INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/169

REPUBLIC OF TAJIKISTAN

July 2025

2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A REFORM TARGET—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR REPUBLIC OF TAJIKISTAN

In the context of the 2025 Article IV Consultation and Second Review under the Policy Coordination Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its June 23, 2025 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 23, 2025, following discussions that ended on April 15, 2025, with the officials of Republic of Tajikistan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 12, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Statement by the Executive Director** for Republic of Tajikistan.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR25/216

IMF Executive Board Concludes 2025 Article IV Consultation and Second Review of the Policy Coordination Instrument with Tajikistan

FOR IMMEDIATE RELEASE

- *Tajikistan's strong growth performance has continued into 2025, accompanied by well-contained inflation, a favorable external position and a further reduction in public debt to GDP.*

- *Tajikistan's favorable economic performance creates an opportunity to implement needed reforms to address structural vulnerabilities and support domestic job creation. Broad-based governance and transparency reforms are key to strengthening the business climate to foster more diversified private sector-led growth.*

- *The Second Review under the Policy Coordination Instrument with Tajikistan was completed, with all but one of the quantitative targets for the second review met and the reform targets broadly implemented.*

Washington, DC – June 24, 2025: The Executive Board of the International Monetary Fund (IMF) completed the 2025 Article IV Consultation[1] and the Second Review of the Policy Coordination Instrument (PCI)[2] with Tajikistan on June 23, 2025. The authorities have consented to the publication of the Staff Report prepared for this consultation.[3]

Tajikistan's twenty-two-month program under the PCI was approved in February 2024. The PCI aims to anchor macroeconomic policies and support structural reform implementation to maintain macro-financial stability and foster more sustainable and inclusive growth. Program implementation remains broadly on track, with all but one of the quantitative targets for the second review met and the reform targets broadly implemented.

Tajikistan's strong growth performance has continued into 2025, accompanied by a steady improvement in macroeconomic fundamentals. Large financial inflows have contributed to a

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The PCI is available to all IMF members that do not need Fund financial resources at the time of approval. It is designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors. (see https://www.imf.org/en/About/Factsheets/Sheets/2017/07/25/policy-coordination-instrument).

[3] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Tajikistan page.

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favorable external position, with FX reserves amounting to 7 months' import coverage, while prudent fiscal policy has anchored a continued reduction in public debt to 25 percent of GDP at end-2024. Inflation remains well-contained at 3.6 percent (y/y) in April 2025. The near-term outlook remains positive, but subject to considerable regional uncertainty that could result in a less favorable external environment.

Tajikistan's favorable economic performance creates an opportunity to implement needed reforms to address structural vulnerabilities and support domestic job creation. Improving revenue mobilization and spending efficiency is critical to increasing space for development priorities. Monetary policy should remain vigilant and manage liquidity proactively in the context of large foreign exchange inflows and strong credit growth. Broad-based governance and transparency reforms are key to strengthening the business climate to foster more diversified private sector-led growth.

At the conclusion of the Executive Board's discussion, Mr. Okamura, Deputy Managing Director, and Acting Chair, made the following statement:

"Tajikistan's strong growth performance in recent years has continued into 2025, accompanied by a steady improvement in macroeconomic fundamentals. Large financial inflows have contributed to a favorable external position, while prudent fiscal policy has anchored a continued reduction in public debt. The medium-term outlook remains positive, but subject to considerable regional uncertainty that could result in a less favorable external environment.

"The authorities' economic program under the Policy Coordination Instrument focuses on policies to anchor macroeconomic stability and strengthen resilience against shocks while advancing governance reforms to foster more diversified and inclusive growth. Program implementation remains broadly on track, with most of the quantitative targets for the second review met and the reform targets broadly implemented.

"The fiscal deficit target of 2.5 percent of GDP remains an important anchor to keep public debt on a favorable medium-term trajectory. Improved revenue mobilization and spending efficiency are key to increasing fiscal space for social and development projects. The authorities have taken steps to strengthen oversight of state-owned enterprises, but greater efforts are needed to reduce quasi-fiscal losses in the electricity sector.

"Inflation remains well contained, but strong credit growth in the context of large financial inflows requires continued vigilance. Greater exchange rate flexibility and proactive liquidity management are essential to help manage financial inflows. The banking system has strengthened its balance sheet in recent years, supporting financial deepening, but strong lending to households warrants careful oversight to ensure prudent lending standards.

"Tajikistan's favorable economic performance creates an opportunity to deepen reforms to address structural vulnerabilities and support domestic job creation. Broad-based governance and transparency reforms are key to foster more diversified private sector-led growth. Reform efforts should focus on enhancing anti-corruption frameworks, improving extractive sector transparency, and strengthening institutional oversight.

Executive Board Assessment[4]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Tajikistan's continued strong economic performance and positive medium-term outlook. At the same time, amid considerable regional and global uncertainty, the country remains vulnerable to a less favorable external environment, given its reliance on remittances and narrow export base. Against this background, Directors stressed that Tajikistan's favorable economic performance creates an opportunity to deepen reforms under the PCI to support job creation and improve resilience.

Directors welcomed the authorities' commitment to a fiscal deficit anchor of 2.5 percent of GDP to keep public debt on a favorable medium-term trajectory. They noted that improved revenue mobilization and spending efficiency are key to building buffers and increasing fiscal space for social and development projects. In that context, Directors encouraged the authorities to streamline tax expenditures, strengthen project oversight to enhance the efficiency of public investment, and improve targeting of social assistance. Directors welcomed the authorities' efforts to develop the domestic debt market and expand the investor base to further deepen the market.

Directors noted that inflation remains well contained but cautioned that strong credit growth in the context of large financial inflows requires continued vigilance. Stressing the importance of exchange rate flexibility and proactive liquidity management to help manage these inflows, they encouraged continued efforts to deepen the FX market and strengthen liquidity absorption and monetary policy transmission. Directors also emphasized that strong lending to households warrants careful macroprudential oversight and sound financial sector regulation and supervision.

Directors welcomed the authorities' focus on improved transparency and governance of state-owned enterprises and noted recent steps to strengthen financial oversight and monitor fiscal risks. While welcoming the corrective measures to address the sizeable accumulation of arrears of the public electricity company, Directors emphasized that greater efforts are needed to improve collection rates for the largest electricity consumers and cost controls to strengthen its financial performance and reduce quasi-fiscal losses.

Directors emphasized the importance of broad-based governance and transparency reforms to foster more diversified private sector-led growth. They welcomed the authorities' focus on strengthening the investment climate and noted that reform efforts should continue to focus on enhancing anti-corruption and AML/CFT frameworks, improving extractive sector transparency, and strengthening institutional oversight. It will also be important to close data quality gaps.

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[4] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Tajikistan: Selected Economic Indicators, 2023–2030								
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National Accounts				(percent change)				
Real GDP	8.3	8.4	7.0	5.0	4.8	4.5	4.5	4.5
CPI inflation (end-period)	3.8	3.7	4.5	5.0	5.0	5.0	5.0	5.0
General government finances				(percent of GDP)				
Revenue and grants	27.1	27.9	28.0	28.0	28.2	27.5	27.5	27.5
Tax revenue	19.4	19.0	19.4	19.8	20.1	20.9	21.2	21.4
Expenditure and net lending	28.0	27.7	30.5	30.5	30.7	30.0	30.0	30.0
Current	16.7	17.3	17.2	16.8	16.5	16.3	16.3	16.4
Capital	11.4	10.4	13.3	13.7	14.2	13.7	13.6	13.6
Overall balance	-0.9	0.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Total public and publicly guaranteed debt	29.9	24.9	24.7	24.8	24.8	25.6	26.3	26.9
Monetary sector				(percent change, unless otherwise indicated)				
Broad money	-0.8	28.8	17.0	11.3	11.3	11.3	11.3	11.3
Reserve money	-5.6	27.0	18.2	10.0	10.0	10.0	10.0	10.0
Credit to private sector	31.9	27.4	15.0	12.0	11.0	10.0	10.4	10.0
Refinancing rate (percent, eop)	10.0	9.0	--	--	--	--	--	--
External sector				(percent of GDP)				
Current account balance	4.8	6.2	2.5	-0.5	-1.9	-2.6	-2.2	-2.4
Trade balance (goods)	-27.2	-31.8	-30.5	-30.6	-30.1	-30.4	-29.9	-29.8
FDI (net)	0.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Total public and publicly guaranteed external debt	26.7	22.3	22.2	22.4	22.5	23.1	23.7	24.2
Sources: Data provided by the Tajikistan authorities, and Fund staff estimates.								

REPUBLIC OF TAJIKISTAN

June 12, 2025

REPUBLIC OF TAJIKISTAN—STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A REFORM TARGET

EXECUTIVE SUMMARY

Context. Strong broad-based growth has continued into 2025, alongside an improved public debt trajectory, as financial inflows have helped boost domestic demand and contributed to a favorable external position. The medium-term outlook remains positive, but subject to geopolitical risks that could result in a less favorable external environment. Tajikistan's favorable economic performance creates an opportunity to deepen reforms to address structural vulnerabilities and support domestic job creation.

Program Implementation. All QTs apart from the ceiling on the increase in the state electricity generation company's liabilities were met, and the reform targets set for the second review were broadly implemented. The authorities have taken remedial measures to address the missed QT. Staff recommends completion of the Second Review under the PCI.

Policy Recommendations.

- The fiscal deficit target of 2.5 percent of GDP remains an important anchor to keep public debt on a favorable medium-term trajectory. Sizable expenditures for construction of the Rogun Hydropower Project present a significant constraint on the budget, and improved revenue mobilization and spending efficiency are key to increasing fiscal space for social and development projects.

- Inflation remains well contained, but strong credit growth in the context of large financial inflows requires continued vigilance. Greater exchange rate flexibility and proactive liquidity management are essential to help manage financial inflows, with FX operations limited to smooth excessive disorderly market conditions. The banking system has strengthened its balance sheet in recent years, but strong lending to households warrants careful oversight to ensure prudent lending standards.

- Broad-based governance and transparency reforms are key to improving the investment climate to support more diversified private sector-led growth. There has been progress on several reforms to improve the business climate; reform efforts should continue to focus on improving governance and transparency of SOEs, supporting private sector development, and strengthening institutional oversight.

Approved By
Subir Lall (MCD) and Pritha Mitra (SPR)

Discussions with the authorities were held during April 2-15, 2025. The staff team comprised Matthew Gaertner (head), Farid Talishli, and Tongli Zhang (all MCD); Yorbol Yakhshilikov (SPR); Emrah Sagkol (MCM); and Jami Chiniev and Nailya Menlasheva (both Resident Representative office). Christoph Baumann-Kesten and Pairav Amirzoda (OED) attended some meetings. The mission was supported by Desislava Hineva (IMF-HQ).

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CONTEXT

1. Tajikistan has experienced strong economic growth during the past five years, alongside an improved public debt trajectory and favorable external position. Real GDP growth has averaged 7.7 percent during 2021-2024,[1] one of the highest growth rates in the Caucasus and Central Asia region. This has been accompanied by a decline in the public debt to GDP ratio from 51 percent at end-2020 to 25 percent at end-2024 and an increase in FX reserves to 7 months' import coverage at end-2024.

2. Tajikistan's favorable economic performance creates an opportunity to deepen structural reforms to support domestic job creation and improve resilience. The economy has benefited from large remittance inflows (48 percent of GDP in 2024), which offset a narrow export base[2], but the outlook remains vulnerable to a less favorable external environment in the context of considerable regional and global uncertainty. Structural reforms are essential to improve the business environment and create space for private sector development to support strong and inclusive medium-term growth. Completing the Rogun Hydropower Project (HPP) by 2033 is a key part of Tajikistan's strategy to achieve energy independence and ensure an affordable and stable domestic electricity supply.[3]

3. The Policy Coordination Instrument (PCI), approved in February 2024, aims to support macroeconomic stability and foster diversified and more inclusive growth. The PCI is organized around three pillars: (i) increase fiscal resilience through improved revenue mobilization, spending efficiency and oversight of state-owned enterprises (SOEs); (ii) modernize monetary, exchange rate and financial sector policy frameworks to enhance resilience to external shocks; and (iii) enhance governance and transparency in the SOE sector and more broadly to foster sustainable and more inclusive growth.

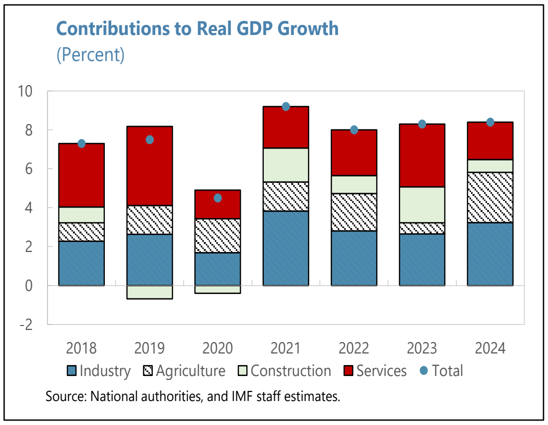
RECENT ECONOMIC DEVELOPMENTS

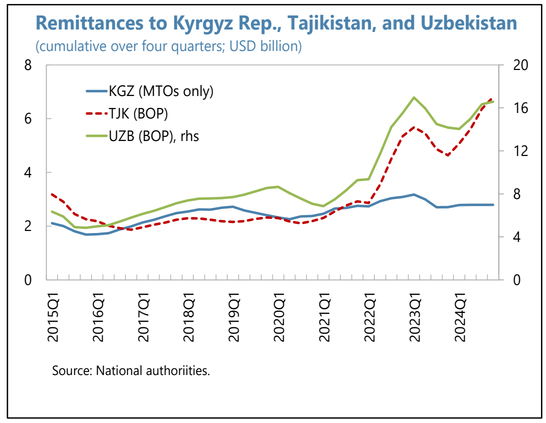
4. Strong broad-based growth continued in 2024, supported by robust aggregate demand. Real GDP increased by 8.4 percent in 2024, as strong momentum in mining, manufacturing, services and agriculture was underpinned by public and private investment. (Text Figure). Tajikistan has continued to experience strong growth in mining activity, boosted by favorable prices for gold and rising demand for rare earth metals (see Box 1).

[1] Growth has remained above potential during this period due to the strong economic rebound from the Covid-19 lows, the post-Covid surge in remittances and other financial inflows.

[2] Non-gold exports averaged 11 percent of GDP during 2020-2024.

[3] The Rogun HPP is a 3,780MW hydroelectric power facility under construction in Tajikistan. Upon completion, it would be the largest hydropower station in Central Asia with average annual generation of around 14,400 GWh.



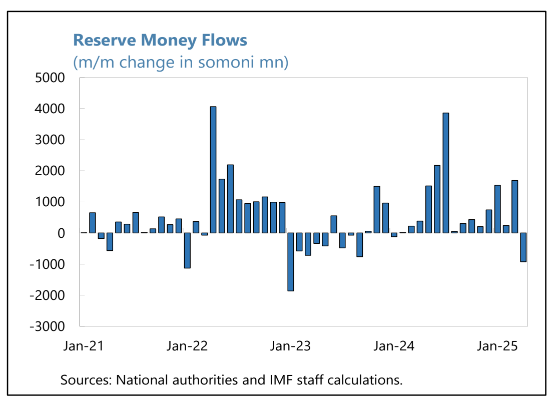


5. Inflation remains well contained. Headline inflation (y/y) stood at 3.6 percent in April 2025, broadly unchanged from the previous year, reflecting stable prices for key imported commodities such as food and fuel.[4] Twelve-month inflation remained close to the lower bound of the NBT's target range, which was lowered from 6 to 5 (±2) percent in 2025.

6. The external position has benefited from strong remittance inflows. Remittances in 2024 remained well above pre-2022 levels, in line with developments in the Central Asia region, reflecting strong demand for migrant labor in host countries (Text Figure). The NBT's gold purchases from domestic producers have also contributed to strong reserve accumulation, boosting FX reserves from $3.6 billion at end-2023 to $4.7 billion at the end of April 2025, about 7 months' import coverage.

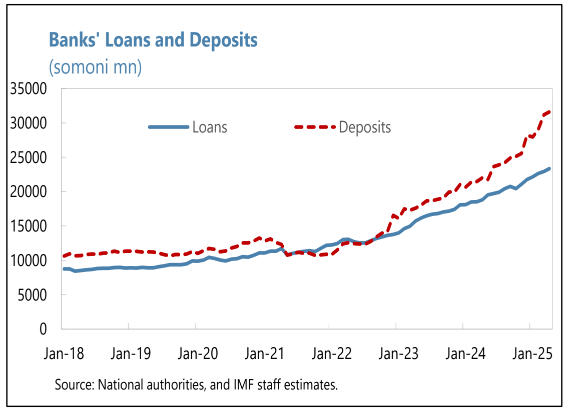
7. Fiscal performance remained well within the program target in 2024, with a fiscal surplus of 0.3 percent. The fiscal outturn was underpinned by stable revenue growth despite a reduction in the VAT rate from 15 to 14 percent, while externally financed capital spending was lower than planned. The 2025 budget envisages a fiscal deficit of up to 2.5 percent of GDP, conditional on available financing, as the authorities plan to expand domestic issuance through the market-based auctions of government securities that were launched in 2024.

8. Reserve money growth has picked up in early 2025. The pace of monetary growth moderated in the second half of 2024 as the NBT stepped up its sterilization effort to meet the reserve money target. However, reserve money growth accelerated to 32 percent (y/y) in April, as the NBT's absorption of excess liquidity has only partly offset liquidity injections, including from the NBT's purchases of gold from domestic producers in local currency.



[4] Food imports constitute more than 50 percent of the consumption basket.

9. Banks' asset quality continues to improve amid strong growth in consumer lending. Banks' NPL ratio declined to 7.0 percent in February as they continued to clean up their balance sheets, largely through write-offs of legacy NPLs. Credit to the private sector increased 31 percent (y/y) in April, boosted by a continued expansion of banks' deposit base (Text Figure). Credit expansion is primarily driven by household loans in local currency, supported by the introduction of new retail lending products. In line with program conditionality, the NBT is working on macroprudential measures to control risks posed by rapid credit growth.



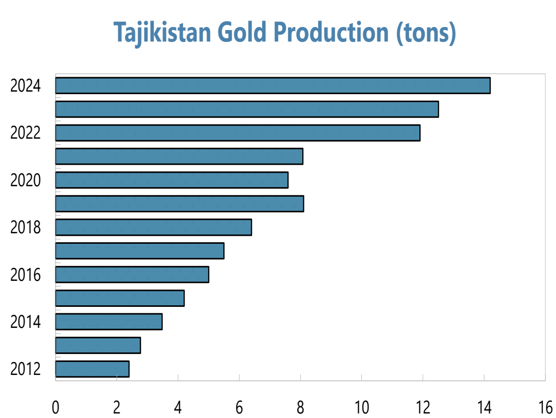
Source: National authorities, and IMF staff estimates.

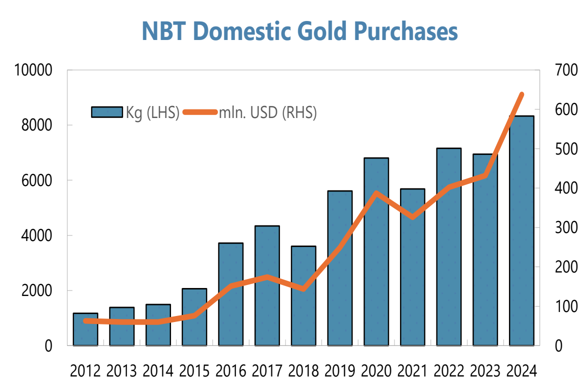
Box 1. Recent Developments in the Gold Sector[1]

Tajikistan's gold production has more than doubled since 2018. Annual production reached about 14.2 tons in 2024[2] following the opening of a new large mining operation in 2022. Gold mining is carried out primarily through joint ventures with investors from China; the largest is the Zeravshan enterprise, accounting for 70 percent of total production, in which the government owns a 30 percent stake. The contribution of mining to overall GDP growth accounted for about 12 percent in 2024.

