	155	199	10	99
April	1,637	8.1	3.1	17.3	196	159	204	9	99
May	1,661	8.1	3.0	16.9	204	165	206	9	101
June	1,681	7.8	2.9	16.4	197	163	199	9	108
July	1,900	7.1	2.7	14.7	177	148	176	8	114
August	1,958	6.9	2.6	14.1	181	151	177	8	115
September	2,050	6.8	2.5	13.8	191	158	183	10	119
October	2,200	6.6	2.4	13.3	206	170	194	9	122
November	2.20	6.2	2.3	12.5	207	172	194	7	124
December	2.20	6.1	2.3	12.6	202	171	191	10	144
2001	2.38	5.9	2.1	12.1	194	167	177	10	152
January	2.28	5.9	2.2	12.3	195	168	186	9	131
February	2.35	5.8	2.1	12.0	191	165	180	9	127
March	2.35	5.8	2.1	12.1	194	167	179	9	144
April	2.35	5.9	2.1	12.1	198	170	181	8	139
May	2.35	5.9	2.1	12.2	201	172	182	9	143
June	2.35	6.0	2.1	12.3	200	171	179	10	151
July	2.35	6.0	2.1	12.3	200	171	178	10	155
August	2.38	5.8	2.1	12.1	191	165	174	10	159
September	2.40	5.8	2.1	12.1	189	164	172	14	157
October	2.40	5.9	2.1	12.2	191	166	173	11	162
November	2.46	5.8	2.0	12.0	190	165	171	11	166
December	2.51	5.7	2.0	11.8	189	165	170	13	189
2002		5.2	1.8	11.3	176	160	160	12	180
January	2.55	5.6	2.0	11.8	188	166	168	10	156
February	2.65	5.6	1.9	11.7	187	164	166	11	155
March	2.68	5.4	1.9	11.5	182	160	162	12	168
April	2.68	5.4	1.9	11.5	185	163	165	11	170
May	2.70	5.3	1.9	11.5	181	163	162	11	170
June	2.70	5.2	1.9	11.5	177	161	161	12	176
July	2.71	5.2	1.8	11.5	175	162	161	11	186
August	2.79	5.1	1.8	11.3	173	158	158	11	192
September	2.92	4.9	1.7	10.9	172	157	157	13	185
October	2.95	4.8	1.7	10.6	167	153	152	13	188
November	2.95	4.8	1.7	10.7	165	153	151	14	191
December	3.00	4.7	1.7	10.5	165	155	151	15	222
2003	3.04	4.3	1.6	9.9	160	164	144	15	233
January	3.07	4.6	1.7	10.5	166	160	152	12	189
February	3.08	4.5	1.6	10.2	162	158	148	13	195
March	3.09	4.4	1.6	10.1	164	161	149	13	204
April	3.09	4.4	1.6	10.0	165	164	148	13	214
May	3.09	4.3	1.6	9.9	158	163	144	13	216
June	3.09	4.2	1.6	9.8	155	162	140	14	229
July	3.09	4.2	1.6	9.7	155	160	138	14	242
August	3.09	4.3	1.6	9.7	155	159	138	13	247
September	3.05	4.3	1.6	9.8	157	161	140	17	241
October	2.99	4.2	1.6	9.7	159	168	143	20	248
November	2.96	4.3	1.7	9.8	162	172	143	19	263
December	2.93	4.2	1.7	9.8	160	175	143	22	306
2004	2.90	4.2	1.7	9.6	156	176	135	21	290
January	2.91	4.2	1.7	9.7	158	177	140	19	258
February	2.91	4.2	1.7	9.7	158	179	139	18	274
March	2.92	4.3	1.7	9.7	159	178	138	21	285
April	2.98	4.3	1.7	9.7	160	178	137	18	289
May	3.00	4.3	1.7	9.8	160	177	137	19	285
June	3.02	4.3	1.7	9.7	156	174	135	20	301
July	3.03	4.2	1.7	9.6	154	174	133	19	305
August	3.02	4.2	1.7	9.6	154	173	133	19	315
September	3.03	4.1	1.7	9.6	156	175	134	24	304
October	3.02	4.1	1.7	9.5	155	176	134	25	304
November	3.03	4.0	1.7	9.3	151	175	129	24	246
December	3.04	3.9	1.6	9.1	145	175	126	27	313

Sources: Tajik authorities; and Fund staff estimates.

1/ May 1995=100. Using period average exchange rates. The real exchange rate indices and average nominal exchange rate index are based on INS data. An increase denotes appreciation.