

Tajikistan Enhanced Structural Adjustment Facility- Policy Framework Paper, 1998-2001, Appendix I

Policy Matrix 1998-2001				
Policy Area	Objectives and Targets	Measures	Timing	TA requirements
1. <u>Fiscal Management</u>	Strengthen revenues while moving away from the system of automatic collection of taxes through bank settlement accounts, and toward a system of collection at source.	Broaden the tax base by eliminating most remaining allowances, preferences and exemptions for individual income and profits taxes	1999 budget	1998 IMF/FAD
		Elimination of automatic taxation through banks' settlement accounts -for 20 companies currently under the LTU -for all companies currently under the LTU -for all taxpayers	January 1999 January 2000 March 2001	
		Improve tax administration by: - increasing the powers and authority of the large taxpayer monitoring unit; - completing issuance of TINs for enterprises - strengthen civil and criminal penalties for tax avoidance -increased use of asset seizure and the bankruptcy law to enforce tax payments -revise duties and powers of tax officials, record keeping obligations of taxpayers, and rules and procedures for tax assessment	September 1998 December 1998 September 1998 1998-2001 December 1998	1998 IMF/FAD
		Revise tax code in line with IMF recommendations	December 1999	1998 IMF/FAD/LEG
		Revise the VAT laws by: -replacing the sales taxes on all commodities with VAT, with phase in period for cotton and aluminum -establishing reasonable turnover threshold for VAT -revise administration of VAT	1999 budget	
		Revise the Excise Laws by: -eliminating unproductive excises -replacing some ad valorem with specific excises	1999 budget June 1998	

Policy Area	Objectives and Targets	Measures	Timing	TA requirements
1. <u>Fiscal Management</u> (continued)	Improve efficiency of expenditure	Reorient current expenditures by:		
		-restructuring public sector wages	1999-2001	World Bank PER 1999
		-increasing the share of expenditures allocated to the social safety net	1998-2001	
		-eliminating most remaining producer subsidies	1999 Budget	
		Eliminate all wage and compensation arrears	June 1998	
		Strengthen monitoring of the budget by:		
		-completing the introduction of the treasury system	June 1999	IMF/FAD 1998
		-monitoring expenditure commitments	December 1998	
		Complete a public sector employment survey	September 1998	
		Adopt a government restructuring plan	1999-2000	
Consolidate the Road and Social Protection Funds in budget, and remove commercial organizations from the budget	1999 budget			
Improve the social safety net by designing a comprehensive social safety net to replace the current compensation payments, subsidized transportation and utilities, and minimum and social pensions	2000 Budget	IMF/FAD and World Bank 1998-2000		
Increase the age for pension eligibility 6 months each year, freeze working pensioners' benefits, and tighten early retirement provisions	1999-2001			
Transform the budget to a commitment basis	2000 Budget	IMF/FAD 1999		
Public investment	Undertake all public investments in the context of a Public Investment Program	1999-2001	World Bank 1998-99	
	Implement a plan to rehabilitate key infrastructure	1998-2001	World Bank 1998-99	

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<u>2. Financial Sector Management</u>	Strengthen institutional framework, restructure the banking sector, increase financial sector competition and improve effectiveness of monetary policy	Introduce a new chart of accounts, consistent with International Accounting Standards, for all commercial banks and the NBT	Financial year 1998	World Bank, 1998
		Audited financial statements for the commercial banks and NBT will be made public	1999	World Bank, 1998
		Adopt the new Law on Banking	June 1998	IMF/MAE 1998
		Revise the Law on Collateral	June 1998	1998
		Strengthen NBT's banking supervision capacity: - Increase staffing of Bank Supervision Department - Increase the number of off-site inspections	September 1998 1998	IMF/MAE 1998
		Adopt a set of measures to improve the payments system	December 1998	World Bank, 1998
		Increase NBT's use of credit auctions to allocate credit to the market as follows: - 75 percent of all new credit to banks - 100 percent of all new credit to banks	June 1998 December 1998	IMF/MAE 1998
		Introduce Treasury bill auctions	July 1998	IMF/MAE 1998
		Adopt a schedule for converting NBT credit to government to Treasury Bills	August 1998	IMF 1998
		Introduce a Lombard facility	December 1998	IMF/MAE 1998
		Introduce reserve averaging	1998	IMF/MAE 1998
Keep Ministry of Finance (MOF) deposits currently held with the NBT in a single Tajik ruble account, and require all taxes to be paid in rubles	June 1998			

Policy Area	Objectives and Targets	Measures	Timing	TA requirements
<p>2. <u>Financial Sector Management</u> (continued)</p>		<p>Introduce a scheme to increase the transparency of NBT-MOF financial relations, including interest payments at market rates and NBT profit transfers to the budget</p>	<p>1999 Budget</p>	<p>IMF/MAE 1998</p>
		<p>NBT will devise and implement a framework for short term liquidity management according to the recent recommendations from MAE</p>	<p>September 1998</p>	<p>IMF/MAE 1998</p>
		<p>Implement new prudential standards (K-1 through K-6) as recommended by MAE</p>	<p>June 1998</p>	
		<p>Banks must meet prudential requirements, agree with the NBT on a plan for compliance, or face liquidation</p>	<p>June 1998</p>	<p>IMF/MAE 1998</p>
		<p>Ensure all banks meet all prudential requirements (K1 through K6), or withdraw their license</p>	<p>December 1998</p>	
		<p>Implement bank restructuring programs</p>	<p>1998-2001</p>	<p>World Bank/IMF</p>
		<p>Increase minimum requirements for bank total capital according to the following schedule: -US\$500,000 -US\$750,000 -US\$1,000,000</p>	<p>January 1999 September 1999 January 2000</p>	<p>IMF/MAE 1998</p>
		<p>Adopt an action plan to encourage the development of an interbank credit market</p>	<p>December 1998</p>	