Domestic gold production is primarily sold to the NBT in local currency. The Ministry of Finance and the NBT have the right of first purchase by law, with the majority typically purchased by the NBT. The gold purchased by the NBT is then sent abroad for secondary refinement, converting it into monetary gold that is included as a foreign reserve asset[3]. The NBT maintains separate accounts on its balance sheet for monetary and non-monetary gold, with the non-monetary account recording the initial purchases and the monetary account reflecting the refined gold included in FX reserves. To manage the liquidity injection resulting from these purchases, the NBT typically sterilizes the impact through issuance of NBT CDs.

Tajikistan's state budget receives both tax and dividend payments from gold producers. In addition to the general taxes applicable to all economic activity, there are several specific taxes related to the gold mining sector: royalties, export rent, and bonuses. Approximately 15 percent of the budget's mining inflows comes from these specific taxes. The state also receives dividends from its shares in mining companies. Taxes from the mining sector (of which gold accounts for the largest share) accounted for around 10 percent of tax revenues in 2023.





Box 1. Recent Developments in the Gold Sector (Concluded)

Tajikistan has been a member of the Extractive Industries Transparency Initiative (EITI) since 2013. Since joining, Tajikistan has undergone several validation processes, most recently in 2021. The country has produced and officially published four EITI reports, with the latest covering the years 2019-2021. Additionally, the report covering 2022-2023 has been prepared and submitted for validation.

[1] See Annex IX.

[2] The 2024 figure is awaiting final confirmation.

[3] Gold exports recorded in the BOP reflect sales of monetary gold by the NBT; there is no transfer of ownership during secondary refinement.

PROGRAM IMPLEMENTATION

10. Program implementation is broadly on track.

- *All quantitative targets (QTs) for December 2024 were met apart from the continuous target on the arrears of the state electricity generation company (Barki Tojik)*. The authorities comfortably met the QTs for NIR, reserve money, the fiscal balance, social assistance spending, and the NBT's outstanding credit to the government was further reduced as planned. However, the target on the increase in Barki Tojik's (BT) arrears to the private sector was missed, primarily due to low collection rates from two state-owned entities that account for about one-third of total electricity consumption. To address the missed target, the authorities have rescheduled some of the payments that were due in 2024[5], and a fiscal transfer was made to offset the remaining amount. In addition, the authorities have taken steps to address the recurrent losses in the electricity sector, including: an increase in the electricity tariff in 2025; an agreement to lower the price at which BT purchases electricity from independent suppliers; and stricter penalties for electricity theft under the oversight of a new agency. Any remaining losses would be covered by a budget transfer as needed to meet the target for June 2025. All other standard continuous targets were observed.

- *The reform targets for the second review were broadly implemented*. To improve SOE governance, the authorities approved new rules for appointment of SOE supervisory boards. Actual appointments based on the new regulation are well-advanced and expected to be completed by June 2025. In addition, all companies with a minimum of 20 percent state ownership were included in the 2024 Statement of Fiscal Risks and a report was completed on the financial viability of Tajik Air. To improve the transparency of corporate ownership, the Law on State Registration of Legal Persons was amended to align with the definition of beneficial ownership under the AML/CFT international standard and improve reporting, verification, sanctioning and access to this information. An internal NBT regulation[6] defining the usage of beneficial

[5] The Ministry of Finance does not record non-guaranteed debt of SOEs as part of public debt, including non-guaranteed debt of Barki Tojik, which is therefore excluded from the debt perimeter of the DSA. As a result, the rescheduling does not impact domestic and overall public debt vulnerabilities presented in the DSA.

[6] The regulation was approved on April 30, 2025.

ownership information in banking supervision was also approved. To modernize FX markets, NBT rules for price–based FX auctions were introduced,[7] and to strengthen monetary policy transmission the NBT approved a new regulation[8] introduced a required reserve averaging mechanism. The target on an action plan to streamline tax exemptions[9] was not met and is proposed as an RT for the third review. Staff supports the authorities' request for a modification of the completion date of the RT to strengthen the asset declaration regime from June 2025 to November 2025, in order to incorporate the recommendations of a recent Fund TA mission.

OUTLOOK AND RISKS

11. The medium-term outlook is positive. Real GDP is projected to increase by 7 percent in 2025[10], retaining the current strong momentum, while inflation is expected to remain within the NBT's target range in 2025 and 2026, in line with stable inflation expectations. The current account balance is projected to shift to a small deficit over the medium-term, with remittances expected to normalize as demand for migrant labor in destination countries eases, but FX reserves are projected to remain at comfortable levels. Real GDP growth is expected to moderate to 4.5 percent over the medium-term, heightening the importance of further structural reforms to strengthen the economy's growth potential.

12. Risks to the outlook are tilted to the downside. A pronounced decline in financial inflows due to a less favorable environment for remittances or a slowdown in Tajikistan's key trading partners would adversely affect growth, fiscal performance, and the banking sector. More frequent and severe natural disasters and heightened security risks can strain budget resources. On the upside, continued strength in gold prices will boost external buffers, while rising demand for rare earth metals could attract increased FDI in the mining sector.

13. Contingent policy advice. Exchange rate adjustment would be essential to absorb the impact of an adverse shock to remittances, with proactive use of monetary policy tools to contain potential inflationary pressures. Lower growth and decreased imports are likely to weigh on tax revenue and widen the fiscal deficit. In this context, strong fiscal buffers and adequate contingency plans are essential to mitigate downside fiscal risks. In the short run, reducing low priority expenditure would be critical to scale up social assistance to returning migrants and affected households. In the medium term, fiscal measures to improve revenue mobilization and spending efficiency along with structural reforms to increase economic diversification, domestic job creation

[7] The draft regulation was prepared by the NBT in October 2024 and finalized in December 2024 after incorporating Fund recommendations. It was formally approved by the NBT Board in January 2025.

[8] The regulation #262 was approved by the NBT Board on April 18, 2025.

[9] The delay in completing the action plan reflects additional time needed for delivery of supporting Fund TA.

[10] Tajikistan is not expected to be significantly impacted by higher tariffs on exports to the US, as this accounts for a small share of total exports and the effective tariff rate remains low.

and exchange rate flexibility are key to strengthening the economy's resilience to remittance shocks. (See Annex V for the discussion of adverse scenario)

Authorities' views

14. The authorities agreed with staff's assessment of risks to the outlook but were more optimistic regarding medium-term growth prospects. They agreed that elevated global and regional uncertainty posed risks to the near-term outlook but considered the growth outlook as more favorable. The authorities emphasize the continued development of industry and mining, progress in financial deepening and the impact of ongoing infrastructure projects in support of their stronger medium-term growth projections. The authorities noted the importance of exchange rate flexibility and strong fiscal and external buffers to manage prospective external shocks.

POLICY DISCUSSIONS

The authorities' economic reforms under the PCI program aim to: (i) improve fiscal resilience to create space for priority social and development spending; (ii) modernize monetary, exchange rate and financial sector policy frameworks to enhance resilience to external shocks; and (iii) advance governance and transparency reforms to foster sustainable and inclusive growth. Discussions focused on the monetary policy challenges posed by the strength of financial inflows, the macroprudential response to strong credit growth, the importance of effective SOE oversight and efforts to improve the financial performance of the electricity sector, and reforms to improve the investment climate.

A. Pillar I. Improving Fiscal Resilience

15. Fiscal performance remained well within the program target in 2024, with a fiscal surplus of 0.3 percent. Revenue collection rose by 0.8 percent of GDP, with the impact of the reduction in the VAT rate offset by improved income tax collection and stronger non-tax revenues. Revenue collection benefited from a gradual phase out of some tax exemptions, as well as continued improvements in tax and customs administration supported by digitalization measures.[11] Current spending increased by 0.5 percent of GDP[12], reflecting increases in public sector wages, pensions and social assistance, but externally financed capital spending was much lower than planned. Total external gross disbursements amounted to $167 million in 2024, well below the program ceiling of $510 million, reflecting in part the delay in approval of Rogun financing.[13]

16. The 2025 budget envisages a fiscal deficit of up to 2.5 percent of GDP, conditional on available financing. Budget projections reflect steady revenue growth, anchored in continued

[11] Tax exemptions granted to 29 large investment projects were discontinued in 2024.

[12] The budget envelope was increased by about 1 billion somoni to reflect the revenue overperformance in H1 2024.

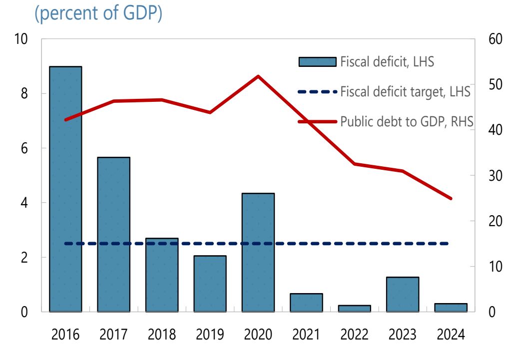
[13] The World Bank approved the first phase of their financial support for the Rogun HPP on December 17, 2024, with some delay due to the need for additional time to assess the project's environmental and social impacts and determine the project's social contributions.

improvements in revenue collection and tax- and customs exemption management. On the expenditure side, a planned increase in externally financed capital spending, related to expected Rogun disbursements, is offset by a lower budget allocation for domestically financed capital projects. However, external disbursements are projected to increase by 0.7 percent of GDP in 2025 as the authorities begin to draw down multilateral and bilateral credits committed for Rogun HPP. Further increases in public sector wages will require current expenditure reprioritization in the event of revenue underperformance to protect fiscal space for social assistance and development spending. The authorities' contingency plan envisions a deferral of domestic capital spending if revenues underperform to ensure that the fiscal deficit target of 2.5 percent of GDP is met.

17. The World Bank approval of a $350 million Rogun grant is expected to unlock additional concessional financing and improve social protection. The grant is part of an overall World Bank financing package of $650 million which will be approved in two phases. The overall financing package includes close to $3 billion in grants and loans from a group of IFIs including the WB, ADB, AIIB, EIB, EBRD, IsDB and other development partners.[14] Loan agreements have already been signed with the Islamic Development Bank (US$150 million), OPEC (US$25 million), the Kuwait Fund for Development (US$17 million) and the Asian Infrastructure Investment Bank ($270 million).[15] External financing would help ensure that domestic Rogun spending remains within a sustainable envelope of 3-3.5 percent of GDP to provide space for critical social and development projects. In addition, Tajikistan has committed to contributing 3 percent of Rogun's revenue for pro-poor social policies during the construction phase and 5 percent upon project completion.

18. The fiscal deficit target of 2.5 percent of GDP remains an important anchor to ensure that debt remains on a favorable medium-term trajectory. Prudent fiscal policy coupled with strong GDP growth has contributed to a notable reduction in the public debt ratio since 2020, with public debt declining to 25 percent of GDP at the end of 2024. Public debt is assessed as sustainable but remains at high risk of distress due to large Eurobond repayments falling due during 2025-2027 (see DSA)[16]; the first semi-annual Eurobond repayment was completed as planned in March.

Fiscal Deficit and Public Debt
(percent of GDP)



Source: National authorities.

19. Building fiscal buffers is key to mitigating fiscal risks from potential shocks to revenue and expenditure. In this context, strong buffers and adequate contingency plans are critical to

[14] Additional spending of about US$6.29 billion (about half of 2023 GDP) is needed to complete construction by the year 2033, of which about US$3 billion will be financed through grants and loans on broadly concessional terms.

[15] The loan agreements are on broadly concessional terms The agreement signed with OPEC for US$25 million represents the first tranche of a total amount of US$100 million to be disbursed in four equal tranches. External disbursements for Rogun are expected to begin in 2025.

[16] The Eurobond will be repaid in three annual installments of US$167 million each using a combination of budget resources, domestic debt issuance, and a drawdown of the MOF's FX deposits at the NBT.

ensure fiscal space to respond appropriately without putting fiscal stability at risk. A possible shock to remittances would lower growth and decrease imports with knock-on effects on tax revenue and social spending to support affected households and returning migrants. In the short run, the authorities should stand ready to reduce low priority spending and seek to mobilize donor support to offset the budgetary impact of lower revenue and higher social spending. In the medium term, pressing ahead with reforms to improve revenue mobilization and spending efficiency in line with prior staff advice is critical to increase fiscal buffers (see policy section).

20. Greater efforts are needed to improve the financial performance of the electricity sector. Quasi-fiscal losses of BT amounted to 0.7 percent of GDP in 2024, reflecting low collection rates for key electricity consumers, together with high technical and commercial losses and end-user tariffs that are below cost recovery levels. BT's total arrears to suppliers and private creditors amounted to about 7 percent of GDP as of end-2024; the ceiling on these arrears was missed by a considerable margin in December 2024 (Table on QTs). To address the missed target, the authorities rescheduled some of the payments that were due in 2024 and made a fiscal transfer, but reducing quasi-fiscal losses in the electricity sector will require sustained efforts to improve collection rates for several large state-owned electricity consumers, as well as implementation of the authorities' strategy to roll-out smart metering, introduce fines and criminal penalties for electricity theft and improve cost controls across the electricity sector under the oversight of a new state energy supervision agency. To achieve a reduction in the losses of BT to 0.3 percent of GDP in 2025 as envisaged under the program, the electricity tariff was increased by about 15 percent in April 2025, and the authorities have reached an agreement to lower the price at which BT purchases electricity from independent suppliers and introduced stricter penalties for electricity theft. Further annual tariff adjustments are planned to reach cost recovery by 2027.

Revenue mobilization

Box 2. Key Fund TA Tax Policy Recommendations[1]

VAT

1. Eliminate all reduced VAT rates and provide input tax credits.
2. Restrict the VAT exemptions of imports to large capital goods exclusively used as inputs to businesses or eliminate the exemption altogether and use the offsetting method.
3. Conduct an in-depth analysis of outstanding VAT refund requests and outstanding VAT being amortized and generate data on claim accruals and payment arrears.

CIT

4. Refrain from granting discretionary CIT incentives. Alternatively, clearly state the policy objective, eligibility criteria and timeframe. Subject the beneficiaries to performance reviews.
5. Gradually phase-out tax holidays and replace them with cost-based incentives.
6. Prioritize the most relevant CIT expenditures and assess their cost effectiveness.

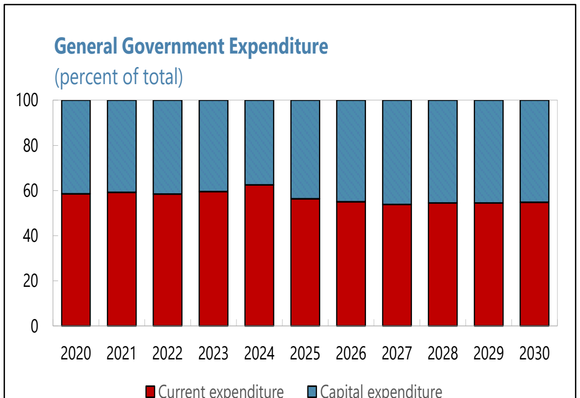
[1]Similar recommendations were made by the 2023 Fund TA on tax policy reforms. The 2024 mission also noted that Tajikistan's quantitative assessment of tax expenditures should take account of the withholding of VAT refunds.

21. Continuing to streamline tax expenditures is critical to achieve the authorities' medium-term revenue targets. Sizable expenditures for construction of the Rogun HPP present a significant constraint on the budget, and improved revenue mobilization and spending efficiency are key to increasing fiscal space for social and development projects. The Medium-Term Revenue Plan (MTRP) for 2024-2029 aims to raise the share of revenue in GDP to 26 percent by 2026 through a combination of tax administration and tax policy measures. Although revenue has recovered from COVID lows and compares favorably to peers (Figure 3), revenues have been boosted by one-off non-tax items, and the reduction in the VAT rate from 14 percent to 13 percent in 2027 (in line with the schedule approved in the 2022 Tax Code) is likely to affect revenue without offsetting base broadening across tax and customs exemption categories. A time-bound action plan is essential to anchor a further streamlining of tax exemptions and customs preferences over the medium-term (November 2025 RT).

22. Tax policy reforms should be anchored in recent Fund TA advice (Box 1). The authorities' practice of withholding VAT refunds has partly offset losses from VAT exemptions but at the same time undermined the VAT's role as a destination-based consumption tax and raised firms' cost of capital. Recent IMF TA advice proposes to phase out reduced VAT rates and replace CIT tax holidays with cost-based incentives. However, the elimination of the reduced rates on food and necessities should be coupled with targeted spending measures for those at the bottom of the income distribution. A follow-up TA mission is scheduled to conduct tax-benefit analysis of existing exemptions and assist with the preparation of the medium-term tax expenditure reform plan.

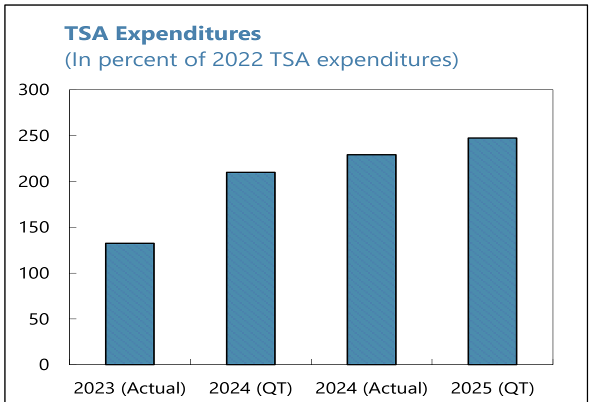
Spending efficiency

23. Efficient public investment is critical to safeguard medium-term debt sustainability. Tajikistan's development strategy emphasizes infrastructure investment as essential to achieve sustainable green growth. Capital spending, including spending on priority sectors such as hydropower, transportation infrastructure, education and health, has consistently accounted for nearly half of public expenditures (Text Figure). Although the public capital stock (in percent of GDP) is relatively high compared to peers, infrastructure quality remains below the average for emerging markets. Swift implementation of the updated PIMA roadmap based on recent IMF TA in 2025 is key to improve public investment efficiency.



Source: National authorities, and IMF staff estimates.

24. Improved targeting of social assistance programs is essential for enhancing the efficiency of social spending. A new means testing formula, developed with World Bank support, has expanded coverage of the poorest decile of the population from 38 to 63 percent. In addition, social assistance amounts have been aligned with the number of children per household.[17] Under the PCI, the TSA allocation in 2024 doubled relative to 2022, benefiting close to 380,000 families (Text Figure).



Sources: National authorities and Fund staff calculations.

Public debt management

25. Deepening the domestic debt market is crucial for reducing reliance on external debt. Domestic public debt (about 3 percent of GDP) mainly consists of legacy bonds held by the NBT. Under the program, the authorities started clearing the accumulated arrears to NBT (Table on QT). To improve budget flexibility, the MOF launched government security auctions in 2024, raising 580 million somoni from commercial banks at market-based rates (Table on QTs). The auctions have seen increased investor traction, with gross issuance in 2025 expected to increase to close to 900 million somoni. Expanding the investor base to include insurance companies and the pension fund (in addition to banks and the Deposit Insurance Fund)[18] and further extending debt maturities can help diversify domestic financing sources and improve market efficiency while mitigating rollover risk. Establishing a robust secondary market for these instruments will help to expand the investor base and further deepen the market.

Authorities' Views

26. The authorities emphasized the progress that was made in 2024 on improving tax administration and launching auctions of market-based government securities. They noted the revenue gains that have been realized from modernizing tax administration and making compliance easier for taxpayers by expanding digitalization, and the efforts that have been undertaken to rein in tax exemptions. The MOF noted their intention to build on the successful launch of market-based auctions of government securities in 2024 and are working on development a secondary market. The authorities noted the social importance of raising public wages and pensions from current very low levels but emphasized their commitment to the 2.5 percent of GDP fiscal deficit target and indicated that any revenue shortfall should external risks materialize would be offset with spending measures (including cuts in low priority investment) to remain within this envelope.

