

**EXECUTIVE
BOARD
MEETING**

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April 30, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Tajikistan—Request for Disbursement Under the Rapid Credit Facility—Informational Annex**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Wednesday, May 6, 2020**

Publication: Yes*

Questions: Ms. Khandelwal, MCD (ext. 39767)
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Document Transmittal in the Absence of an Objection and in accordance with Board policy: After Board Consideration—Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, Islamic Development Bank, Organisation for Economic Cooperation and Development, World Trade Organization

*The authorities have indicated that they consent to the Fund's publication of this paper.



INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

April 29, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—INFORMATIONAL ANNEX

Prepared By

The Middle East and Central Asia Department
(In Consultation with Other Departments)

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FUND RELATIONS

(As of March 31, 2020)

Membership Status: Joined April 27, 1993; Article VIII

General Resources Account

	SDR Million	Percent Quota
Quota	174.00	100.00
Fund Holdings of Currency	174.00	100.00
Reserve position in Fund	0.00	0.00

SDR Department

	SDR Million	Percent Allocation
Net Cumulative allocation	82.08	100
Holdings	22.24	27.09

Outstanding Purchases and Loans

	SDR Million	Percent of Quota
ECF Arrangements	20.88	12.00

Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF ¹	Apr. 21, 2009	May 09, 2012	104.40	104.40
ECF	Dec.11, 2002	Feb.10, 2006	65.00	65.00
EFF	Jun. 24, 1998	Dec. 24, 2001	100.30	78.28

Projected Payments to the Fund²

	Forthcoming				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Principal	11.74	6.52	2.61		
Charges/Interest	0.06	0.03	0.03	0.03	0.03
Total	11.81	6.55	2.64	0.03	0.03

¹ Formerly PRGF.

² When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not applicable

Implementation of Multilateral Debt Relief Initiative (MDRI):

MDRI-eligible debt (SDR Million) ³	69.31		
Financed by: MDRI Trust	69.31		
Remaining HIPC resources	--		
Debt Relief by Facility (SDR Million)			
	Eligible Debt		
<u>Delivery Date</u>	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
January 2006	N/A	69.31	69.31

Safeguards Assessment

The last safeguards assessment was completed in 2010. It recommended to improve the NBT's organizational structure, transparency, audit arrangements and accounting controls. Subsequently, an NBT reform action plan was drawn up, and since 2010 several measures have been implemented, including six-monthly reviews of NIR data by an external auditor during the 2009–12 ECF arrangement and the addition of non-executive members to the Board of Directors. The NBT financial statements continue to be audited in accordance with international standards and the results are published, albeit with some delays. The NBT is operating with substantial negative equity that amounted to TJS 6.4 billion (equivalent of USD 679 million) at end-2018. A 2018 IMF technical assistance mission recommended a staged recapitalization of TJS 500 million each year beginning early 2019 until positive statutory capital is achieved.

Exchange Rate Arrangements

Tajikistan's de jure exchange rate arrangement is managed floating and its de facto exchange rate arrangements is classified as stabilized.

With effect from December 9, 2004, the Republic of Tajikistan accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement. The Republic of Tajikistan maintains one exchange restriction and two multiple currency practices subject to Fund approval under Article VIII, Section 2(a) and Section 3 of the IMF's Articles of Agreement. Foreign exchange shortages, evidenced by market participants' reports of undue delays in obtaining foreign exchange and external payment arrears, persist in the commercial foreign exchange market as a result of the setting of exchange rates by commercial banks used in foreign exchange transactions, due to informal guidance by the NBT, which do not reflect market conditions. As a consequence of this, not all demand for bona fide foreign exchange for current international transactions is satisfied, giving

³ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

rise to an exchange restriction. One multiple currency practice arises because of the absence of a mechanism to prevent a potential deviation of more than 2 percent between: (i) the prevailing market exchange rate and (ii) the official exchange rate, which is required to be used for converting domestic currency (somon) to foreign currency, and vice-versa, between accounts of individuals and legal entities opened within the same commercial bank. The second multiple currency practice arises because of the absence of a mechanism to prevent a potential deviation of more than 2 percent between: (i) the somoni-Russian ruble exchange rate (calculated as a cross-rate using the official exchange rate of the USD to somoni), which is required to be used for mandatory ruble surrender transactions and (with a maximum variation of 0.5 percent) for the purchase/sale in the interbank market of rubles derived from the mandatory surrender and (ii) the market exchange rate banks may use for purchase/sale of Russian rubles derived from other sources. The Republic of Tajikistan also maintains exchange restrictions imposed for security reasons that have been notified to the Fund pursuant to Executive Board decision No. 144–(52/51) Fund.

FSAP Participation

Tajikistan participated in the Financial Sector Assessment Program during 2007–08, and the FSSA report was been published at <http://www.imf.org/external/country/TJK/index.htm>. An FSAP Update mission was held in January-February 2015 and the associated FSSA was discussed by the Executive Board at the time of the 2015 Article IV consultation.

Article IV Consultation

The 2019 Article IV consultation with Tajikistan was concluded on January 13, 2020.

Resident Representative

Mr. Sobolev, Resident Representative of the Fund, started his assignment in Dushanbe in August 2016.

Technical Assistance

The following table summarizes the Fund’s technical assistance (TA) to Tajikistan since 2006.

Tajikistan: Technical Assistance, 2006-20		
Fund Department	Area of Assistance	Mission Dates
FAD, LEG	Tax Reform	March 2020-ongoing
STA	National Accounts Statistics	June 2019
MCM	Bank Supervision TA and Project Assessment Mission	May 2019
MCM	Bank Resolution	April 2019
MCM	Monetary policy modernization, Reserve Requirement Averaging, and liquidity management	April 2019
STA	Government Finance Statistics	November 2018
MCM	Central Bank Governance, independence, and Recapitalization	November 2018
STA	Balance of Payment Statistics	October 2018
STA	National Accounts Statistics	June 2018
MCM	Bank Supervision and Regulation Assessment	March 2018
MCM	Liquidity Forecasting and Emergency Assistance	March 2018
STA	Government Finance Statistics	October 2017
STA	National Accounts Statistics	September 2017
MCM	Medium-Term Debt Management Strategy	August 2017
MCM	Banking Supervision	August 2017
MCM	Banking Supervision	April 2017
MCM	Monetary Policy Framework and Implementation	April 2017
LEG	Bank Resolution Framework	October 2016
STA	National Accounts Statistics	July 2016
MCM	Monetary and Foreign Exchange Operations	April 2016
FAD	Accounting and Financial Reporting, Treasury Management, and Fiscal Oversight of State-Owned Enterprises	March 2016
STA	Monetary and Financial Statistics	October 2015
MCM	Financial Stability	October 2015
MCM	Reserve Management	September 2015
FAD	Improving Tax Disputes Resolution Processes in the Tax Committee	June 2015
MCM	Improving Accounting Controls at NBT	April 2015
STA	BOP	April 2015
FAD	Tax Administration	March 2015
STA	Monetary and Financial Statistics	December 2014
MCM	Bank Resolution	May 2014
FAD	PFM Reform	April 2014
FAD	Tax Administration	April/July/November 2014
STA	BOP	April 2014
STA	Monetary and Financial Statistics	December 2013
MCM	Improving Accounting Controls at NBT	October 2013