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3. <u>Exchange and Trade Policies</u>	Trade Policy	Remove import duty exemptions for harvesters and associated gas.	1999 budget	
		Eliminate import and export licensing, and export registration, requirements except to protect health, defense, and bio-diversity	June 1998	
	Exchange Policy	Draft a revised foreign exchange law	September 1998	IMF 1998
		Accept the obligations of Article VIII	1998	IMF/LEG 1998
		Streamline rules and operations of TICEX	June 1998	IMF/MAE 1998
4. <u>Structural Policies</u>	Privatization	Privatize small scale enterprises (after January 1, 1998): - at least 600 - at least 900 - complete small scale privatization	June 1998 September 1998 March 1999	World Bank, 1998
		Privatize all privatizable unfinished construction projects and government trucks	March 1999	World Bank, 1998
		Corporatize all medium and large scale enterprises	March 1999	World Bank, 1998-2001
	Reform of strategic enterprises	Privatize medium and large scale enterprises (after January 1, 1998): - at least 20 - at least 50 - at least 80 -at least 120	June 1998 September 1998 December 1998 March 1999	
		Devise and implement TADAZ restructuring plan	1998-2000	

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4. <u>Structural Policies</u> (continued)		Separate from TADAZ, and privatize, all non-aluminum commercial operations	1998	1998-2000
		Devise and implement a restructuring plan for Pakhtai Tajik, and privatize the company	1998-2000	
		Announce an international tender for the sale of all cotton ginneries	By December 1998	World Bank, 1998-2000
		Complete sales of ginneries	By April 1999	World Bank, 1998
a. Domestic pricing	Avoid subsidies and cross subsidies	Electricity prices to be set at cost-recovery levels for all customers --Industry and Agriculture - 50 percent cost-recovery - 75 percent cost-recovery - 100 percent cost-recovery --Households -10 percent cost recovery -25 percent cost recovery -50 percent cost recovery -100 percent cost recovery Set gas prices at cost recovery levels	end-1998 end-1999 end-2000 September 1998 March 1999 December 1999 December 2000 December 1998	1998-1999
b. Arrears	Interenterprise arrears	Identify state owned enterprises responsible for most interenterprise arrears; adopt restructuring plans for those which are viable and liquidate those which are not viable. Instruct viable state owned enterprises to securitize their debts and market them.	1998-99 September 1998	1998-1999 1998
c. Role of the private sector	Improve the legal and regulatory framework for private market development	Revise the bankruptcy law Revise the company law Prepare and pass a commercial code Establish an automated system for recording and disseminating laws and regulations	June 1998 June 1998 June 1999 December 1998	World Bank 1998 World Bank 1998 1998

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5. <u>Sectoral Policies</u> a. Agriculture	Land reform Agricultural Infrastructure	Set targets for land certificate distribution and increase staffing of Land Reform Commission Make land certificates freely marketable Notify farms to be privatized during the first program year, and start the process Establish a professional land court, and clearly determine legal land rights Completion of the process of liberalizing marketing for all agricultural inputs Rehabilitate the irrigation system. Ensure tariffs for irrigation adequately cover costs Develop a rural credit system	1998-2000 September 1998 June 1998 December 1998 December 1999 1998-2000 December 1999 December 1999	World Bank 1998-2000 World Bank 1998 World Bank 1998-1999 World Bank 1998-2000 World Bank 1998-99
b. Mining	Develop Tajikistan's mining potential, in cooperation with foreign investors	Review FDI legislation and amend as necessary	December 1998	1998
5. <u>Sectoral Policies</u> (continued) c. Energy	Strengthen the electricity sector	Develop and implement a plan to ensure full current payment for electricity (particularly by TADAZ and households), sharply reduce cross subsidies, and address the stock of debts for electricity Develop a long term investment plan for the electricity sector, including financing Install gas meters, first in Dushanbe and then other parts of the country Provide lifeline electricity subsidies for the poor	1998-2000 December 1998 1998-99 1999	

Policy Area	Objectives and Targets	Measures	Timing	TA requirements
d. Aluminum	Strengthen the operations of the Tajik Aluminum Plant (TADAZ)	<p>Adopt and implement a timetable for reform of TADAZ, based on the results of a study of the economic and financial viability of the company</p> <p>Separate from TADAZ, and privatize, all commercial non-aluminum activities</p> <p>Seek to improve the terms of the company's trade agreements, particularly with regard to inputs</p>	<p>1998-2000</p> <p>December 1998</p> <p>December 1998</p>	<p>1998-2000</p> <p>1998</p> <p>1998</p>
6. <u>Human Resource Development</u>				
a. Education	Improve educational opportunities and performance of the sector	Review and revise the composition of expenditures	1999 Budget	World Bank 1998
b. Health	Expand access to health care	Review and revise the composition of expenditures, with a view to protecting basic health care	1999 Budget	World Bank 1998
7. <u>External Debt Policies</u>				
		<p>Complete process of rescheduling external debts</p> <p>Monthly reporting by Ministry of Finance to Commission on Foreign Debt on debt position and expected payments</p>	<p>December 1998</p> <p>1998-2001</p>	
8. <u>Statistical Policies</u>				
	Improve the quality of the statistical data to strengthen the capacity to monitor economic and financial developments, and seek donor support for this effort	<p>Increase the resources available to Goskomstat</p> <p>Establish a high level working committee designed to improve the production of economic statistics</p> <p>Improve the national income and price statistics, in line with recommendations from the IMF</p>	<p>1998-99</p> <p>June 1998</p> <p>1998-2000</p>	<p>IMF 1998</p> <p>IMF/STA 1998-2000</p>