[17] Previously, TSA represented a fixed amount per household regardless of the number of children in the household.

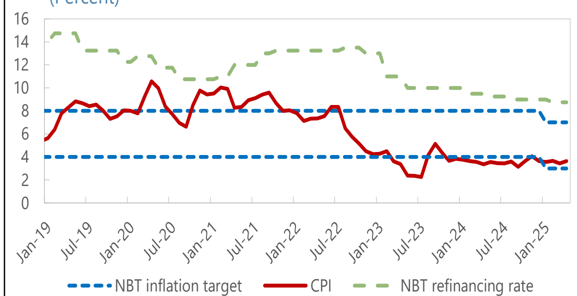
[18] The Deposit Insurance Fund has participated in government securities auctions in 2024-2025.

27. The authorities also emphasized their determination to address the accumulation of losses in the electricity sector. They cited ongoing efforts to improve payment discipline through the rollout of smart metering, recent tariff increases and new measures to introduce hard budget constraints for electricity consumers and improve oversight of electricity theft. They were also optimistic that recent agreements to reschedule the arrears of BT and lower tariffs for electricity purchases from independent power suppliers would help to improve the financial situation of BT in 2025.

B. Pillar II. Modernizing Monetary, Exchange Rate and Financial Policies

28. Inflation remains near the lower bound of the NBT's target range, but large inflows and strong credit growth warrant caution. The NBT lowered its inflation target from 6 to 5 percent (±2 percent) for 2025 to reflect well-anchored inflation expectations. In addition, the policy rate was lowered by 25 basis points in February and 50 basis points in April to 8.25 percent as inflation remains close to the lower bound (Text Figure). Although the real policy rate is still relatively high at about 5 percent (based on realized inflation), a cautious monetary policy stance is warranted in the context of potential upward demand pressure on inflation from strong credit growth and robust financial inflows. It is also important to continue to modernize the monetary policy framework (Annex VIII) and refrain from monetary financing of the fiscal deficit, in line with the amended NBT Law.

Inflation and NBT Refinancing Rate
(Percent)

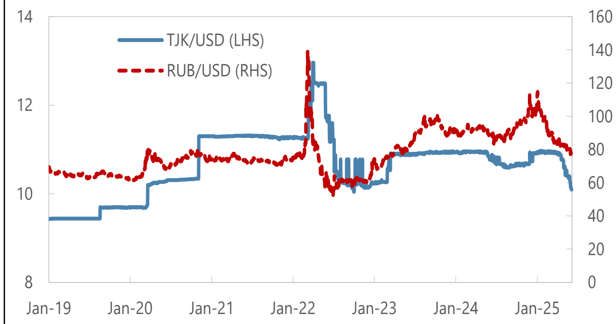


Source: National authorities, and IMF staff estimates.

29. Proactive liquidity management is essential to manage monetary growth, even if inflation remains subdued in the near-term. The NBT stepped up its sterilization efforts in the second half of 2024 to curb the pace of reserve money growth, but reserve money growth has accelerated again in 2025. Liquidity injections resulting from the NBT's purchases of gold from domestic producers in local currency and FX purchases should be fully sterilized to moderate the pace of growth in reserve money. The interest rates on the NBT's sterilization instruments have fallen below the NBT refinancing rate; larger issuance amounts aligned with liquidity forecasting estimates and based on fixed-rate full allotment operations at the NBT policy rate would help absorb excess liquidity and improve monetary policy transmission.

30. Enhancing exchange rate flexibility is essential to manage large financial inflows and build resilience to external shocks. The somoni remained relatively stable against the dollar during 2024, appreciating by 0.2 percent as the NBT actively purchased FX on the local market, resulting from large inflows during the year (text Figure). However, continued large inflows during 2025 have resulted in an appreciation of about 9 percent against the dollar from the beginning of 2025 through end-May. During the program, NBT has taken several measures to modernize the local FX market, including ending auctions of inward ruble transfers); improving the mechanism for executing public sector FX transactions; enhancing the dissemination of information on FX rates; and introducing price-based auctions for FX interventions (December 2024 RT).[19] The NBT has also updated the procedures for calculating official exchange rates, and remittances transfer rates to better reflect market conditions. The NBT should aim to limit its FX operations only to avoid disorderly market conditions to facilitate development of the FX market and further support greater exchange rate flexibility. Staff has assessed the external position as substantially stronger than the levels implied by fundamentals and desirable policies (see Annex III).

Exchange Rates



Source: National authorities, and IMF staff estimates.

31. Strong macroprudential oversight and financial sector regulation and supervision are key to mitigating external risks to financial stability. The banking system has strengthened its balance sheet following the resolution of two troubled banks but may face challenges from the volatile external environment and any reversal of recent inflows. Strong lending to households fueled by financial inflows warrants close monitoring of lending standards and introduction of macroprudential norms to control systemic risks. Close monitoring of maturity mismatches and funding- and asset-side concentration risks is also crucial to ensure prudent monitoring of risks to financial stability. A gradual introduction of macroprudential tools, including borrower-based measures, countercyclical capital buffer (June 2025 RT) and forward-looking stress tests (June 2025 RT) is essential to manage risks posed by strong credit growth. The integration of available beneficial ownership information in banking supervision processes (April 2025 RT) will also help facilitate effective related party risk monitoring and contribute to the prudent supervision of governance of banks.

32. Further development of the insurance market would facilitate risk management and help deepen financial markets. In that regard the insurance sector is gaining traction with the improvement of supervision under the NBT. Continued convergence with international best practices of regulation and supervision would help to further improve the sector, including empowering the supervisory authority with development of its own regulatory framework in the form of standards, notices, directives or circulars. To create public awareness and trust in the insurance system, consumer protection regarding insurance products is warranted. In that regard,

[19] The FX RTs under the program are based on Fund TA and are intended to improve the FX market, therefore changes to the FX system arising from the implementation of these RTs are carved out from the standard continuous target on the non-introduction or modification of MCPs (TMU, ¶19).

the NBT has experience from its oversight of other financial sectors which could be utilized for the insurance sector.

Authorities Views'

33. The authorities were in broad agreement with IMF staff's recommendations. They stressed their readiness to reassess the monetary stance if inflationary pressures emerge and indicated that they have begun to progressively increase the absorption amount through NBT CD auctions to moderate growth in reserve money and reduce excessive liquidity in the banking system. The NBT broadly concurred with staff's external sector assessment and emphasized their commitment to a market-determined exchange rate, but noted the challenges posed by the relatively shallow domestic FX market. They noted the recent steps that have been taken to improve the functioning of FX markets and were optimistic that they would lead to a deepening of the FX market. Considering strong remittances inflows, the NBT also expressed interest in further developing FX market infrastructure to enhance price discovery and help match supply and demand for FX among market participants.

34. The authorities reiterated their commitment to strong supervision and macroprudential oversight. They noted the continued improvement in prudential indicators and stressed that the increase in lending has come from a very low base and remains at relatively low levels despite the strong pace of the growth. They emphasized that they continue to closely monitor lending standards and noted the NBT's more stringent definition of NPLs relative to international practices. The NBT views the shift to domestic currency lending as an important risk mitigating factor given that previous asset quality problems emanated from foreign currency lending. The NBT acknowledges the risks posed by maturity mismatches or concentration in maturities and counterparties and plans to take these risks into account in their stress testing which is under development. The authorities agreed with the importance of further development of the insurance market and noted scope to leverage the NBT's experience in financial sector oversight.

C. Pillar III. Enhancing Governance and Transparency

35. Broad-based governance and transparency reforms are key to fostering a favorable business climate. Structural reforms are underway to close existing governance gaps across the public and private sectors through upgrades to the legal and regulatory frameworks (Annex VI). The authorities' structural reform agenda under the PCI aims to: (i) improve public sector efficiency; (ii) foster financial and private sector development; and (iii) promote an enabling investment climate for private sector-led growth. Strong control over corruption is crucial for increasing trust in public institutions, protecting property rights and improving the investment climate.

36. The role of SOEs across the economy remains considerable. In Tajikistan, there are around 1,000 SOEs in various legal forms. The sector employs around 25 percent of the workforce, accounts for around 18 percent of GDP and is active in many areas of the economy, including energy, infrastructure, municipal services, communications, banking, transportation, trade and insurance. The total assets of the 27 largest state-owned companies averaged around 90 percent of

GDP during 2019-2023, with three quarters of these assets being attributable to the energy sector. Strong corporate governance and oversight is essential to strengthen SOE efficiency and minimize fiscal risks.

37. Tajikistan has made progress in recent years in building SOE financial oversight and fiscal risks management. Recent reforms include the expansion of the MOF's SOE monitoring to includes all companies with a minimum of 20 percent state ownership (an increase from 27 to 77 SOEs), and the approval of new rules to ensure that all SOE supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and established rules for determining their remuneration and evaluating their performance (December 2024 RT). Actual appointment of supervisory boards in the 27 largest SOEs based on the new rules is well-advanced and expected to be completed by June 2025. The authorities have also expanded the coverage of SOEs in the 2024 Statement of Fiscal Risks to include all companies with a minimum of 20 percent state ownership (May 2025 RT). The publication of an updated SOE list and completion of the ongoing sectorization exercise will also improve monitoring and oversight (June 2025 RT).

38. Further efforts are needed to enhance the quality of SOE financial oversight. Legislative requirements for SOE financial reporting, disclosure and independent audits should be consistently enforced, prioritizing the 27 largest SOEs. A clear mandate for the fiscal risk monitoring unit would allow for greater focus on SOE financial oversight and facilitate the integration of fiscal risk analysis into budget planning. Introduction of digital solutions to streamline data processing and improve transparency would also enhance the effectiveness of SOE financial oversight, including electronic submission of unaudited financial statements by SOEs and information-sharing with the Financial Reporting Depositary Service Center. Tajik Air, which has been dormant since mid-2019, has accumulated significant arrears amid largely impaired assets, and faces legal disputes. The authorities have prepared an action plan aimed at addressing the company's financial position and determining a recovery plan (May 2025 RT).

39. Tajikistan has taken steps to address governance vulnerabilities through implementation of the 2021–2030 National Anti-Corruption Strategy. The NAS envisages 77 corrective actions to eradicate corruption across the economy. Steps have been taken in the implementation of key actions with potential macro-economic impact, especially those connected with the revenue administration, central bank, SOEs, and asset declaration of public officials. Authorities have also tightened sanctions for non-compliance with state procurement regulations, establishing an integrated system for electronic procurement and expanding the anticorruption training curriculum for law enforcement officers.

40. Recent measures also aim to improve the transparency of corporate ownership based on the rule of law and prudent AML-CFT standards. To improve the transparency of corporate ownership, the Law on State Registration of Legal Persons was amended to align with the definition of beneficial ownership under the AML/CFT international standard and improve reporting, verification, sanctioning and access to this information (December 2024 RT). An internal NBT regulation defining the usage of beneficial ownership information in banking supervision was also approved (April 2025 RT).

41. Further efforts to strengthen the anti-corruption framework would improve macroeconomic outcomes (Annexes VI and VII). The authorities are planning to implement the recommendations of a recent IMF technical assistance mission to streamline and strengthen the asset declaration framework (November 2025 RT), which would help to improve transparency and foster trust in public institutions. Additional steps to strengthen the independence and capacity of oversight institutions, enforce conflict-of-interest rules more effectively, enact a law penalizing illicit enrichment, and ensure greater transparency in the management of public resources would also help promote an enabling investment climate for private sector-led growth. Staff encourages the authorities to continue steadfast implementation of reforms aimed at addressing corruption vulnerabilities in key state functions.

42. Enhancing extractive sector transparency will help to foster a favorable investment climate and ensure these resources are utilized to support the authorities' development goals. Tajikistan has prepared and submitted its 2022–2023 EITI report for validation and provided a breakdown of mining-related revenues in the budget (Nov 2024 RT). Moreover, the authorities continue to make progress on implementing the eleven corrective actions recommended by the second validation, with a particular focus on strengthening transparency, compliance, and stakeholder engagement. A comprehensive assessment of the framework for natural resource management could also be considered to ensure that the future development of the mining sector contributes to fiscal revenues to fund public services, infrastructure projects, and social programs.

43. Good governance is essential for financial and private sector development. Transparent governance and policy frameworks and robust financial safety nets are key to promoting trust in public institutions and confidence in macro-financial stability. Good governance fosters macro-financial stability both directly and indirectly by enhancing the credibility and effectiveness of macroeconomic policies; increased confidence in macro-financial stability can help encourage financial participation and boost productive investment, spurring financial and private sector development (Annex VII).

Authorities' Views

44. The authorities stressed their commitment to advance reforms toward a more market-oriented economy. They agreed that a more resilient and diversified domestic economy is needed to facilitate domestic job creation and emphasized their intention to continue to move forward with reforms to improve governance and strengthen the investment climate. They noted that the measures under the PCI to strengthen SOE oversight are well-advanced and emphasized progress in implementation of the 2021-2030 Anti-Corruption Strategy.

DATA ADEQUACY

45. Data quality in Tajikistan has weaknesses but is broadly adequate for bilateral surveillance; enhanced statistical reporting would aid economic decision making. Under the PCI, the authorities have started providing to the Fund fiscal statistics in line with GFS standards and broadened the data coverage of state-owned enterprises. The quality of price, monetary and external statistics is assessed as adequate for bilateral surveillance (Annex IV). Strengthening data sources and methods of compilation for quarterly GDP remains a priority for further improvement. Timely dissemination of key macroeconomic indicators in line with e-GDDS guidelines would also strengthen transparency and enhance economic policymaking.

PROGRAM MODALITIES

46. The attached Program Statement (PS) details the authorities' policy commitments under the PCI. The program will continue to be monitored through QTs, RTs and standard continuous targets (PS Tables 1-2), as detailed in the Technical Memorandum of Understanding. QTs are set on the general government fiscal deficit, targeted social assistance, external disbursements, net international reserves, gross credit to general government and reserve money (PS Table 1). Continuous QTs set ceilings on external government arrears, new non-concessional external debt and BT's arrears to the private sector. Staff supports the authorities' request to modify the dates of the RT on asset declaration to incorporate the recommendations of recent Fund TA. In addition, the unmet RT on an action plan to streamline tax exemptions is proposed as an RT for the third review.

47. Risks to program implementation are manageable due to Tajikistan's favorable economic performance, good track record, and strong program buy-in at all policy levels. Financing assurances remain adequate for the remaining period of the program, with good prospects of financing in the post-program period.

48. Program implementation is supported by Fund TA. Tajikistan's CD priorities for 2025 are aligned with the program's objectives and aim to (i) streamline tax exemptions and customs preferences; (ii) enhance tax and customs administration; (iii) support the implementation of PIMA recommendations; (iv) assist with the introduction of macroprudential tools; and (v) strengthen the asset declaration regime and anti-corruption practices.

STAFF APPRAISAL

49. Tajikistan's strong growth performance in recent years has been accompanied by a steady improvement in macroeconomic fundamentals. The economy continued to experience strong growth and low inflation in 2024 despite lingering regional geopolitical uncertainty. Large financial inflows have contributed to strong domestic demand and comfortable levels of FX reserves, while prudent fiscal policy has resulted in low fiscal deficits and anchored a continued reduction in public debt. Improved banking soundness has bolstered confidence in the banking system, supporting financial deepening.

50. Policies should aim to build on recent macroeconomic performance to strengthen resilience against external risks and address structural vulnerabilities to growth. The economy has benefited from large remittance inflows in recent years, but the outlook remains vulnerable to a less favorable external environment in the context of considerable regional and global uncertainty.

Broad-based governance and transparency reforms are central to improving the investment climate to support domestic job creation and more diversified private sector-led growth.

51. Inflation remains well-contained, but large FX inflows and strong credit growth warrant caution. Greater exchange rate flexibility and proactive liquidity management are essential to help manage financial inflows and moderate growth in monetary aggregates. FX operations by the NBT should be limited only to smooth excessive disorderly market conditions to facilitate development of the FX market and further enhance exchange rate flexibility. Exchange rate adjustment to reflect supply and demand in the FX market is essential to build resilience to external shocks. Staff has assessed the external position as substantially stronger than the levels implied by fundamentals. Meanwhile, financial stability can be further strengthened by expanding the use of macroprudential tools, monitoring lending standards more closely and implementing international best practices for risk-based supervision, including stress testing for capital and liquidity.

52. Improved revenue mobilization and spending efficiency are key to increasing fiscal space for priority social and development projects. A continued focus on streamlining tax exemptions and customs preferences is central to balancing large development spending needs and debt sustainability objectives and would reinforce ongoing efforts to improve tax administration. Improved appraisal, selection and oversight of internally financed capital projects is crucial for enhancing the efficiency of public investment in line with the PIMA recommendations. A well-functioning government securities market is essential to enhance budget flexibility establishing a robust secondary market for these instruments will help to expand the investor base and further deepen the market.

53. Greater efforts are needed to improve the financial performance of the electricity sector. Low collection rates for state-owned electricity consumers, together with high technical and commercial losses and end-user tariffs that are below cost recovery levels has resulted in sizable arrears within the electricity sector. While the authorities have rescheduled their outstanding arrears to some of their main creditors, these obligations will need to be met in the coming years. Reducing quasi-fiscal losses in the electricity sector will require sustained efforts to improve collection rates for the largest electricity consumers, as well as implementation of the authorities' strategy to roll-out smart metering, increase penalties for electricity theft and improve cost controls across the electricity sector.

54. Broad-based structural reforms, including further efforts to strengthen governance, are key to sustaining high growth rates over the medium-term. Reform efforts should continue to focus on improving governance and transparency of SOEs, improving the anti-corruption framework, and strengthening institutional oversight. Transparent governance and policy frameworks are key to improving the business environment and creating space for private sector-led investment to support domestic job creation and unlock the economy's long-term potential.

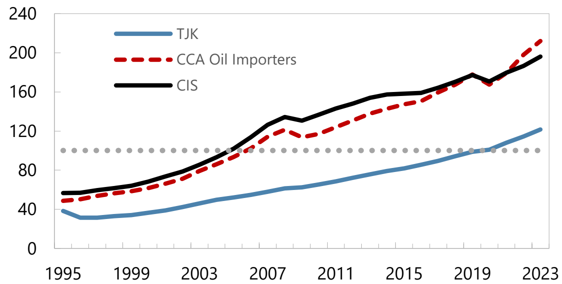
55. Staff supports the completion of the Second Review under the PCI and the authorities' request for modification of the test date for one RT. The program remains broadly on track, with all QTs for December 2024 met apart from the target on the arrears BT, for which the authorities have taken remedial measures to address the slippage and help ensure that the program stays on track. Staff supports the authorities' request for a modification of the test date of the RTs for changes to strengthen the asset declaration regime.

56. Article IV consultation. It is proposed that the next Article IV consultation be held on the current 24-month cycle.

Figure 1. Tajikistan: Growth and Inflation

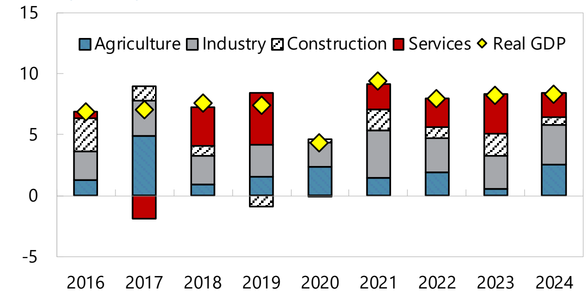
Strong economic growth since the COVID-19 shock…

GDP per capita
(Constant local currency terms. Index: 1991=100)



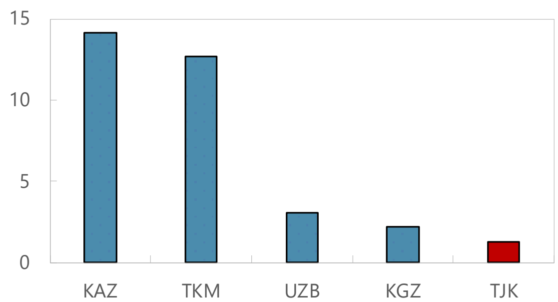
…has been driven by industry, services and agriculture.

