

IMF Resident Representative Comments on Executive Summary of Ernst&Young's Special Audit Report on the National Bank of Tajikistan, at the Request of Asia-Plus

- The IMF commends the government for publishing the executive summary of this report, which reflects a high level of transparency by international standards.
- The problems highlighted in the report are broadly in line with what we already knew regarding the misreporting to the IMF, but have now been independently verified.
- The summary documents deep-rooted problems that need to be fixed, but also details some improvements that have already taken place, notably at the request of the IMF.
- The audit shows, in particular, a serious lack of checks and balances. For example, the fact that shareholders of Kredit Invest are themselves cotton investors and among the largest recipients of financing from Kredit Invest represents a conflict of interest.
- The IMF has taken the issue very seriously and has already requested that several steps be undertaken to address these problems, in particular at NBT. In this regard, the authorities took important actions under the IMF Staff Monitored Program in the second half of 2008:
 - The special audit of the NBT itself was part of the authorities' commitment under the staff monitored program.
 - The NBT is no longer involved in cotton financing.
 - Legal amendments to the NBT law and the commercial bank law were drafted to strengthen governance and prevent future conflicts of interest.
- Looking ahead, the NBT has committed to taking the necessary steps to address all recommendations in the report, and adopted an action plan to this end.
- The IMF will closely monitor the implementation of this action plan under a new proposed financial program that the IMF Board will consider soon.
- As preliminary conditions for the IMF Board discussion of this program, supported by a \$120 million loan under the Poverty Reduction and Growth Facility (PRGF), the following actions have been agreed with the IMF:
 - NBT adopts action plan on dealing with all recommendations and issues from the Report.
 - NBT completes external audit of its end-2008 net international reserves position.
 - NBT appoints external auditor to conduct the audit of the NBT's 2009 financial statements.
 - Government submits amendments to the NBT and Commercial Bank Laws to Parliament (amendments enhance governance).