FAD	PFM Reform	August/November 2013
FAD	Tax Administration	June/November 2013
MCM	Banking Supervision	March 2013
FAD	Tax Administration	March 2013
MCM	Improving Accounting Controls at NBT	February 2013
STA	BOP	December 2012
STA	Monetary and Financial Statistics	November 2012
MCM	Improving Accounting Controls at NBT	November 2012
FAD	Tax Administration	June/August/Oct 2012
STA	National Accounts Statistics	May 2012
STA	Monetary and Financial Statistics	April 2012
FAD	Tax Policy Review	April 2012
FAD	Financial Monitoring of SOEs	March 2012
MCM	Improving Accounting Controls at NBT	February 2012
FAD	Tax Policy Review	May 2011
MCM	NBT Internal Audit	April 2011
MCM	BOP	March 2011
MCM	Improving Accounting Controls at NBT	January 2011
FAD	Public Financial Management (Regional Advisor)	November 2010
LEG	NBT Law	October 2010
MCM	NBT Recapitalization Strategy	September 2010
FAD	Public Financial Management Reforms	June 2010
FAD	Tax Policy and Administration	February/July 2010
MCM	NBT Recapitalization Strategy	October/Dec 2009
FAD	Public Financial Management (Budget Classification)	May 2007
STA	Report on Monetary and Financial Statistics National Accounts and Price Statistics (Regional Advisor)	June 2006
FAD	Fiscal ROSC	August 2006
MCM	Strengthening the Monetary Policy Framework and Liquidity Management	May 2006
LEG	AML/CFT	2006

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

The World Bank work program on Tajikistan can be found on the following website:

<https://www.worldbank.org/en/country/tajikistan>

The Asian Development Bank work program on Tajikistan can be found on the following website:

<https://www.adb.org/countries/tajikistan/main>

The European Bank for Reconstruction and Development work program on Tajikistan can be found on the following website:

<https://www.ebrd.com/tajikistan.html>

STATISTICAL ISSUES

(As of April, 2020)

Assessment of Data Adequacy for Surveillance
<p>General: Data provision has some shortcomings in the areas of national accounts, price statistics, and monetary statistics, but is broadly adequate for surveillance.</p>
<p>National accounts statistics: There are significant deficiencies in the statistical techniques for national accounts, most notably in quarterly national accounts and the informal economy. Efforts are needed to improve data quality so as to more accurately reflect developments in an evolving economy. Data on GDP from the expenditure side would help identify underlying economic trends.. Five IMF TA missions on national accounts were conducted during the period 2016–18 under the scope of the Enhanced Data Dissemination Initiative 2 (EDDI2) supported by the United Kingdom’s Department for International Development (DFID). These missions assisted the National Statistics Agency (Tajstat) with the development of experimental estimates of annual GDP for 2016–18, which incorporate methodological improvements related to the 2008 SNA methodology. The questionnaires of major economic surveys were changed to collect discrete data from 2019. The overall progress with the implementation of recommendations is slow as reflected in the lack of revisions in the national accounts time series.</p>
<p>Prices statistics: The consumer price index (CPI) for Tajikistan is published monthly by the Tajstat. The index has national coverage. Expenditure weights, which include the value of consumption from own production, are updated annually. At the elementary index level, the Dutot formulation is used. This formulation is problematic in that it fails the commensurability test meaning that it does not perform well when items selected for pricing are of significantly different product sizes. Instead the Jevons formulation is recommended. At the higher level of aggregation, the modified Laspeyres formulation is used, in line with international recommendations. Seasonally unavailable prices are treated by the carry forward of last observed prices. This treatment can introduce a downward bias in the CPI and should be replaced by an appropriate imputation technique.</p>
<p>Government finance statistics: Fiscal accounts are based on cash transactions as recommended in the 1986 Manual on Government Finance Statistics. In 2010, the authorities introduced an administrative classification of the budget. To move towards the implementation of the <i>GFSM 2014</i> framework, the country had participated in a three-year regional project on GFS funded by the Swiss State Secretariat for Economic Affairs (SECO) ending at end-April 2020. The authorities have compiled the first annual fiscal data for the general government for the period 2015 to 2017 aligned with the <i>GFSM 2014</i>. Full transition to <i>GFSM2014</i> should be accelerated..</p>
<p>Monetary and financial statistics: STA provided technical assistance in the area of monetary and financial statistics (MFS) to the National Bank of Tajikistan (NBT) in 2002, 2006, 2012 and 2015 with the main objective to improve the quality of statistics. The provision of timely data on domestic gold production, exports and the NBT’s domestic gold purchases would enhance surveillance of Tajikistan’s external position. The NBT reports to STA monthly MFS data using the IMF’s standardized report forms (SRFs) for the central bank, other depository corporations, and other financial corporations that are published in the “<i>International Financial Statistics</i>”.</p>