Contributions to GDP Growth
(Percent)



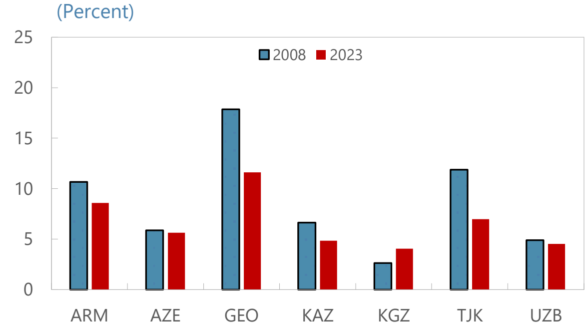
However, per capita income is still low…

2024 GDP per Capita
(In thousands of U.S dollars)



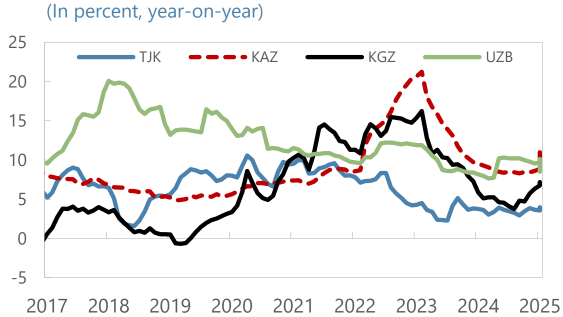
…and unemployment elevated.

Unemployment Rate
(Percent)



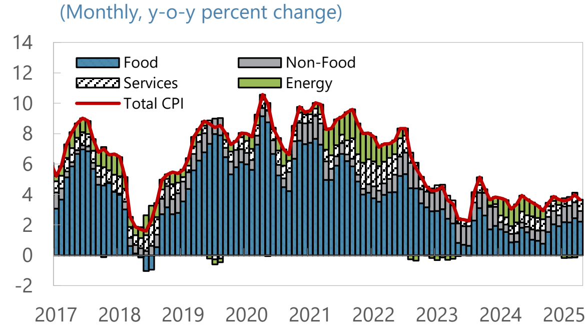
Inflation has trended downwards…

Central Asia CPI
(In percent, year-on-year)



…as food price inflation has been subdued.

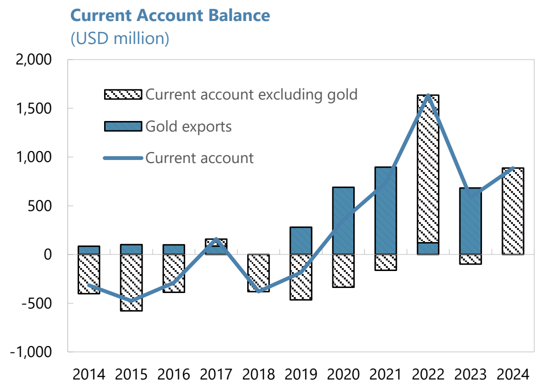
Contributions to CPI
(Monthly, y-o-y percent change)



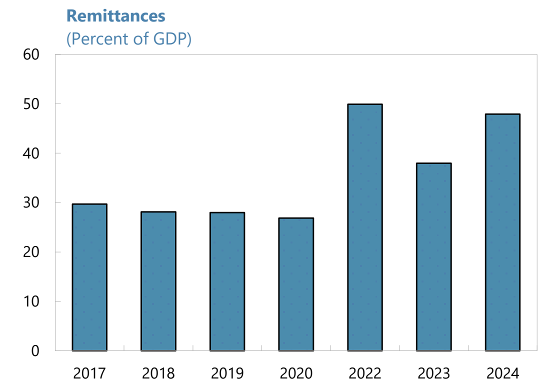
Sources: National authorities, Haver Analytics, and IMF staff estimates.

Figure 2. Tajikistan: External Sector Developments

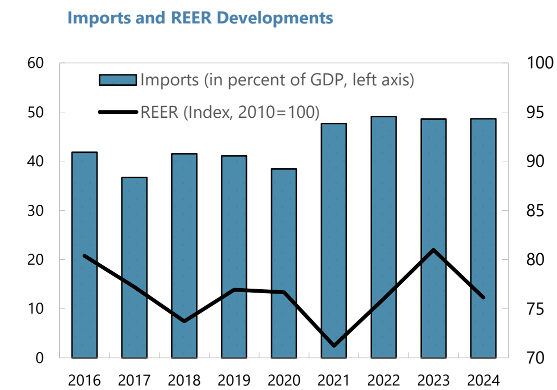
The current account has remained in surplus …



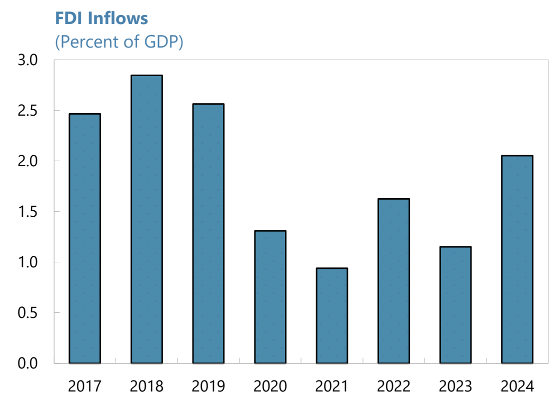
… as the economy has benefitted from large remittance inflows.



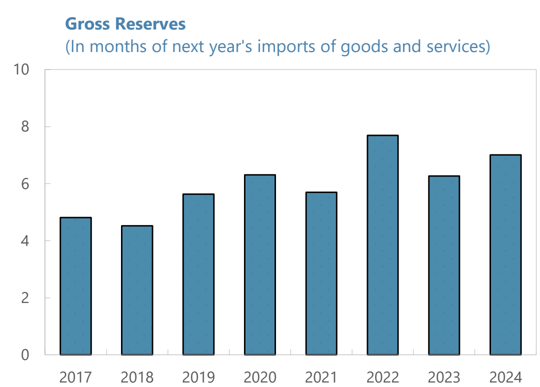
Imports have picked up in recent years …



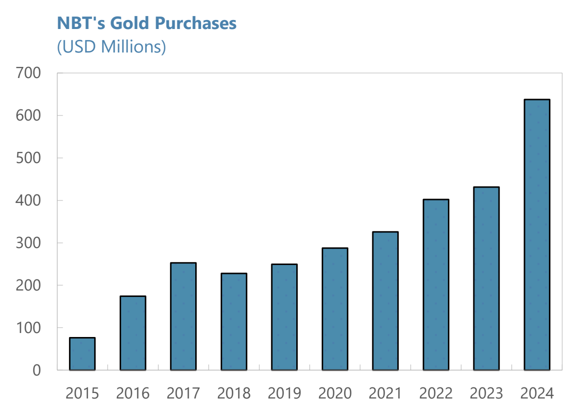
…while FDI inflows remain below pre- pandemic levels.



Reserves are above adequacy metrics…



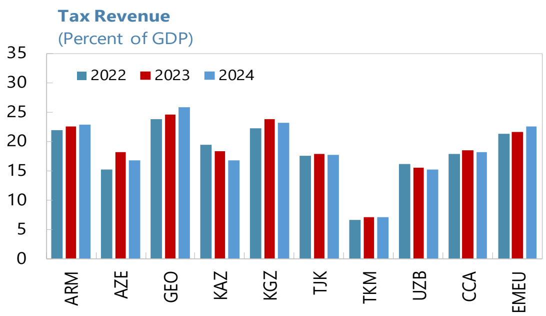
…supported by NBT's domestic gold purchases.



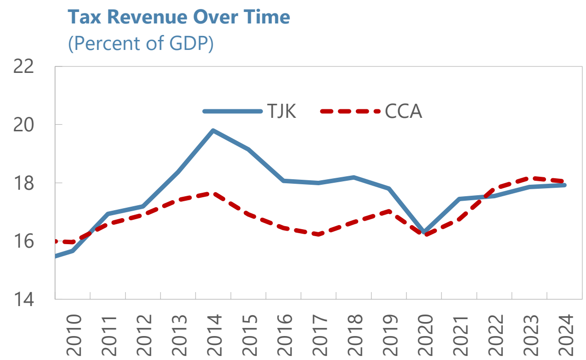
Sources: Tajikistan authorities, Haver Analytics, and IMF staff estimates.

Figure 3. Tajikistan: Fiscal Developments

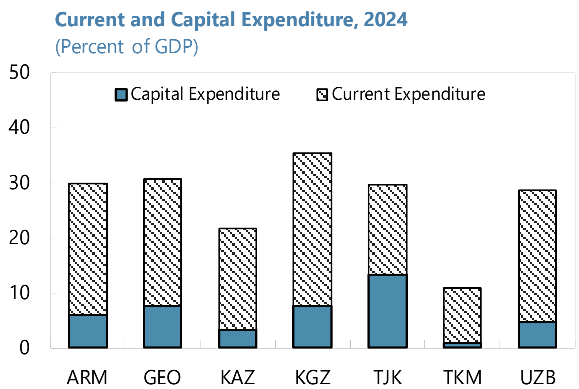
Tax revenues are close to the regional average…



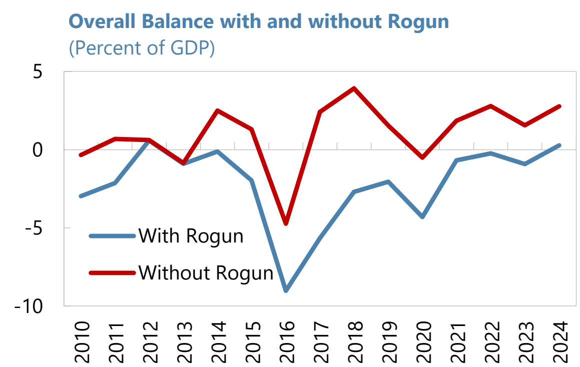
…and have stabilized over the last several years.



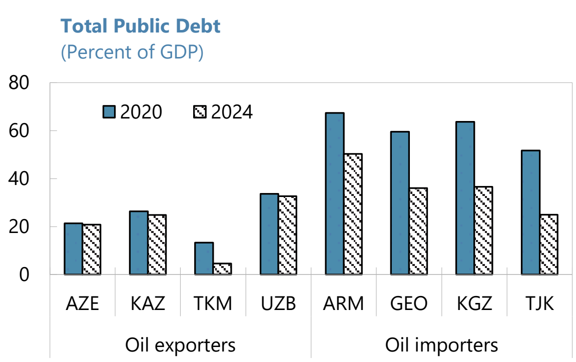
Capital expenditures are high relative to peers…



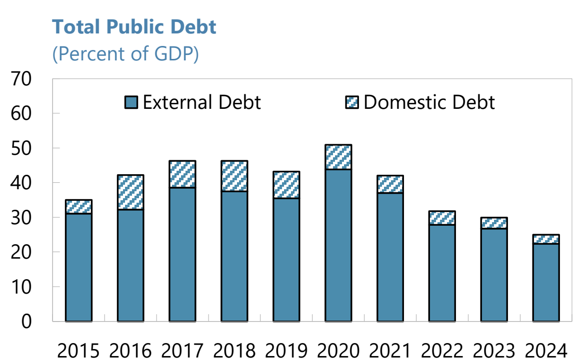
…and a major contributor to the overall fiscal position.



Public debt to GDP has declined from the Covid period…



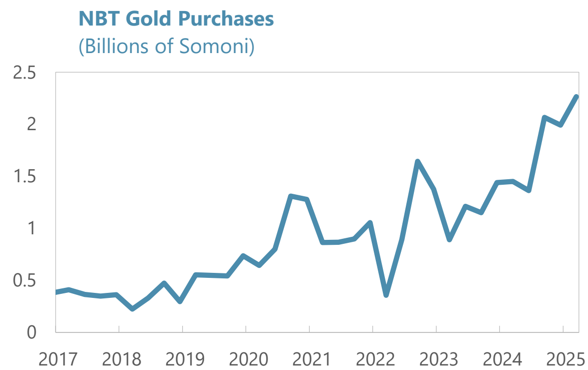
…driven by repayment of external debt.



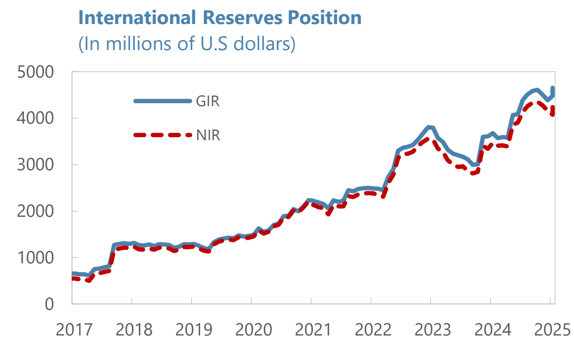
Sources: Tajikistan authorities, IMF World Economic Outlook, and IMF staff estimates.

Figure 4. Tajikistan: Monetary Developments

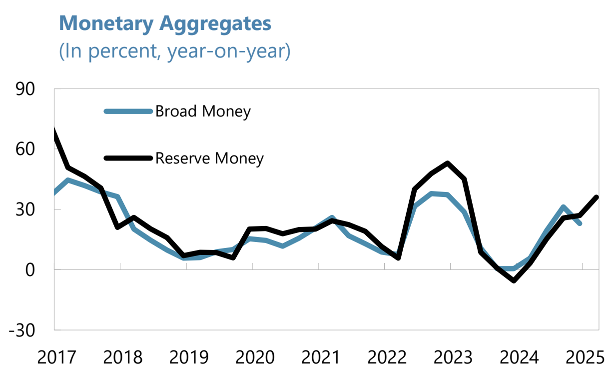
NBT gold purchases have increased in recent years…



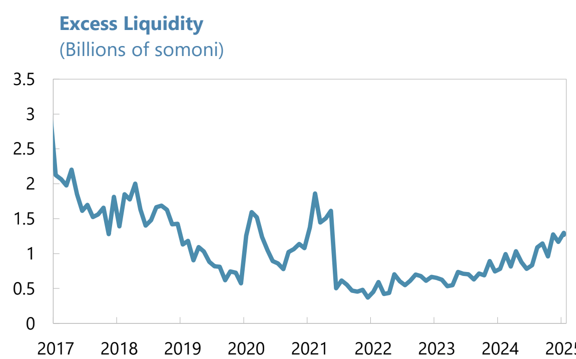
…supporting reserve accumulation.



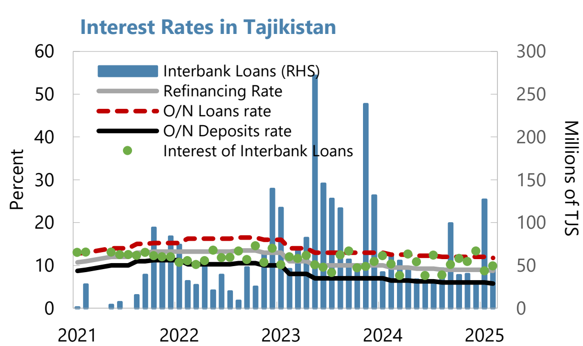
Gold purchases and FX inflows have contributed to a pickup in monetary aggregates…



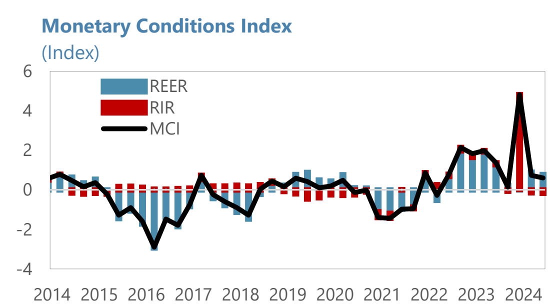
…and higher excess systemic liquidity.



Despite a reduction in the refinancing rate…



…monetary conditions have remained in balance.

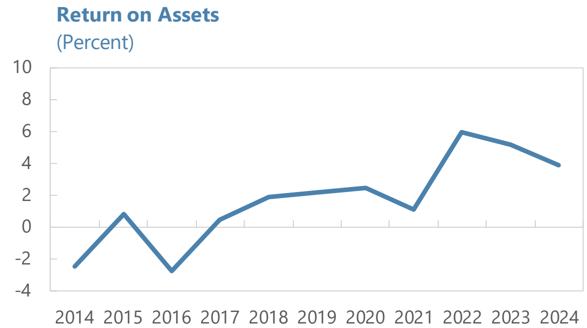


Note: Increase denotes tightening.

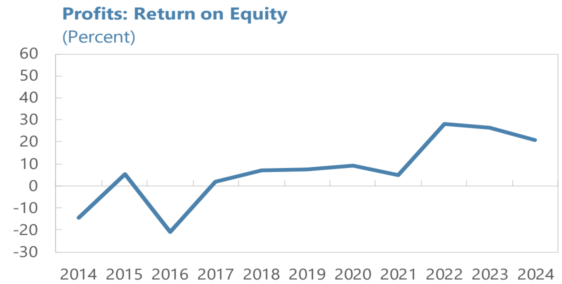
Sources: Tajikistan authorities, Haver Analytics, and IMF staff estimates.

Figure 5. Tajikistan: Financial Sector

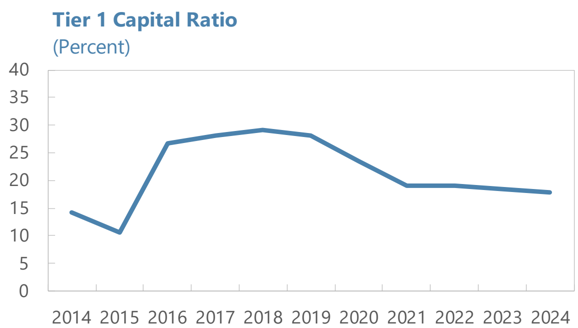
The banking system remains profitable …



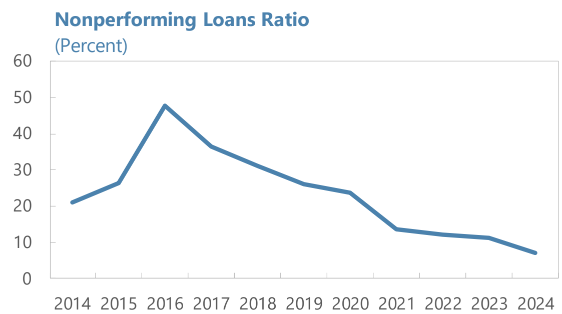
…as illustrated by ROA and ROE indicators…



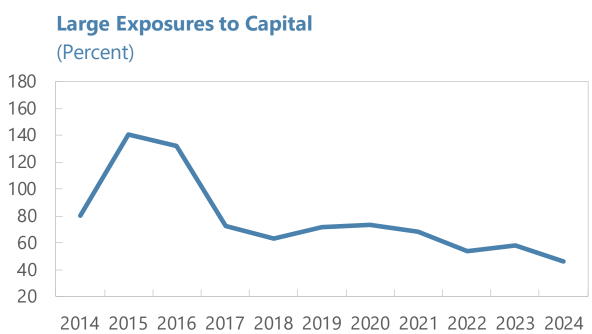
…allowing banks to shore up their capital buffers.



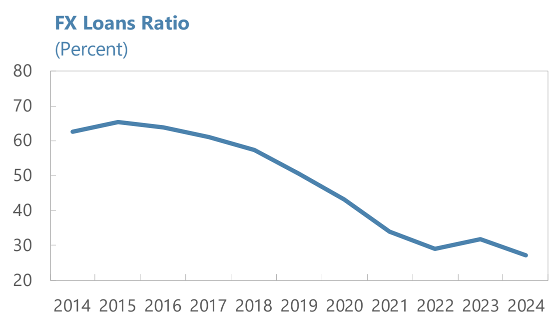
Despite a decrease, NPLs remain elevated.



