

SU/20/94

May 6, 2020

**The Acting Chair's Summing Up
Republic of Tajikistan—Request for Disbursement Under the Rapid Credit Facility
Executive Board Meeting 20/57
May 6, 2020**

Executive Directors noted that the COVID-19 pandemic has hit the Tajikistan economy severely, with trade and transportation restrictions adversely impacting remittances and revenues and creating large and urgent balance of payments and fiscal financing gaps. They commended the authorities' actions to contain the pandemic, support needed health and social spending, as well as the adjustment in the exchange rate and stepped up liquidity provision to banks.

Directors agreed that a temporary widening of the budget deficit is appropriate and welcomed the authorities' commitment to higher health and social spending to mitigate the human and economic costs of the pandemic. They were encouraged by the authorities' plans for enhanced transparency and reporting of resources deployed for the emergency response, including through publication of quarterly reports and ex-post audits of crisis-related spending.

Directors welcomed the authorities' commitment to medium-term fiscal consolidation to ensure debt sustainability. They agreed that the fiscal adjustment needed to stabilize the debt should be achieved through a combination of revenue and expenditure measures. In this regard, Directors encouraged broadening the tax base, including by phasing out inefficient tax incentives, and prioritizing and improving the efficiency of public spending.

Directors recommended remaining vigilant to liquidity and inflation developments in the unfolding crisis. They concurred that exchange rate flexibility should be maintained to ensure price competitiveness, while FX interventions could be used to smooth excessive volatility and economic disruption. As the shock eases, gradual removal of the existing Article VIII restriction and existing multiple currency practices will help improve the functioning of the FX market. Directors agreed that strong oversight and supervision should be maintained, while loan classification and provisioning rules should be fully and transparently applied.

Directors considered that the Fund's emergency financing assistance should catalyze support from the international community to close the remaining financing gaps.