Financial sector surveillance: Tajikistan has in the past reported the 12 core FSIs and 9 of the 13 encouraged FSIs for deposit takers, and one FSI for real estate markets on a quarterly basis for posting on the IMF's FSI website. However, the latest FSIs submitted to FI are for the period 2015Q3. In response to the NBT's request for TA in improving the calculation of FSIs, STA is planning to field a mission to update the compilation framework, develop additional FSIs based on the *2019 FSI Guide*, and encourage the authorities to resume reporting.

Tajikistan has not reported data to the Financial Access Survey (FAS) since 2013. Until 2013, Tajikistan reported some data and indicators of the FAS, including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

External sector statistics (ESS): Tajikistan participated in a 20-month project on Improvement of ESS in three Central Asian countries. Considerable improvements were made in coverage, periodicity, and timeliness of ESS. The balance of payments, IIP, and external debt statistics are currently compiled and disseminated quarterly applying the BPM6 framework and based on updated estimation methods. Tajikistan also started participating in the IMF's Coordinated Direct Investment Survey (CDIS). Improvements are still needed in estimation of shuttle trade, travel services, and remittances. Work also needs to be continued on expanding the coverage of reporters for ESS purposes and for maintaining consistency between datasets.

Data Standards and Quality

Tajikistan participates in the Enhanced-General Data Dissemination System (e-GDDS) since November 17, 2004 and implemented the e-GDDS on March 17, 2020 by launching a National Summary Data Page (NSDP). Metadata is updated regularly.

A Data ROSC was published on March 30, 2005.

Tajikistan: Table of Common Indicators Required for Surveillance
(as of April 22, 2020)

	Date of latest observation	Date received	Frequency of data ⁶	Frequency of reporting ⁶	Frequency of publication ⁶	Memo Items:	
						Data Quality – Methodological soundness ⁷	Data Quality Accuracy and reliability ⁸
Exchange Rates	March 2020	April 2020	M	M	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	February 2020	March 2020	M	W	W		
Reserve/Base Money	February 2020	March 2020	M	M	W	O, O, LO, O	LO, O, O, O, NO
Broad Money	February 2020	March 2020	M	M	M		
Central Bank Balance Sheet	February 2020	March 2020	M	M	W		
Consolidated Balance Sheet of the Banking System	February 2020	March 2020	M	M	M		
Interest Rates ²	February 2020	March 2020	M	M	I		
Consumer Price Index	February 2020	March 2020	M	M	M	LO, LO, LNO, O	LO, LO, LO, O, O
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	December 2019	February 2020	M	M	M	LO, LO, O, O	O, O, O, LO, LO
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	December 2019	February 2020	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	December 2019	March 2020	Q	Q	I		
External Current Account Balance	December 2019	April 2020	Q	Q	Q	LNO, LNO, O, O	LO, O, O, O, O
Exports and Imports of Goods and Services	December 2019	April 2020	Q	Q	Q		
GDP/GNP	December 2019	March 2020	M/A	M	I	O, LNO, LNO, LNO	LO, LO, LNO, O, O
Gross External Debt	December 2019	March 2020	Q	Q	I		
International Investment Position	December 2019	April 2020	Q	Q	Q		

¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

⁷ Reflects the assessment provided in the data ROSC published on April 2005 and based on the findings of the mission that took place during April 2004 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

⁸ Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.