Large exposures are trending down…



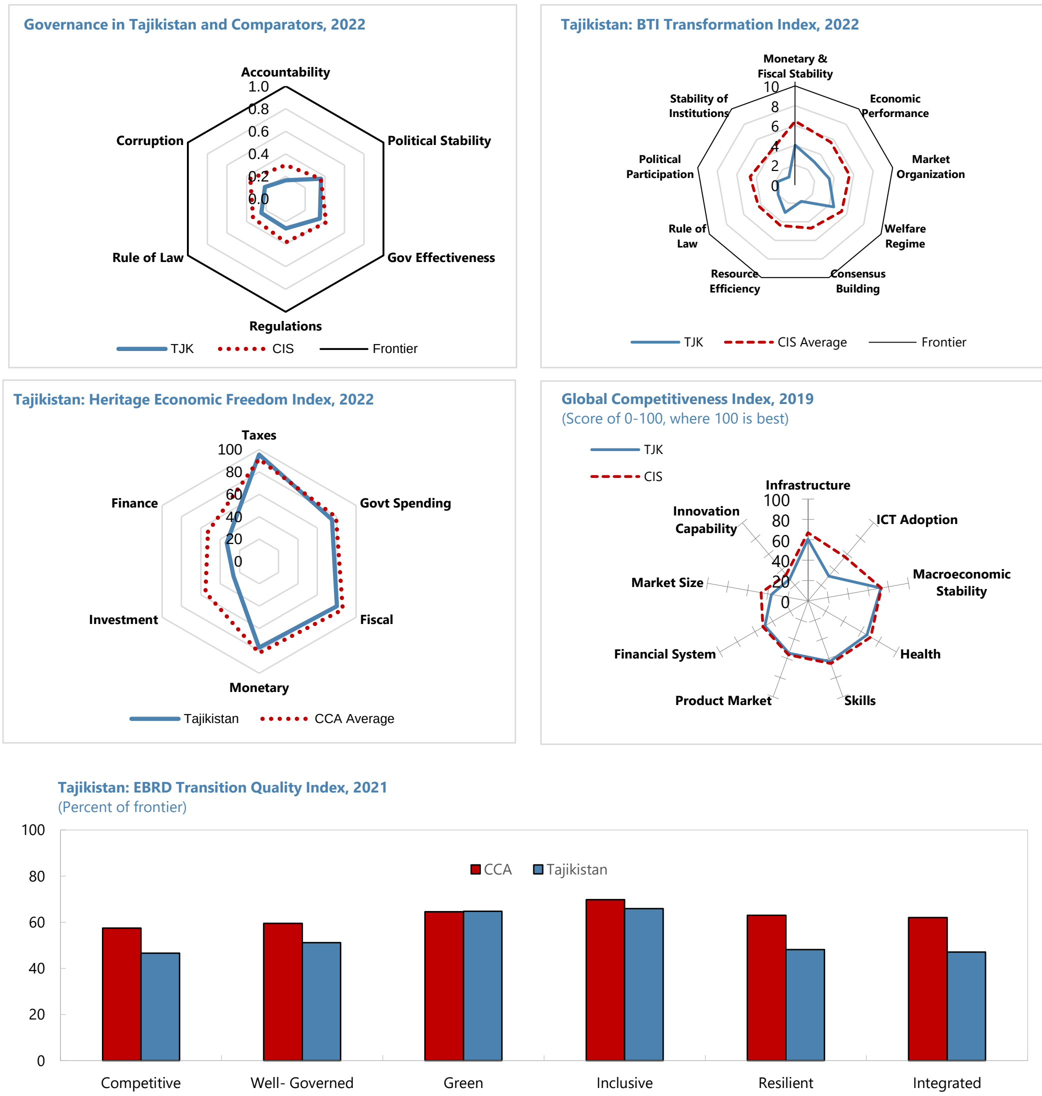
…as is the degree of financial sector dollarization.



Sources: Tajikistan authorities and IMF staff estimates.

Figure 6. Tajikistan: Structural Characteristics

Despite some recent progress, Tajikistan still scores below peers on governance, business environment, competitiveness, and transition quality indicators.



Sources: World Governance Indicators, Bertelsmann Transformation Index, The Heritage Foundation, World Economic Forum, EBRD, and IMF staff estimates. Some of the indicators used in the figure are survey-based and hence reflect responders' perception rather than actual data (for example Global Competitiveness Index). Other partially contain expert judgment (for example, EBRD transition quality index) and reported with uncertainty bounds (for example, World Governance Indicators).

Table 1. Tajikistan: Selected Economic Indicators, 2021-30

(Quota: SDR 174 million)
(Population: 10 million; 2022)
(Per capita GDP: US$1055; 2022)
(Poverty rate: 23 percent; 2021)
(Main exports: aluminum, gold, cotton)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st Review	2nd Review	1st Review	2nd Review			Proj.		
				(Annual percent change; unless otherwise indicated)								
National accounts												
Real GDP	9.4	8.0	8.3	8.3	8.4	6.7	7.0	5.0	4.8	4.5	4.5	4.5
GDP deflator (cumulative)	10.0	6.0	3.0	3.4	4.7	5.0	4.7	5.0	5.0	5.0	5.0	5.0
Headline CPI inflation (end-of-period)	8.0	4.2	3.8	5.0	3.7	6.0	4.5	5.0	5.0	5.0	5.0	5.0
Headline CPI inflation (period average)	9.0	6.7	3.7	4.4	3.5	5.5	4.1	4.8	5.0	5.0	5.0	5.0
				(In percent of GDP; unless otherwise indicated)								
General government finances												
Revenue and grants	27.0	27.1	27.1	27.7	27.9	27.8	28.0	28.0	28.2	27.5	27.5	27.5
Tax revenue	19.5	18.5	19.4	19.9	19.0	20.1	19.4	19.8	20.1	20.9	21.2	21.4
Expenditure and net lending	27.6	27.4	28.0	30.2	27.7	30.3	30.5	30.5	30.7	30.0	30.0	30.0
Current	16.4	16.0	16.7	17.2	17.3	17.4	17.2	16.8	16.5	16.3	16.3	16.4
Capital	11.3	11.4	11.4	13.0	10.4	12.9	13.3	13.7	14.2	13.7	13.6	13.6
Overall balance (excl. PIP and stat. discrepancy)	0.0	1.5	0.7	1.5	1.4	2.0	1.9	1.9	1.6	0.5	0.4	0.2
Overall balance (incl. PIP and stat. discrepancy)	-0.6	-0.2	-0.9	-2.5	0.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Domestic financing	-0.1	0.0	0.7	0.3	0.1	0.8	0.7	0.7	0.8	0.3	0.3	0.4
External financing	0.8	0.2	0.2	2.2	-0.4	1.7	1.8	1.8	1.7	2.2	2.2	2.1
Total public and publicly-guaranteed debt	42.0	31.8	29.9	29.4	24.9	28.3	24.7	24.8	24.8	25.6	26.3	26.9
Monetary sector												
Broad money (12-month percent change)	8.2	40.4	-0.8	21.0	28.8	17.0	17.0	11.3	11.3	11.3	11.3	11.3
Reserve money (12-month percent change)	11.6	52.9	-5.6	27.7	27.0	17.0	18.2	10.0	10.0	10.0	10.0	10.0
Credit to private sector (12-month percent change)	-5.2	18.6	31.9	20.0	27.4	12.0	15.0	12.0	11.0	10.0	10.4	10.0
Velocity of broad money (eop)	3.6	3.0	3.4	...	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7
Refinancing rate (in percent, eop/ latest value)	13.3	13.0	10.0	...	9.0	...	...	...	...	...	...	...
External sector				(In percent of GDP; unless otherwise indicated)								
Exports of goods and services (U.S. dollar, percent change)	53.4	-18.9	20.1	-0.8	-23.2	-5.3	19.5	7.9	9.0	7.7	7.6	7.0
Imports of goods and services (U.S. dollar, percent change)	36.2	23.5	12.7	25.0	16.4	2.6	8.7	8.1	6.9	8.2	6.3	6.9
Current account balance	8.2	15.3	4.8	2.6	6.2	-0.6	2.5	-0.5	-1.9	-2.6	-2.2	-2.4
Trade balance (goods)	-19.2	-27.6	-27.2	-34.6	-31.8	-32.8	-30.5	-30.6	-30.1	-30.4	-29.9	-29.8
FDI (net)	0.4	1.5	0.8	1.5	1.3	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Total public and publicly guaranteed external debt	37.0	27.8	26.7	26.4	22.3	25.6	22.2	22.4	22.5	23.1	23.7	24.2
Exports of goods and services, in millions of U.S. dollars	2,161	1,753	2,105	2,088	1,618	1,977	1,933	2,087	2,274	2,449	2,635	2,820
Imports of goods and services, in millions of U.S. dollars	-4,258	-5,261	-5,931	-7,412	-6,907	-7,608	-7,505	-8,109	-8,667	-9,375	-9,963	-10,654
Current account balance, in millions of U.S. dollars	736	1,635	584	344	887	-89	392	-86	-350	-506	-466	-540
Total public and publicly guaranteed external debt (US dollar, millions	3,306	3,224	3,239	3,562	3,132	3,794	3,416	3,714	4,028	4,446	4,901	5,363
Gross official reserves (in millions of U.S. dollars)	2,499	3,803	3,607	4,485	4,383	4,677	4,575	4,845	5,245	5,695	6,040	6,446
In months of next year's imports	5.7	7.7	6.3	7.1	7.0	7.0	6.8	6.7	6.7	6.9	6.8	6.7
In percent of broad money	99.6	97.3	99.9	100.4	94.1	91.3	85.7	83.3	82.8	82.5	80.3	78.6
Memorandum items:												
Nominal GDP (in millions of somoni)	101,076	118,182	132,782	144,403	153,402	161,774	171,855	189,398	208,413	228,681	250,921	275,323
Nominal effective exchange rate (Index 2010=100)	54.1	60.0	65.6	...	67.2	...	...	...	...	...	...	...
Real effective exchange rate (Index 2010=100)	71.2	76.0	79.2	...	75.0	...	...	...	...	...	...	...
Average exchange rate (somoni per U.S. dollar)	11.3	11.0	10.9	...	10.8	...	...	...	...	...	...	...

Sources: Data provided by the Tajik authorities, and Fund staff estimates.

Table 2. Tajikistan: General Government Operations, 2021–30
(In millions of somoni, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st Review	2nd Review	1st Review	2nd Review			Proj.		
Overall revenues and grants	27,292	32,084	36,003	39,937	42,856	45,009	48,110	53,051	58,744	62,911	68,955	75,801
Total revenues	24,162	28,102	31,417	35,090	37,556	39,530	42,535	47,605	52,701	59,322	65,289	72,057
Tax revenues	19,692	21,814	25,767	28,762	29,126	32,441	33,277	37,539	41,976	47,747	53,113	59,011
Income and profit tax	4,700	5,660	6,282	7,377	7,975	8,464	9,134	10,267	11,498	13,028	14,295	15,685
Payroll taxes	2,035	1,990	2,251	2,768	2,554	2,901	2,662	2,933	3,228	3,669	4,025	4,417
Property taxes	457	612	823	1,066	775	1,278	851	930	1,016	1,141	1,244	1,357
Taxes on goods and services	11,542	12,126	14,875	16,042	16,356	18,178	18,977	21,530	24,144	27,592	30,980	34,719
International trade and operations tax	958	1,426	1,535	1,509	1,466	1,620	1,653	1,879	2,091	2,318	2,568	2,833
Nontax revenues	4,470	6,288	5,650	6,328	8,430	7,090	9,257	10,067	10,725	11,575	12,177	13,046
Grants	3,130	3,982	4,586	4,847	5,300	5,479	5,576	5,446	6,042	3,588	3,665	3,744
Total expenditures and net lending	27,940	32,361	37,238	43,568	42,432	49,075	52,407	57,786	63,954	68,628	75,228	82,684
Current expenditures	16,543	18,895	22,160	24,866	26,517	28,138	29,514	31,801	34,408	37,350	40,990	45,281
Expenditures on goods and services	11,134	12,237	16,321	17,826	19,142	20,134	21,138	22,883	24,673	26,709	29,180	32,142
Interest payments	874	825	1,004	1,028	1,092	1,067	1,136	1,189	1,231	1,309	1,571	1,905
Transfers and subsidies	4,534	5,833	4,835	6,013	6,284	6,936	7,240	7,729	8,505	9,332	10,239	11,235
Capital expenditures	11,397	13,466	15,078	18,702	15,915	20,938	22,893	25,986	29,546	31,278	34,238	37,403
Externally financed (PIP and Rogun)	5,174	4,905	6,145	9,902	6,278	12,218	12,549	13,236	14,056	10,383	10,970	11,225
Domestically financed	6,223	8,560	8,933	8,800	9,637	8,719	10,344	12,750	15,490	20,894	23,268	26,178
Net lending	0	0	0	0	0	0	0	0	0	0	0	0
Overall balance (incl. PIP)	-648	-277	-1,235	-3,631	423	-4,066	-4,296	-4,735	-5,210	-5,717	-6,273	-6,883
Overall balance (excl. PIP and PIP-related grants)	0	1,750	868	2,152	2,097	3,273	3,276	3,655	3,404	1,078	1,031	598
Overall balance (incl. PIP and excl. bank recapitalization)	-648	-277	-1,235	-3,631	423	-4,066	-4,296	-4,735	-5,210	-5,717	-6,273	-6,883
Total financing (incl. PIP)	648	277	1,235	3,631	-423	4,066	4,296	4,735	5,210	5,717	6,273	6,883
Net external	791	268	273	3,231	-633	2,714	3,135	3,373	3,616	4,917	5,475	5,685
Disbursements	2,281	2,026	2,103	5,484	1,674	7,039	7,273	7,990	8,114	7,384	7,832	7,857
Amortization	-1,490	-1,758	-1,830	-2,152	-2,207	-4,325	-4,137	-4,617	-4,499	-2,466	-2,357	-2,172
Net domestic	-143	8	962	400	210	1,352	1,161	1,362	1,595	800	798	1,198
Deposits with commercial banks	554	-503	-875	0	-571	0	0	0	0	0	0	0
Deposits with the NBT	-306	-786	1,233	-541	42	506	911	1,110	1,383	0	0	0
New net credit	50	100	50	480	305	420	676	553	512	1,100	1,098	1,498
Other 1/	-441	1,198	554	461	434	426	-426	-300	-300	-300	-300	-300

Sources: Tajikistan authorities, and Fund staff estimates.

1/ Includes privatization proceeds and repayment of debt toward NBT through sales of repossessed bank assets.

Table 3. Tajikistan: General Government Operations, 2021–30
(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st Review	2nd Review	1st Review	2nd Review			Proj.		
Overall revenues and grants	27.0	27.1	27.1	27.7	27.9	27.8	28.0	28.0	28.2	27.5	27.5	27.5
Total revenues	23.9	23.8	23.7	24.3	24.5	24.4	24.8	25.1	25.3	25.9	26.0	26.2
Tax revenues	19.5	18.5	19.4	19.9	19.0	20.1	19.4	19.8	20.1	20.9	21.2	21.4
Income and profit tax	4.6	4.8	4.7	5.1	5.2	5.2	5.3	5.4	5.5	5.7	5.7	5.7
Payroll taxes	2.0	1.7	1.7	1.9	1.7	1.8	1.5	1.5	1.5	1.6	1.6	1.6
Property taxes	0.5	0.5	0.6	0.7	0.5	0.8	0.5	0.5	0.5	0.5	0.5	0.5
Taxes on goods and services	11.4	10.3	11.2	11.1	10.7	11.2	11.0	11.4	11.6	12.1	12.3	12.6
International trade and operations tax	0.9	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Nontax revenues	4.4	5.3	4.3	4.4	5.5	4.4	5.4	5.3	5.1	5.1	4.9	4.7
Grants	3.1	3.4	3.5	3.4	3.5	3.4	3.2	2.9	2.9	1.6	1.5	1.4
Total expenditure and net lending	27.6	27.4	28.0	30.2	27.7	30.3	30.5	30.5	30.7	30.0	30.0	30.0
Current expenditures	16.4	16.0	16.7	17.2	17.3	17.4	17.2	16.8	16.5	16.3	16.3	16.4
Expenditures on goods and services	11.0	10.4	12.3	12.3	12.5	12.4	12.3	12.1	11.8	11.7	11.6	11.7
Interest payments	0.9	0.7	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.7
Transfers and subsidies	4.5	4.9	3.6	4.2	4.1	4.3	4.2	4.1	4.1	4.1	4.1	4.1
Capital expenditures	11.3	11.4	11.4	13.0	10.4	12.9	13.3	13.7	14.2	13.7	13.6	13.6
Externally financed (PIP and Rogun)	5.1	4.2	4.6	6.9	4.1	7.6	7.3	7.0	6.7	4.5	4.4	4.1
Domestically financed	6.2	7.2	6.7	6.1	6.3	5.4	6.0	6.7	7.4	9.1	9.3	9.5
Overall balance	-0.6	-0.2	-0.9	-2.5	0.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Overall balance (excl. PIP and PIP-related grants)	0.0	1.5	0.7	1.5	1.4	2.0	1.9	1.9	1.6	0.5	0.4	0.2
Overall balance (incl. PIP and excl. bank recapitalization)	-0.6	-0.2	-0.9	-2.5	0.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Total financing (incl. PIP)	0.6	0.2	0.9	2.5	-0.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Net external	0.8	0.2	0.2	2.2	-0.4	1.7	1.8	1.8	1.7	2.2	2.2	2.1
Disbursements	2.3	1.7	1.6	3.8	1.1	4.4	4.2	4.2	3.9	3.2	3.1	2.9
Amortization	-1.5	-1.5	-1.4	-1.5	-1.4	-2.7	-2.4	-2.4	-2.2	-1.1	-0.9	-0.8
Net domestic	-0.1	0.0	0.7	0.3	0.1	0.8	0.7	0.7	0.8	0.3	0.3	0.4
Deposits with commercial banks	0.5	-0.4	-0.7	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with the NBT	-0.3	-0.7	0.9	0.3	0.0	0.8	0.5	0.6	0.7	0.0	0.0	0.0
New net credit	0.0	0.1	0.0	0.3	0.2	0.3	0.4	0.3	0.2	0.5	0.4	0.5
Other 1/	-0.4	1.0	0.4	-0.3	0.3	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1

Sources: Tajikistan authorities, and Fund staff estimates.

1/ Includes privatization proceeds and repayment of debt toward NBT through sales of repossessed bank assets.

