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EXECUTIVE BOARD MEETING

SM/17/274
Supplement 4

October 31, 2017

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Tajikistan—Staff Report for the 2017 Article IV Consultation—Supplementary Information**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Friday, November 3, 2017**
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Questions:	Ms. Khandelwal, MCD (ext. 39767)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Asian Infrastructure Investment Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Commission, Islamic Development Bank, Organisation for Economic Cooperation and Development

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

STAFF REPORT FOR THE 2017 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

October 31, 2017

Approved By Adnan Mazarei and Daria Zakharova

This supplement reports on key economic developments since the staff report was finalized on October 20, 2017. The new information does not alter the thrust of the staff appraisal.

Context

1. **Gross international reserves have been boosted by the Eurobond issuance**. Owing to the Eurobond issuance of $500 million in September, gross international reserves in mid-October 2017 reached $1.26 billion, equivalent to 4.1 months of next year's imports of goods and services. The proceeds from the bond issuance are expected to finance the large energy project. As the imports of goods and services associated with this project pick up, gross international reserves are expected to decline accordingly.

2. **The National Bank of Tajikistan (NBT) is making progress in strengthening its monetary policy framework**. In September 2017, a standing deposit facility that allows banks to place excess liquidity (as remunerated overnight deposits) with the NBT was introduced. This facility will help establish a corridor system to steer interbank interest rates and improve liquidity management.

3. **Banks have made progress in reducing nonperforming loans**. According to the latest financial soundness indicators reported by the NBT, the share of nonperforming loans in banks' loan portfolios have declined from 54 percent at end-2016 to 48.8 percent at end-September.

4. **On October 30, 2017, the authorities provided revisions to data on external public and publicly guaranteed debt**. These data suggest that the debt stock at end-2016 was $2,684 million, which is $441 million and 6.4 percent of GDP higher than reported in the staff report. The historical debt series has also been revised upward. In light of the recent disclosure, staff has been unable to verify and confirm the extent of the data revisions. If these data are verified, a higher adjustment would be needed under the strong reform scenario to bring down the debt more quickly and reduce the risk of debt distress to moderate. The risk of debt distress under the baseline scenario would remain high, leaving the thrust of the staff appraisal unchanged. Staff will follow up with authorities and encourage them to strengthen debt management and monitoring capacity.