Table 4. Tajikistan: Central Bank Survey, 2021–30
(End-year stocks, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st Review	2nd Review	1st Review	2nd Review			Proj.		
						(In millions of somoni)						
Net foreign assets	24,798	35,646	36,340	46,191	47,041	49,505	49,486	54,052	60,306	67,400	73,490	80,568
Gross assets	28,792	39,074	40,035	49,786	50,638	52,976	52,939	57,155	63,042	69,750	75,438	82,095
Gross liabilities	3,994	3,427	3,695	3,594	3,597	3,471	3,454	3,103	2,736	2,351	1,948	1,527
Net international reserves	26,977	36,315	36,585	45,339	45,412	48,314	46,677	50,493	55,834	61,925	67,084	73,126
Gross international reserves	28,236	38,797	39,523	48,028	47,947	51,179	51,090	55,266	61,113	67,780	73,425	80,039
Gross reserve liabilities	1,259	2,481	2,938	2,689	2,536	2,865	4,413	4,773	5,278	5,854	6,342	6,913
Net domestic assets	339	2,800	-53	142	-974	4,705	4,952	5,848	5,604	5,124	6,310	7,240
Net claims on general government	-1,356	-2,579	-1,651	-1,730	-2,070	-791	-1,585	-775	308	8	-292	-592
Net claims on financial corporations	-1,027	-854	-444	-724	-1,726	-724	-1,146	-1,146	-1,146	-1,146	-1,146	-1,146
Credit to the private sector	480	508	423	453	542	453	456	456	456	456	456	456
Other items net	2,243	5,725	1,619	2,144	2,280	5,768	7,227	7,313	5,986	5,806	7,292	8,521
Reserve money	25,138	38,447	36,287	46,333	46,068	54,210	54,438	59,900	65,910	72,524	79,801	87,808
Reserve money in domestic currency	23,612	35,767	33,204	43,384	43,101	50,759	49,306	54,253	59,697	65,687	72,278	79,530
Currency in circulation	22,110	32,460	30,053	39,414	38,801	46,114	44,179	48,612	53,489	58,856	64,762	71,260
Bank reserves	2,553	5,824	6,112	6,898	7,208	8,070	10,218	11,243	12,371	13,612	14,978	16,481
Bank deposits in domestic currency	1,254	3,155	3,045	3,962	4,263	4,636	5,105	5,617	6,181	6,801	7,483	8,234
Bank deposits in foreign currency	1,299	2,669	3,067	2,936	2,945	3,435	5,113	5,626	6,191	6,812	7,495	8,247
Other deposits	474	163	122	22	59	25	41	45	50	55	61	67
Other deposits in domestic currency	248	152	106	8	37	9	23	25	27	30	33	37
Other deposits in foreign currency	226	10	16	14	22	16	19	21	23	25	27	30
						(12-month growth in percent)						
Reserve money	11.6	52.9	-5.6	27.7	27.0	17.0	18.2	10.0	10.0	10.0	10.0	10.0
Net foreign assets	2.3	43.7	1.9	27.1	29.4	7.2	5.2	9.2	11.6	11.8	9.0	9.6
Gross international reserves	11.6	37.4	1.9	21.5	21.3	6.6	6.6	8.2	10.6	10.9	8.3	9.0
Net international reserves	8.0	34.6	0.7	23.9	24.1	6.6	2.8	8.2	10.6	10.9	8.3	9.0
						(12-month growth in percent of reserve money)						
Reserve money (12-month percent change)	11.6	52.9	-5.6	27.7	27.0	17.0	18.2	10.0	10.0	10.0	10.0	10.0
Net foreign assets	2.5	43.2	1.8	27.1	29.5	7.2	5.3	8.4	10.4	10.8	8.4	8.9
Gross international reserves	13.1	42.0	1.9	23.4	23.2	6.8	6.8	7.7	9.8	10.1	7.8	8.3
Net international reserves	8.9	37.1	0.7	24.1	24.3	6.4	2.7	7.0	8.9	9.2	7.1	7.6
Net domestic assets	9.1	9.8	-7.4	0.5	-2.5	9.8	12.9	1.6	-0.4	-0.7	1.6	1.2
Net credit to general government	-3.2	-4.9	2.4	-0.2	-1.2	2.0	1.1	1.5	1.8	-0.5	-0.4	-0.4
Credit to the private sector	-1.1	0.1	-0.2	0.1	0.3	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
NBT bills	3.3	0.7	1.1	-1.0	-3.8	-0.1	1.2	-0.1	-0.1	-0.1	-0.1	-0.1
Other items net	10.7	13.9	-10.7	1.4	1.8	7.8	10.7	0.2	-2.2	-0.3	2.0	1.5
Memorandum items:												
Net international reserves (in millions of U.S.dollars)	2,383.1	3,559.5	3,339.0	4,233.9	4,153.8	4,419.0	4,179.9	4,426.5	4,792.0	5,203.1	5,518.2	5,888.9
Net international reserves (percent of broad money)	95.0	91.1	92.5	94.7	89.1	86.3	78.3	76.1	75.6	75.3	73.3	71.8
Official exchange rate (somoni/U.S. dollars; eop)	11.3	10.2	11.0	...	10.9	...	...	...	...	...	...	...

Sources: National Bank of Tajikistan, and Fund staff estimates.

Table 5. Tajikistan: Monetary Survey, 2021–30
(End-year stocks, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st Review	2nd Review	1st Review	2nd Review			Proj.		
						(In millions of somoni, end-of-period stock)						
Net foreign assets	25,038	35,096	34,996	44,899	45,486	48,213	47,841	52,406	58,660	65,754	71,846	78,926
National Bank of Tajikistan	24,798	35,646	36,340	46,191	47,041	49,505	49,486	54,052	60,306	67,400	73,490	80,568
Commercial banks	240	-550	-1,344	-1,292	-1,555	-1,292	-1,645	-1,646	-1,646	-1,646	-1,645	-1,643
Net domestic assets	7,671	9,170	9,463	8,896	12,498	14,727	20,000	23,101	25,379	27,782	32,259	36,943
Net credit to general government	-2,320	-4,046	-3,997	-3,975	-4,769	-3,599	-4,184	-3,274	-2,091	-2,291	-2,491	-2,691
National Bank of Tajikistan	-1,356	-2,579	-1,651	-1,730	-2,070	-791	-1,585	-775	308	8	-292	-592
Commercial banks	-964	-1,468	-2,346	-2,245	-2,699	-2,808	-2,599	-2,499	-2,399	-2,299	-2,199	-2,099
Net credit to public non-financial corporations	2,294	2,088	2,406	2,550	1,699	2,703	1,802	1,893	1,989	2,085	2,187	2,293
Credit to the private sector	10,108	11,985	15,805	18,966	20,130	21,241	23,150	25,928	28,780	31,658	34,937	38,430
Net credit to other financial corporations	-142	-167	-149	-188	-129	-188	-129	-129	-129	-129	-129	-129
Other items net	-2,719	-690	-4,563	-8,456	-4,414	-5,430	-638	-1,317	-3,169	-3,541	-2,244	-960
Broad money	28,400	39,884	39,549	47,854	50,948	55,989	59,609	66,345	73,842	82,186	91,473	101,809
Somoni broad money	25,234	35,254	34,586	42,299	45,383	49,489	53,098	59,098	65,776	73,209	81,481	90,689
Currency outside banks	20,874	32,460	26,974	35,553	34,736	41,597	40,641	45,234	50,345	56,034	62,366	69,414
Deposits	4,361	5,622	7,612	6,745	10,647	7,892	12,456	13,864	15,431	17,174	19,115	21,275
Foreign currency deposits	3,166	4,630	4,963	5,555	5,565	6,500	6,511	7,247	8,066	8,977	9,991	11,120
Non-liquid liabilities	3,859	4,382	4,910	5,942	7,036	6,952	8,232	9,162	10,197	11,350	12,632	14,060
						(12-month growth in percent of broad money)						
Broad money	8.2	40.4	-0.8	21.0	28.8	17.0	17.0	11.3	11.3	11.3	11.3	11.3
Net foreign assets	2.8	37.0	-0.3	25.0	26.5	6.9	4.6	7.7	9.4	9.6	7.4	7.7
National Bank of Tajikistan	2.1	38.2	1.7	24.9	27.1	6.9	4.8	7.7	9.4	9.6	7.4	7.7
Commercial banks	2.4	-2.8	-2.0	0.1	-0.5	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Net domestic assets	7.1	5.3	0.7	-1.4	7.7	12.2	14.7	5.2	3.4	3.3	5.4	5.1
Net credit to general government	-0.6	-6.1	0.1	0.1	-2.0	0.8	1.1	1.5	1.8	-0.3	-0.2	-0.2
Credit to the private sector	-2.1	6.6	9.6	8.0	10.9	4.8	5.9	4.7	4.3	3.9	4.0	3.8
Other items net	8.8	7.1	-9.7	-9.8	0.4	6.3	7.4	-1.1	-2.8	-0.5	1.6	1.4
Memorandum items:												
Deposit dollarization (in percent)	46.1	45.9	46.4	…	43.3	…	…	…	…	…	…	…
Velocity	3.6	3.0	3.4	…	3.0	…	2.9	2.9	2.8	2.8	2.7	2.7
Credit to the private sector (percent of GDP)	10.0	10.1	11.9	…	13.1	…	13.5	13.7	13.8	13.8	13.9	14.0
Money multiplier	1.0	1.2	1.2	…	1.3	…	1.2	1.3	1.3	1.3	1.3	1.3

Sources: National authorities and Fund staff estimates.

Table 6. Tajikistan: Balance of Payments, 2021–30

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				1st Review	2nd Review	1st Review	2nd Review			Proj.		
						(In millions of U.S. dollars, unless otherwise indicated)						
Current account	736	1,635	584	344	887	-89	392	-86	-350	-506	-466	-540
Balance on goods and services	-2,097	-3,508	-3,826	-5,323	-5,289	-5,631	-5,571	-6,022	-6,392	-6,927	-7,327	-7,835
Balance on goods	-1,712	-2,960	-3,322	-4,630	-4,513	-4,900	-4,749	-5,134	-5,448	-5,904	-6,244	-6,677
Exports	2,015	1,615	1,861	1,847	1,423	1,748	1,701	1,836	2,001	2,154	2,318	2,480
Of which: gold	897	119	684	385	0	285	185	296	309	329	344	344
Imports	3,727	4,576	5,183	6,477	5,936	6,648	6,450	6,970	7,449	8,058	8,562	9,157
Balance on services	-385	-548	-505	-693	-776	-731	-822	-888	-944	-1,023	-1,083	-1,158
Balance on income	1,822	3,497	3,083	3,989	4,455	3,906	4,290	4,277	4,362	4,667	5,056	5,387
Balance on transfers	1,011	1,645	1,327	1,679	1,721	1,637	1,674	1,658	1,681	1,753	1,805	1,908
Capital and financial account	475	-566	255	534	42	281	-201	356	750	956	811	946
Capital transfers	267	283	482	396	426	402	402	359	472	305	276	278
FDI	36	162	101	199	190	223	195	210	226	243	261	280
Portfolio Investment	1	-1	-2	0	1	-167	-167	-167	-167	50	44	31
Other capital flows	172	-1,009	-325	-62	-576	-178	-631	-46	218	359	230	358
Errors and omissions	213	104	89	…	245	…	…	…	…	…	…	…
Overall balance	998	965	751	878	684	192	192	270	400	450	345	406
						(in percent of GDP, unless otherwise indicated)						
Current account	8.2	15.3	4.8	2.6	6.2	-0.6	2.5	-0.5	-1.9	-2.6	-2.2	-2.4
Balance on goods and services	-23.5	-32.7	-31.4	-39.7	-37.3	-37.7	-35.8	-35.9	-35.4	-35.7	-35.1	-35.0
Balance on goods	-19.2	-27.6	-27.2	-34.6	-31.8	-32.8	-30.5	-30.6	-30.1	-30.4	-29.9	-29.8
Exports	22.5	15.1	15.3	13.8	10.0	11.7	10.9	10.9	11.1	11.1	11.1	11.1
Imports	41.7	42.7	42.5	48.3	41.8	44.5	41.5	41.5	41.2	41.5	41.0	40.9
Balance on services	-4.3	-5.1	-4.1	-5.2	-5.5	-4.9	-5.3	-5.3	-5.2	-5.3	-5.2	-5.2
Balance on income	20.4	32.6	25.3	29.8	31.4	26.1	27.6	25.5	24.1	24.0	24.2	24.0
Balance on transfers	11.3	15.4	10.9	12.5	12.1	11.0	10.8	9.9	9.3	9.0	8.7	8.5
Capital and financial account	5.3	-5.3	2.1	4.0	0.3	1.9	-1.3	2.1	4.1	4.9	3.9	4.2
Capital transfers	3.0	2.6	3.9	3.0	3.0	2.7	2.6	2.1	2.6	1.6	1.3	1.2
FDI	0.4	1.5	0.8	1.5	1.3	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	-1.1	-1.1	-1.0	-0.9	0.3	0.2	0.1
Other capital flows	1.9	-9.4	-2.7	-0.5	-4.1	-1.2	-4.1	-0.3	1.2	1.8	1.1	1.6
Errors and omissions	2.4	1.0	0.7	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	11.2	9.0	6.2	6.6	4.8	1.3	1.2	1.6	2.2	2.3	1.7	1.8
Memorandum items:												
Nominal GDP (In millions of U.S. dollars)	8,934	10,714	12,203	13,397	14,199	14,944	15,553	16,780	18,077	19,418	20,859	22,407
Remittances, inflows (In millions of U.S. dollars)	2,922	5,346	4,634	5,948	6,802	5,902	6,740	6,774	6,942	7,279	7,606	7,910
(in percent of GDP)	32.7	49.9	38.0	44.4	47.9	39.5	43.3	40.4	38.4	37.5	36.5	35.3
Current account balance (In percent of GDP)	8.2	15.3	4.8	2.6	6.2	-0.6	2.5	-0.5	-1.9	-2.6	-2.2	-2.4
Net international reserves (In millions of U.S. dollars)	2387	3559	3339	4234	4154	4,415	4179.9	4427	4792	5203	5518	5889
Gross reserves	2499	3803	3607	4485	4383	4,677	4575	4845	5245	5695	6040	6446
(in months of next year's imports of goods and services)	5.7	7.7	6.3	7.1	7.0	7.0	6.8	6.7	6.7	6.9	6.8	6.7
(in percent of IMF's Reserve Adequacy metric: Fixed)	120.1	172.2	168.3	194.5	214.0	191.2	205.4	202.2	204.9	211.4	211.6	195.5
(in percent of IMF's Reserve Adequacy metric: Floating)	153.1	213.9	213.1	243.0	265.3	237.9	255.9	252.3	257.1	266.3	266.5	243.4
Total Public and Publicly Guaranteed (PPG) external debt	3,306	3,224	3,239	3,562	3,132	3,794	3,415.6	3,714	4,028	4,446	4,901	5,363
(in percent of GDP)	37.0	27.8	26.7	26.4	22.3	25.6	22.2	22.4	22.5	23.1	23.7	24.2
Debt service on PPG external debt (In millions of U.S. dollars)	204	233	255	281	299	483	468	502	481	301	300	298
(in percent of exports of goods and services)	9.4	13.3	12.1	13.4	18.5	24.4	24.2	24.0	21.1	12.3	11.4	10.6

Sources: Tajik authorities; and Fund staff estimates.

Table 7. Tajikistan: Financial Soundness Indicators, 2019–2024
(In percent unless otherwise indicated)

	2019	2020	2021	2022	2023	2024
Capital adequacy						
Regulatory capital to risk-weighted assets	21.4	18.2	23.4	25.3	21.3	21.8
Regulatory Tier 1 capital to risk-weighted assets	28.2	23.5	19.0	19.1	17.1	17.8
Asset quality 1/						
Nonperforming loans net of provisions to regulatory capital	17.0	16.2	3.2	-0.5	1.0	3.0
Nonperforming loans to total gross loans	26.1	23.8	13.7	12.2	12.7	7.1
Earnings and profitability						
Return on assets (ROA) 2/	2.1	2.5	1.1	5.9	3.7	3.8
Return on equity (ROE) 2/	7.7	9.1	4.8	28.3	19.2	20.7
Interest margin to gross income	66.4	73.5	60.9	42.6	62.0	57.5
Noninterest expenses to gross income	60.3	61.9	64.6	49.3	54.7	54.6
Liquidity						
Liquid assets to total assets	27.7	30.0	31.9	43.4	37.2	40.0
Liquid assets to short-term liabilities	67.4	70.5	87.7	94.9	81.0	78.3
Sensitivity to market risk						
Net open position in foreign exchange to regulatory capital	-1.7	-11.5	4.7	2.3	2.7	0.7
Additional						
Capital to total assets	27.4	26.3	20.9	19.5	18.3	17.8
Large exposures to regulatory capital	71.4	73.5	68.0	53.5	58.4	45.9
Trading income to total income	14.4	6.1	7.8	1.0	0.3	19.5
Personnel expenses to noninterest expenses	60.0	58.6	58.7	55.0	59.8	57.9
Customer deposits to gross customer loans	102.5	107.6	87.2	117.0	111.5	122.1
Foreign-currency-denominated loans to total gross loans	50.5	43.2	34.0	29.0	33.2	27.2
Foreign-currency-denominated liabilities to total liabilities	46.7	48.2	49.4	46.2	47.6	43.3

Source: National Bank of Tajikistan.

Note: There is a statistical break starting from 2021Q2 when two large banks (AIB and TSB) were closed and removed from the banking system totals.

1/ Nonperforming loans include customer and interbank loans overdue more than 30 days.

2/ Annualized net income before tax to average assets or capital.

Table 8. Tajikistan: Inclusive Growth Indicators

	Indicator	LICs Average		Indicator	LICs Average
Growth			**Labor Markets (ILO estimates)**		
GDP per capita growth (percent; 2020-23 average)	5.1	1.9	Unemployment rate (% of total labor force, 2021)	7.7	7.0
Gross Fixed Capital Formation (percent of GDP; 2018-20 average)	31.5	24.3	Female (% of female labor force, 2020)	6.3	8.3
			Youth (% of total labor force ages 15-24, 2020)	17.0	13.3
Poverty and Inequality			Labor force participation (% of total population ages 15+, 2020)	41.2	61.6
Poverty headcount ratio at $3.20/day (percent of population; 2015)	25.7	40.5	Female (% of female population ages 15+, 2020)	31.3	54.2
Multidimensional poverty (percent of population)	n.a.	n.a.	Youth (% of population ages 15-24, 2020)	25.5	41.7
Prevalence of stunting (% of children under 5, 2017)	17.5	30.2			
GINI Index (2021)	34.0	37.6	**Governance**[1]		
Child mortality (per 1,000, 2021)	31.4	54.7	Government Effectiveness (WGI, 2022)	-0.8	-0.8
Growth in mean consumption (growth, %, bottom 40th percentile)	n.a.	n.a.	Regulatory Quality (WGI, 2022)	-1.2	-0.7
			Rule of Law (WGI, 2022)	-1.3	-0.7
Human Development and Access to Services			Control of Corruption (WGI, 2022)	-1.4	-0.7
Human Development Index (2020)	0.7	0.5	Corruption Perceptions Index (2022)	24.0	29.5
Life expectancy at birth (years, 2020)	68.0	64.1			
Access to electricity (% of population, 2020)	99.8	60.2	**Gender Equity and Inclusion**		
Net school enrollment, secondary, total (% population, 2011)	83.2	59.6	Account at a financial institution (female vs male, %, 2021)	99.6	80.2
Individuals using internet (% population, 2017)	22.0	22.2	Female employment to population ratio (%, 2021)	29.3	50.5
Literacy rate (% population, 2014)	99.8	70.2	Literacy rate (female vs male, %, 2014)	n.a.	n.a.
			Net school enrollment, secondary (female vs male, %, 2011)	90.1	101.2
Government			Gender Gap Index (2021)	0.6	0.7
Commitment to reducing inequality index (2020)	0.41	0.33	Female seats in Parliament (share of total seats, 2021)	23.8	23.4
Government spending on social safety net programs (percent of GDP, 2018)	0.8	1.3			
Coverage of social safety net programs in poorest quintile (% population, 2011)	13.0	22.5	**Access to Finance**		
Government expenditure on education, total (% GDP, 2020)	5.9	4.2	Account at a financial institution (% age 15+, 2021)	39.5	45.6
Health expenditure, domestic general government (% of GDP, 2019)	1.9	1.7	Domestic credit to private sector (% GDP, 2020)	11.8	26.1

Better than LICs Average | **Worse than LICs Average**

Improvement since previous observation | **Deterioration since previous observation**

Sources: IMF World Economic Outlook, World Bank, World Economic Forum, International Labour Organization, Transparency International, UNDP, Oxfam International.

1 / Indicators use official sources and surveys to summarize perceptions of the quality of governance and business environments.

Table 9. Tajikistan: Sustainable Development Goals, 2005-Latest

	2005	2010	2015	2020	Latest
Zero Hunger					
Prevalence of undernourishment (percent of population)	37.6	26.8	16.3	9.3	9.3
Good Health and Well-Being					
Maternal mortality ratio (modeled estimate, per 100,000 live births)	14	7	7	...	7
Mortality rate, under-5 (per 1,000 live births)	56	43	38	32.4	30
Incidence of tuberculosis (per 100,000 people)	196	128	86	79	78
Immunization, measles (percent of children ages 12-23 months)	85	94	97	98	98
Quality Education					
Primary completion rate, total (percent of relevant age group)	99	101	92	...	90
Lower secondary completion rate, total (percent of relevant age group)	85	92	98	...	88
Literacy rate, adult total (percent of people ages 15 and above)	...	...	...	...	100
Gender Equality					
School enrollment, primary (gross), gender parity index (GPI)	0.97	0.98	0.99	...	0.99
School enrollment, secondary (gross), gender parity index (GPI)	0.84	0.87	...	...	0.87
School enrollment, tertiary (gross), gender parity index (GPI)	0.46	0.51	0.65	...	0.73
Proportion of seats held by women in national parliaments (percent)	17	19	19	24	27
Clean Water and Sanitation					
People using at least basic drinking water services (percent of population)	63	69	76	82	82
People using at least basic sanitation services (percent of population)	92	93	95	97	97
Affordable and Clean Energy					
Access to electricity (percent of population)	99	99	98	100	100
Renewable electricity output (percent of total electricity output)	99	100	98	...	98
Decent Work and Economic Growth					
Employment in agriculture (percent of total employment) (modeled ILO estimate)	55	52	48	45	44
Wage and salaried workers, total (percent of total employment) (modeled ILO estimate)	66	66	69	72	73
Industry, Innovation, and Infrastructure					
CO2 emissions (metric tons per capita)	0.36	0.32	0.58	1.0	0.98
Researchers in R&D (per million people)	...	...	...	...	...
Sustainable Cities and Communities					
PM2.5 air pollution, mean annual exposure (micrograms per cubic meter)	33	35	39	...	38
Responsible Consumption and Production					
Total natural resources rents (percent of GDP)	1	2	2	5	9
Life on Land					
Forest area (percent of land area)	2.9	2.9	3	3	3
Technology					
Individuals using the Internet (percent of population)	0	12	19	...	22

Source: The World Bank

Table 10. Tajikistan: Schedule of Reviews Under the Policy Coordination Instrument, 2024-2025

Program Review	Test date	Review date
Board discussion of PCI request		February 2024
First Review	June 30, 2024	September 30, 2024
Second Review	December 31, 2024	March 31, 2025
Third Review	June 30, 2025	September 30, 2025

Table 11. Tajikistan: Quantitative Targets Under the PCI, 2024-2025
(TJS; million unless otherwise indicated)

	end-Jun 2024			end-Dec 2024			end-Jun 2025
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.
I. Quantitative targets (QT)							
1. Floor on NBT stock of net international reserves (USD mn) 1/	2500	3361	Met	2700	3536	Met	3000
2. Ceiling on gross credit to general government from NBT	4021	4028	Not met 6/	3808	3808	Met	3595
3. Ceiling on the stock of reserve money	41000	40500	Met	46500	46068	Met	52000
4. Ceiling on general government overall fiscal deficit 2/	2400	185	Met	3655	-423	Met	2790
5. Floor on general government expenditure on targeted social assistance 2/	122	122	Met	244	267	Met	144
6. Ceiling on the disbursements of external debt (USD mn) 2/ 3/	510	76	Met	510	167	Met	650
II. Continuous targets 2/							
7. Ceiling on increase in external general government arrears	0	0	Met	0	0	Met	0
8. Ceiling on new non-concessional external debt contracted or guaranteed by the central government (USD mn) 4/	0	60	Met	0	0	Met	0
9. Ceiling on Barki Tojik's new arrears to the private sector	550	712	Not met	550	1102	Not met	500
III. Memorandum items							
Issuance of domestic debt at positive real rates	100	280		300	580		300
Collection rate of electricity distribution company (STB), overall (in percent)		89.1 7/		...	91.2		…
Collection rate of electricity distribution company (STB), SOEs (in percent)		...		...	...		…
Overall fiscal and quasi-fiscal deficit (including BT arrears)	2950	897		4205	679		…
Non-concessional borrowing exception on newly contracted external Rogun-related loans (USD mn)	1800	0		1800	462		2120
IV. Standard continuous targets							
Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.			Met			Met	
Not to introduce or modify multiple currency practices.			Met			Met	
Not to conclude bilateral payment agreements which are inconsistent with Article VIII.			Met			Met	
Not to impose or intensify import restrictions for balance of payment reasons.			Met			Met	
Program exchange rate (TJS/US dollar) 5/	10.95			10.95			10.95
Program gold price per ounce (US dollars) 5/	2029			2029			2029

1/ Net international reserves exclude FX liabilities to non-residents, IMF, the government and commerical banks.
2/ Cumulative, from the beginning of the year.
3/ Given the country's capacity constraints related to the recording and calculations of grant elements and present values of external debt, these figures are being presented and monitored in nominal terms and are inclusive of all disbursements of debt contracted for Rogun HPP. Planned Fund TA will aim to improve the recording and reporting of public debt.
4/ A zero NCB limit with exceptions applying exclusively to new non-concessional debt contracted for the Rogun HPP, which is capped at US$1800mn for June and Dec. 2024 and US$ 2120 for June 2025 (cumulative since the start of the program). This figure is expected to fully cover the total estimated NCB disbursements as per the latest WB estimates including a buffer for potential cost overruns.
5/ Closing price as of January 23, 2024 according to Bloomberg which will be fixed throughout the program period.
6/ The QT on repayment of outstanding debt to NBT was missed by a small amount (7 million somoni) at the end of June, but was met on July 4th.
7/ For January-August 2024.

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025

Policy Objective	Reform Target	Date	Responsibility	Status
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT	Met
A. Fiscal sector				
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives.	end-September 2024	MOF	Met
2. Enhance domestic revenue mobilization	Expand the mandate of the PFM committee to include developing a Medium-Term Revenue Program (MTRP) and overseeing implementation.	end-March 2024	MOF	Met
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF	Met
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with *GFSM2014*, including a breakdown of mining-related revenues and transfers to SOEs.	end-November 2024	MOF	Met
5. Development of domestic debt market	Prepare an updated Debt Management Strategy for the period 2024-2026, including a plan for expanding domestic issuance and managing government obligations.	end-May 2024	MOF	Met
6. Development of domestic debt market	Begin market-based issuance of government securities at positive real rates (according to amounts specified in Table on Quantitative Targets).	end-June 2024	MOF	Met
7. Enhance domestic revenue mobilization	Prepare and adopt a medium-term time-bound action plan to streamline tax exemptions and customs preferences beginning in 2025 based on tax expenditure analysis conducted with support from Fund TA.	end-March 2025	MOF	Unmet[1] Proposed as an RT for end-November 2025 (3rd Review)
B. Monetary sector				
8. Strengthen monetary policy transmission	Adopt amendments to the active NBT instruction #244 “On required reserves of credit institutions” to introduce the required reserve averaging mechanism in line with Fund TA recommendations.	end-May 2025	NBT	Met
9. Improve the functioning of the FX market and enhance exchange rate flexibility	Develop improved mechanism to execute government and other public sector foreign exchange transactions to better reflect prevailing market rates. This mechanism will ensure that transactions are carried out at the valid official rate during the same day or at the prevailing market rate, with the intention of transactions being carried out in	end-May 2024	NBT	Met

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

	the first half of the business day. In the event when a transaction request at an official rate violates the one-day delay limitation, the applicable official rate will be the official rate that is valid on the day the transaction is executed.			
10. Improve the functioning of the FX market and enhance exchange rate flexibility	Introduce price–based auctions for NBT FX interventions. To limit incentives for excessive overbidding or underbidding, the sales price of the auction will be calculated as follows: the price for those bids below a weighted average price of the bids will be a weighted average price of all bids; the price of those bids above weighted average price of all bids will be actual price of the bid.	end-December 2024	NBT	Unmet[2] Implemented with delay
11. Improve the functioning of the FX market and enhance exchange rate flexibility	Stop conducting ruble auctions of NPCR transfers and instead transmit all the amounts of the transfer in the respective currency to the bank executing the transfer.	end-April 2024	NBT	Met
C. Financial sector				
12. Improve governance and transparency	Issue an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process.	end-April 2025	NBT	Met
13. Strengthen macroprudential oversight	Approve a plan for phasing in new macroprudential tools (including debt service to income (DSTI), loan to value (LTV) and credit to stable funding (CSFR) ratios) and countercyclical capital buffer (CCB) based on 2022 FSSR.	end-June 2025	NBT	3rd Review
14. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests.	end-June 2025	NBT	3rd Review
D. Structural				
15. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in: (i) the list of SOEs monitored by the Ministry of Finance; and (ii) the 2023 Statement of Fiscal Risks. Require SOEs monitored by the MOF to provide detailed expense reports to the SOEMD monthly.	end-April 2024	MOF	Met
16. Improve governance and transparency of SOEs	Complete a report assessing the financial viability of OJSC Tajik Air based on Fund TA and providing a timebound action plan for addressing its financial losses.	end-May 2025	MOF/Civil Aviation Agency	Met

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

17. Improve governance and transparency of SOEs	Publish an updated list of SOE and joint stock companies with state shareholding of at least 10 percent, specifying sector and legal basis; and complete a sectorization exercise for the 27 large SOEs monitored by the SOEMD to distinguish SOEs that are part of public sector from those that are general government entities.	end-June 2025	MOF/State Committee on Investment and State Property Management	3rd Review
18. Improve governance and transparency of SOEs	Based on the revised SOE Law and following international standards and best practice, enact regulations that ensure all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and set out rules for determining their remunerations and evaluating their performance, and establish supervisory boards in the 27 large SOEs currently monitored by the SOEMD in line with those procedures.	end-December 2024	MOF	Met
19. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in the 2024 Statement of Fiscal Risks.	end-May 2025	MOF	Met
20. Anti-corruption	Enact legislation strengthening the asset declaration regime to ensure that (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials.	end-June 2025	MOF/Civil Service Agency	Proposed to be reset to end-November 2025 (3rd Review)

Table 12. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Concluded)

21. Transparency of beneficial ownership information	Amend the Law on State Registration of Legal Persons to align with the definition of beneficial ownership in the new requirements of the AML/CFT international standard (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions.	end-December 2024	MOF/Tax Committee	Met

[1]The delay in completing the action plan on tax exemptions and customs preferences reflects additional time needed for delivery of supporting Fund TA.

[2]The draft regulation was prepared by the NBT in October 2024 and then finalized in December 2024 to allow additional time to consult with the Fund and incorporate Fund recommendations. The document was formally approved by the NBT Board in January 2025.

Annex I. Risk Assessment Matrix

Risk 1/	Description	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
External Risks and Spillovers				
Regional conflicts.	Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium** **Short-Term**	**High** Tajikistan is vulnerable to direct and indirect spillovers from the war given its close economic linkages with Russia and Ukraine. Confidence in economic prospects will be reduced. Adverse impact on fiscal and external positions and economic growth.	Strengthen policy frameworks, improve revenue mobilization, and reprioritize spending to preserve fiscal and debt sustainability. Use the exchange rate as a shock absorber while smoothing excess volatility. Diversify trade and financial linkages over the medium term to limit impact of sanctions on domestic economy.
Commodity price volatility.	Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium** **Short-Term**	**High** Tajikistan depends heavily on commodity revenue and oil imports and commodity price volatility would adversely affect its external and fiscal positions and growth prospects.	Strengthen revenue mobilization, reduce nonpriority spending, and mobilize donor support to safeguard debt sustainability. Provide targeted assistance to the vulnerable. Allow greater exchange rate flexibility to facilitate the external adjustment. Tighten monetary policy if there is a risk of de-anchoring of inflation expectations.
Sovereign debt distress.	Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	**High** **Medium-Term**	**Medium** Reduced investor confidence in economic prospects. Adverse impact on fiscal and external positions due to capital outflows, cuts in foreign direct investment, higher cost of development financing and shrinking development aid. This would delay capital and social project implementation, slowing economic growth and increasing poverty.	Reprioritize expenditure and maintain fiscal prudence to compress risk premia. Provide targeted social assistance to the vulnerable. Allow greater exchange rate flexibility to facilitate external adjustment. Tighten financial supervision, stand ready to provide liquidity to solvent and viable banks.

Risk 1/	Description	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
Climate change.	Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium** **Medium-Term**	**Medium** Tajikistan is susceptible to climate risks, especially risks of natural disasters (flooding, landslides). The agriculture sector—the main employer and key driver of recent growth —is especially exposed to climate-related risks.	Advance the National Climate Change Adaptation Strategy and Green Development Strategy to increase resilience to climate change, especially in the agriculture sector, and facilitate the greening of key economic sectors. Ramp up multilateral support for climate financing
		Domestic Risks		
Fiscal slippages and a rise in debt	Existing tax exemptions result in lower tax revenues. Quasi-fiscal activities, poor SOE fiscal controls, and Rogun-related spending pressures result in higher expenditures.	**Medium** **Medium-Term**	**High** The revenue losses coupled with increased spending demands would result in higher deficits and a need for more budgetary financing. Higher debt service could squeeze out critical social and development spending. Alternatively, fiscal consolidation could slow, raising concerns about debt sustainability.	Additional revenue and expenditure measures to ensure deficits are consistent with the deficit target and a declining medium-term debt path. Strengthen fiscal frameworks and transparency, implement structural fiscal reforms. Progress on SOE reforms to raise efficiency and governance.
Financial sector risks materialize	A significant slowdown in remittances could cause asset quality to deteriorate, weakening banking sector soundness.	**Medium** **Medium-Term**	**High** Given credit concentrations, NPLs may rise, reducing bank profitability and raising solvency concerns. With a large SOE sector, contingent fiscal liabilities could increase. In addition, ROE stability may be hard to maintain due to variability of remittance` inflows and a potential decrease in interest rate margins.	Stand ready to provide liquidity to solvent banks. Strengthen accounting, reporting, and provisioning standards. Improve risk-based supervision and macroprudential analysis.

Risk 1/	Description	Likelihood / Timeframe	Possible Impact (if realized) / Transmission Channels	Policy Advice
SOE reforms are delayed or poorly implemented.	SOE performance continues to be weak and governance reforms are delayed.	**High** **Short-Term**	**Medium** A reform slowdown could result in lower investment and productivity and slower growth. Popular frustration could grow.	Stress the need for SOE reform and market liberalization. Focus on the highest priority reforms (SOE and banking sector governance, and improvements to the social protection system and business environment).
1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within one year and three years, respectively.				

Annex II. Implementation of the 2022 Article IV Recommendations

Recommendation	Status
Exchange Rate Policy and Monetary Operations	
Allow greater exchange rate flexibility to facilitate adjustment to external shocks.	Partially implemented. The somoni remained stable against the US dollar in 2024, but the authorities have introduced several measures to modernize and deepen the local FX market. The NBT discontinued Russian ruble auctions for NPCR transfers and now transmits them in the respective currency to executing banks. It also enhanced the mechanism for public sector FX transactions to better reflect market rates.
Use macroprudential controls to help contain rapid monetary growth and mitigate potential risks to inflation and financial stability.	Partially implemented. The NBT stepped up its sterilization operations in Q4 2024 to stabilize reserve money after large FX inflows had contributed to strong monetary growth earlier in the year. The authorities will prepare a plan to phase in new macroprudential tools with support from a long-term IMF advisor and Fund TA.
Improve monetary policy transmission to facilitate a gradual transition to inflation targeting.	Partially implemented. The NBT is working on improving liquidity management and forecasting with support from Fund TA to enhance monetary policy transmission and facilitate transition to an interest rate-based framework.
Fiscal Policy	
Adhere to the fiscal deficit target of 2.5 percent of GDP as an important anchor to keep public debt on a downward trajectory.	Implemented. The budget deficit has remained well below 2.5 percent of GDP over the last few years and public debt declined to 29.5 percent of GDP in 2023 from 30.9 percent in 2023.
Sizable expenditures related to the Rogun Hydropower Project present a significant constraint on the budget, and improved domestic revenue mobilization is needed to create space for critical social and development spending.	Partially implemented. The authorities have continued to strengthen tax administration, including through increased digitalization, and started streamlining tax expenditures with support of Fund TA.

Recommendation	Status
Financial Sector	
Strengthen banking supervision in line with the 2022 Financial Sector Stability Review.	Partially Implemented. The NBT continues to work on aligning banking supervision with the Basel II/III regulatory frameworks.
Strengthen the AML/CFT regime.	Implemented. The authorities have adopted a new AML/CFT Law and an internationally aligned ultimate beneficial ownership definition and are now working to align other related regulations.
Governance-Related Structural Reforms	
Improve SOE governance, support private sector development, enhance social protection and combat corruption.	Partially implemented. The authorities amended the SOE Law to mandate supervisory boards for all SOEs and ensure transparent, merit-based appointments, remuneration rules, and performance evaluations for the 27 largest SOEs. The government, with World Bank support, has adopted a new means testing formula to expand targeted social assistance and has enhanced the social registry and integrated IT systems to facilitate implementation. The authorities are amending the asset declaration regime of public officials with support of Fund TA.
Reduce climate-related vulnerabilities to raise the economy's growth potential.	Partially implemented. The authorities are taking measures to implement the Green Economic Development Strategy to promote the green transformation of key economic sectors, including by expanding hydro-power capacity, and introduced incentives for purchases of electric vehicles to help lower carbon emissions.
Economic Statistics	
Improvement in statistics to support economic decision making (in particular, national and fiscal accounts)	Implemented. The authorities have complied fiscal data and submitted to the Fund in accordance with GFSM requirements for 2021-2023.

Annex III. External Sector Assessment

Overall Assessment: *The external position of Tajikistan in 2024 was* ***substantially stronger than*** *the level implied by fundamentals and desirable policy settings.*[1] *The external imbalance is driven by the private sector, as remittances support households' savings. This assessment is highly uncertain given the lack of full-year data for 2024 and the outlook for remittances. The current level of reserves is above the range suggested by reserve adequacy metrics. The country's external risks are high, but they are mitigated by the large FX reserves and the concessional nature of external debt.*

Potential Policy Responses: *In the near-term, the pass-through from nominal currency appreciation this year can be incomplete and should be closely monitored. Over time, the authorities should continue to advance reforms for a gradual transition to a more flexible exchange rate to absorb the impact from exogenous shocks and better coordination between NBT participation in FX auctions and sterilized liquidity absorption operations. The fiscal deficit target remains an important anchor for the external position over the medium-term. Increasing the investment component of the domestic absorption relative to national savings—with the help of increased financial intermediation to productively channel households' savings— while maintaining a sustainable fiscal framework, will facilitate the adjustment. Reforms to strengthen governance and improve the business environment would also support increased investment and absorption of domestic savings.*

Foreign Assets and Liabilities: Position and Trajectory

Background. As of 2024Q3, the net international investment position (NIIP) was -17 percent of GDP, increasing steadily after being broadly stable at -66 percent of GDP in 2017-19 as a result of substantial CA surpluses in 2020-2024 (see Table 6) that resulted in a significant buildup of reserve assets (about 33 percent of 2024 GDP). Direct investments (27 percent of GDP) and government borrowing (23 percent of GDP) dominate the liability structure of the NIIP (63 percent of GDP). Multilateral and bilateral loans are at concessional rates.

Assessment. Tajikistan's NIIP is expected to deteriorate over the medium-term, consistent with the projections in Table 6, which indicate a gradual convergence to the CA norm. The implied larger negative NIIP comes with external vulnerabilities, including from prospective large gross financing needs related to infrastructure projects and potentially adverse valuation effects. A fast expansion of external borrowing on market-terms by the government and/or SOEs would further raise medium-term risks and therefore should be avoided until risks to debt sustainability are eliminated.

2024Q3 (% GDP)	NIIP: -17	Gross Assets: 46	Debt Assets: 3	Gross Liab.: 63	Debt Liab.: 43

Current Account

Background. In 2024, large deficits in goods and services (in the order of 37 percent of GDP) were offset by large income and transfer surpluses (mostly representing remittances inflows), resulting in a CA surplus of 6.2 percent of GDP, equivalent to the five-year average CAB. Exports of goods—excluding non-monetary gold—increased by 20 percent relative to 2023. Imports of goods increased by 15 percent in line with robust economic activity. Remittances, mostly from Russia, included in both the income and transfers balance in Table 6, increased by 47 percent, reflecting strong migration dynamics in recent years. As a result, remittances reached 48 percent of GDP in 2024 (20 percentage points above than the average level from 2016-19). Over the medium term, external imbalances are expected to recede as remittances normalize and as external financing for public investment picks up (i.e., Rogun).

Assessment. The EBA-lite Current Account (CA) model, applied to 2024 data, estimates a CA norm of –3.0 percent of GDP against an adjusted CA of 6.5 percent of GDP (see table). This implies a gap of 9.5 percent of GDP under current policies. The gap is primarily due to the high-income differential vis-à-vis trading partners and higher public health spending needs in 2024. The remaining part of the CA gap may represent an incomplete passthrough from strong remittances and realized nominal appreciation in 2024.

Tajikistan: EBA-lite Model Results, 2024

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**6.2**	
Cyclical contributions (from model) (-)	-0.3	
Additional temporary/statistical factors (-)		
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**6.5**	
CA Norm (from model) 2/	**-2.9**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-2.9**	
CA Gap	**9.5**	**0.9**
o/w Relative policy gap	3.7	
Elasticity	-0.2	
REER Gap (in percent)	**-51.2**	**-4.8**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The official market exchange rate against the US dollar in 2024 appreciated by less than 1 percent despite strong remittance inflows. As of December 2024, the average real effective exchange rate was about 6 percent more appreciated than the 2023 average as nominal appreciation was accompanied by a negative inflation differential.

Assessment. Using standard trade elasticities, the implied REER gap is about 51 percent. The EBA's Lite Index Real Effective Exchange Rate (IREER) model finds a misalignment of the REER with an undervaluation of 5 percent (see text table). Staff assesses that this approach generally may come with larger uncertainty due to a short period for which all the model's variables are available (since 2011)[2]. Although Tajikistan is mainly an exporter of primary commodities and minerals, greater exchange rate flexibility is important for import adjustment as well as substitution effects to facilitate external adjustment to future shocks. Insufficient infrastructure quality, weak business environment, limited innovation capability and technology adoption, as well the underdeveloped financial sector weigh on competitiveness relative to CIS peers.

Capital and Financial Accounts: Flows and Policy Measures

Background. In 2024, the financial account (1.4 percent of GDP) was dominated by capital transfers of 3 percent of GDP, which were partially offset by capital outflows. Net FDI flows doubled to 2 percent of GDP relative to 2023. Other investment, mostly representing bilateral and multilateral government borrowing, is typically the second largest component of the financial account (3.9 percent of GDP on average during 2019-21). In 2024, other investment flows remained negative as the authorities paused external borrowing, as required for the World Bank assessment under the Sustainable Development Finance Policy. Portfolio flows were minimal in 2024, similar to previous years with the exception of the 2017 Eurobond issuance.

Assessment. Reliance on FDI and concessional bilateral and multilateral instruments to cover external financing needs keeps risks related to capital flows low. Development of the domestic debt market should proceed steadily to increase resilience and diversify sources of financing prior to higher reliance on market-based instruments in the medium-term.

FX Intervention and Reserves Level

Background. In end-December 2024, reserves increased by about US$780 million relative to end-December 2023, as remittances surprised on the upside and demand for FX subdued. There were no FX sales or shortages during 2024; while at the same time, NBT purchased the equivalent of US$765 million.[3]

Assessment. The assessment of reserve adequacy (ARA) approach for credit-constrained economies, which compares the marginal benefits and costs of holding reserves with that of spending them, estimates reserve adequacy in the range of 5.5 to 6.3 months for Tajikistan's reserve import cover (depending on the assumption for the marginal productivity of capital). The current level of reserves (about 7 months of import cover) seems to be above the range of this metric, and staff assesses Tajikistan's FX reserves are adequate for precautionary and operational purposes. FX reserves help to ensure Tajikistan has access to needed imports and insure against shocks, especially in the current highly uncertain global environment. They may also be needed for operational purposes, including smoothing volatility in the FX market, while allowing the exchange rate to adjust in line with market forces, especially in the context of adopting recommendations on FX markets modernization. The NBT's participation in the World Bank's Reserve Advisory and Management Partnership (RAMP), should enhance its reserve management and governance framework, build capacity, and optimize the level of reserve holdings.

[1] The external sector assessment is based on staff's estimates.

[2] This estimation assumes the REER was in equilibrium on average during 2011–2019.

[3] The NBT's FX purchases were primarily in US$ ($720mn), with smaller amounts in Russian rubles (US$37mn equivalent and Euros ($8mn equivalent).

Annex IV. Data Issues Annex

Table 1. Tajikistan: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	A	A	C	B

Detailed Questionnaire Results

Data Quality Characteristics						
Coverage	B	B	B	A	A	
Granularity 3/	C		B	A	A	
			B		A	
Consistency			C	A		C
Frequency and Timeliness	B	A	B	A	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.

- National accounts. GDP data are provided on a supply-side basis only, with quarterly data provided only once a year together with the publication of annual GDP. The authorities are working, with Fund support, on the compilation of quarterly demand-side GDP statistics to facilitate the assessment of aggregate demand effects. Strengthening data sources and methods of compilation for quarterly GDP remains a priority for further improvement.
- Price data. Inflation statistics are available in monthly frequency but are not seasonally adjusted.
- Fiscal data. Statistical discrepancies affect the reconciliation between above-the-line and below-the-line budgetary data and cross-sectional consistency with monetary statistics. Recent Fund TA has clarified some methodological issues and proposed refinements.
- Monetary and financial sector data. The data are adequate for surveillance but it would be useful to provide more data on non-bank financial institutions and activities.

Changes since the last Article IV consultation. The last Article IV assessment highlighted the need to accelerate the transition to GFSM2014 fiscal reporting, and strengthen collection of data on mining-related revenues. The authorities have compiled and provided to the IMF GFS data for 2021-2023, and committed under the PCI to include a breakdown of mining-related revenues. The last Article IV assessment also emphasized the need to strengthen the compilation of quarterly GDP. Work in this area remains ongoing.

Corrective actions and capacity development priorities. TA is ongoing in the areas of national accounts and fiscal and debt statistics, including a sectorization exercise to distinguish SOEs that are part of the public sector from those that are general government entities. On national accounts, the authorities are working with CCAMTAC to improve implementation and compilation of the SNA financial account and begin dissemination of quarterly GDP estimates by production and expenditure.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff has incorporated estimates of SOE-related contingent liabilities in the DSA analysis.

Other data gaps. A high frequency reporting on monthly remittances could complement the BOP statistics, as remittances are sizeable flows in Tajikistan's BOP accounts.

Table 2. Tajikistan: Data Standards Initiatives

Tajikistan participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since March 2020.

Table 3. Tajikistan: Table of Common Indicators Required for Surveillance
As of May 28th 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Tajikistan[8]	Expected Timeliness[6,7]	Tajikistan[8]
Exchange Rates	27-May-25	27-May-25	M	M	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr-25	May-25	M	M	M	M	1M	1M
Reserve/Base Money	Apr-25	May-25	M	M	M	M	2M	1M
Broad Money	Apr-25	May-25	M	M	M	M	1Q	1M
Central Bank Balance Sheet	Apr-25	May-25	M	M	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	Apr-25	May-25	M	M	M	M	1Q	1M
Interest Rates[2]	30-Apr-25	5-May-25	M	M	M	M	...	1M
Consumer Price Index	Apr-25	May-25	M	M	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing[3]-General Government[4]	Dec-24	Apr-25	M	M	A	A	3Q	6M
Revenue, Expenditure, Balance and Composition of Financing[3]-Central Government	Dec-24	Apr-25	M	Q	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-24	Apr-25	Q	Q	Q	...	2Q	...
External Current Account Balance	Dec-24	Mar-25	Q	Q	Q	Q	1Q	3M
Exports and Imports of Goods and Services	Dec-24	Mar-25	Q	Q	Q	Q	1Q	3M
GDP/GNP	Mar-25	May-25	M/Q	Q	Q	Q	1Q	1Q
Gross External Debt	Dec-24	Apr-25	Q	Q	Q	...	2Q	...
International Investment Position	Dec-24	Mar-25	Q	Q	A	Q	3Q	1Q

[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] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

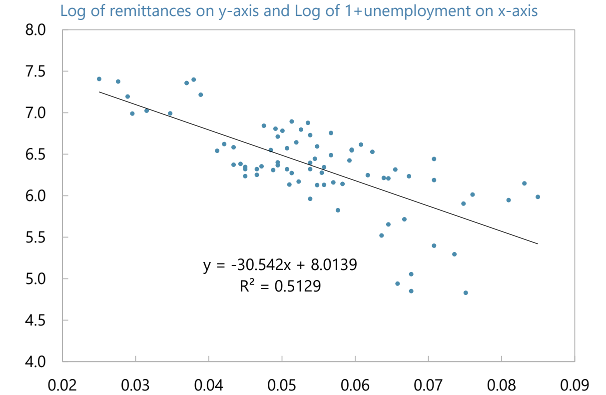
Annex V. Alternative Risk Scenario

This annex examines downside macroeconomic risks from a hypothetical adverse shock to remittances resulting from less favorable conditions for Tajik migrants working abroad.

Context. Remittances play an important role in Tajikistan's economy, with a historic average of 33 percent of GDP (2009-2021). Since Russia's war in Ukraine, remittance flows have increased substantially, rising to 51 percent of GDP in 2022, slowing down to 39 percent of GDP in 2023, and picking up again to 44 percent of GDP in 2024. The pickup in remittances appears to reflect increased repatriation of savings held abroad (particularly following the beginning of the war in 2022), as well as increased demand for Tajik migrant labor due to tight labor market conditions in Russia. The unemployment rate in Russia reached a historic low of 2.5 percent in 2024Q2. In the near term, remittances to Tajikistan are expected to gradually decline as Russian labor market conditions slowly normalize, but remain above the historic average.

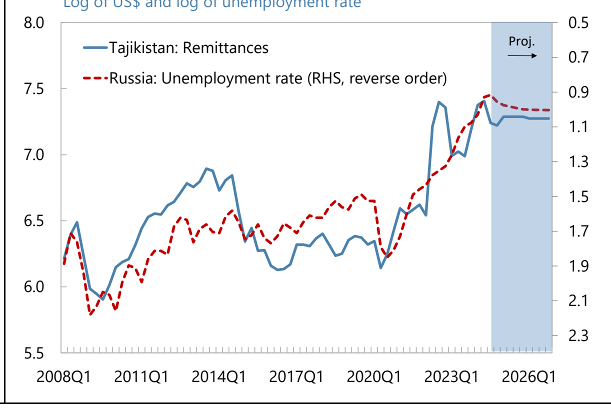
Tajikistan Remittances and Unemployment in Russia

Log of remittances on y-axis and Log of 1+unemployment on x-axis



Tajikistan Remittances and Russia Unemployment

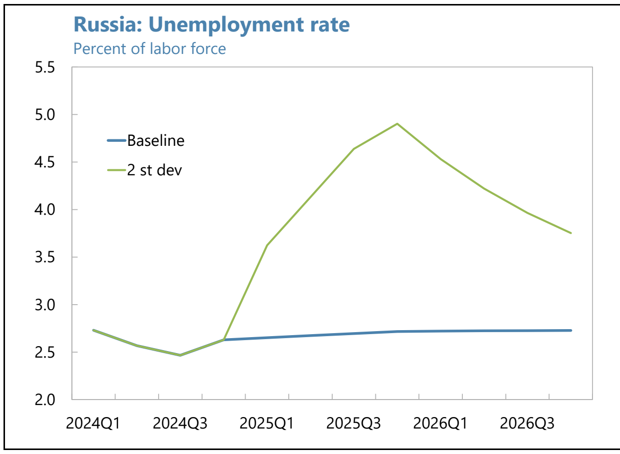
Log of US$ and log of unemployment rate

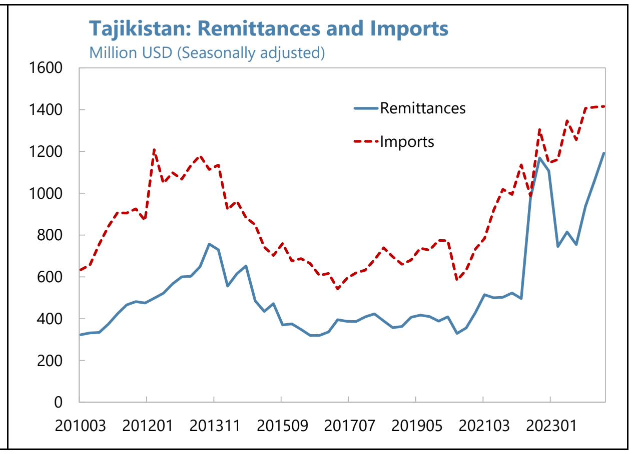


Adverse scenario. For the adverse scenario, we consider a shock to the Russian unemployment rate of the magnitude of 2 standard deviations lasting three quarters, followed by subsequent recovery. Based on the historical relationship between the Russian unemployment rate and remittances, remittances to Tajikistan are estimated to decline in 2025 by 9 percent of GDP relative to the baseline scenario. Next, using the historical relationship between remittances and imports, we estimate imports to decline by 7 percent of GDP relative to the baseline scenario. Furthermore, while it is expected for gross international reserves to decline by 5 percent of GDP, the level of reserves is expected to remain adequate, covering 7 months of imports. Finally, leakages through decreased imports dampen the impact of remittances on real GDP growth, which is estimated at about 1.6 percentage points, slightly above 1 standard deviation.

Table: Baseline and Adverse Scenarios.

	2024	2025	2026
	Remittances, percent of GDP		
Baseline	50	45	43
Adverse	50	36	36
	Imports, percent of GDP		
Baseline	44	44	43
Adverse	44	37	35
	GIR, months of import		
Baseline	7	7	7
Adverse	7	7	9
	Real GDP growth, percent		
Baseline	8.4	6.7	5.0
Adverse	8.4	5.1	6.8





Contingent policy advice. In the adverse scenario, the authorities should let the exchange rate absorb the shock—as import compression may not be commensurate with the drop in remittances—and proactively use monetary policy tools to contain potential inflationary pressures. Lower growth and decreased imports are likely to weigh on tax revenue and widen the fiscal deficit. In this context, strong fiscal buffers and adequate contingency plans are essential to mitigate downside fiscal risks. In the short run, reducing low priority spending and mobilizing donor support are critical to scale up social assistance to returning migrants and affected households. In the medium term, fiscal measures to improve revenue mobilization and spending efficiency along with structural reforms to increase economic diversification, domestic job creation and exchange rate flexibility are key to strengthening the economy's resilience to remittance shocks.

Annex VI. Structural Reforms in Tajikistan[1]

Tajikistan has made considerable progress in closing structural gaps in the areas of credit market and external sector; however, substantial gaps persist in other areas of reform, especially in governance and business regulation. Looking ahead, further reforms in governance and business regulation have the potential to stimulate annual real GDP growth in Tajikistan by 2.8 to 5.5 percentage points over the medium term. Additionally, reforms in the external sector could further augment annual real GDP growth by an additional 0.3 to 0.6 percentage points in the medium term.

1. **This Annex provides an analysis of structural reforms in Tajikistan**, based on the structural reforms database and empirical analysis featured in the IMF Staff Discussion Note "Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies".

Structural gaps

2. **To analyze Tajikistan's progress on structural reforms, the methodology described in Budina and others (2023) is applied.** Structural Reforms--business regulation, the credit market, the external sector, governance, and the labor market--are compared to global leaders in selected peer groups (Emerging Markets and Low-Income Countries). Each reform indicator is normalized between 0 and 1 over the time-period 2000-2022, with higher value implying better quality of institutions and regulation. For a given year, structural gaps are calculated as the absolute difference in values between the frontier (maximum value in each comparator group) and Tajikistan. Thus, a larger structural gap implies that the country is further away from the frontier. Table 1 provides a brief description of what each indicator captures.[2]

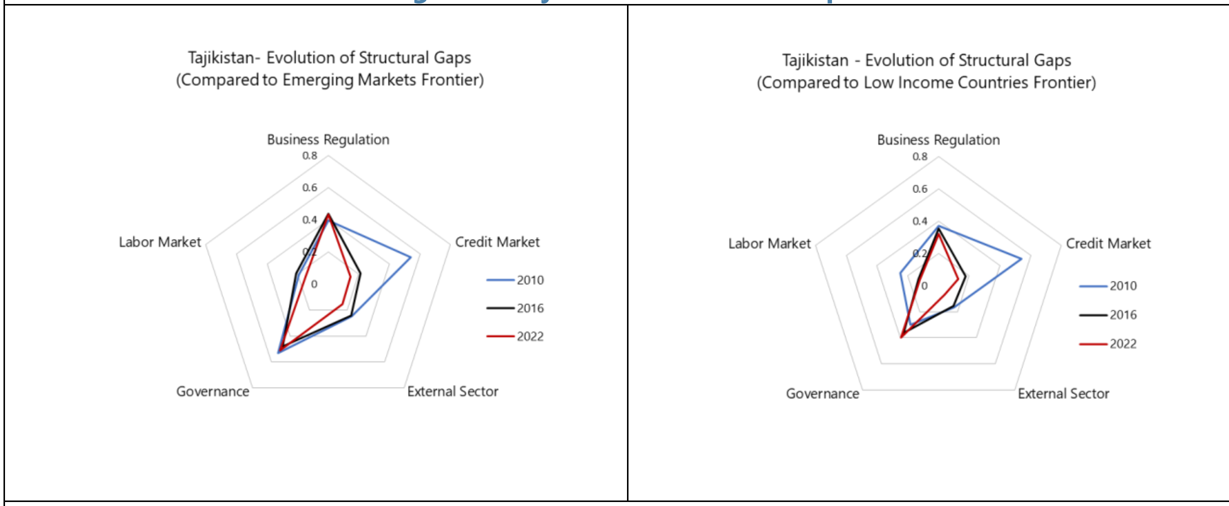
Table 1. Tajikistan: Definitions of Structural Indicators

Structural Indicator	Source	Definition
Governance	World Bank, Worldwide Governance Indicators	Measures the perception of the quality of governance along six dimensions: voice and accountability, rule of law, political stability, government effectiveness, regulatory quality, and control of corruption.
External sector	Fraser Institute, Index of Economic Freedom	Measures the degree of trade and financial openness along four main dimensions: tariff and non-tariff barriers, exchange rate flexibility and constraints of the movement of physical capital (such as capital controls, degree of financial openness).
Business regulation	Fraser Institute, Index of Economic Freedom	Measures the degree to which regulation and bureaucratic procedures restrain entry and reduce competition. This indicator also captures the presence of impartial public administration.
Credit market regulation	Fraser Institute, Index of Economic Freedom	Measures the extent to which credit is supplied to the private sector, the presence of interest rate controls, and the extent to which the banking industry is privately owned.
Labor market regulation	Fraser Institute, Index of Economic Freedom	Measures the degree of flexibility of hiring and firing regulation and centralized collective bargaining.

[1] Prepared by Andrea Medici (amedici@imf.org) and Marina M. Tavares (mmendestavares@imf.org)

[2] The indices used for the charts have been modified to exclude the Doing Business indicators.

Figure 1. Tajikistan: Structural Gaps



Source: World Bank, Fraser Institute, and IMF staff calculations.

- **Governance**: Overall, structural gaps in governance have not changed significantly since 2010 and remain substantial, especially when compared to leading emerging market economies. On the other hand, when comparing Tajikistan with countries of similar level of development, it is possible to notice a gradual widening of the structural gap with respect to the LIC frontier, likely reflecting the faster governance reforms in the LIC frontier[3].

- **Business Regulation**: Compared to leaders among emerging market economies, Tajikistan performs poorly in business regulation, currently experiencing large structural gaps, which have not improved over time. When compared to its closest peers (LICs), structural gaps in business regulation remain moderately large. While structural gaps in this area have not materially changed over time, it is important to document the presence of a declining trend in business regulation scores since 2010, which is observed at the global level but especially among low income and developing countries.

- **External Sector**: In recent years Tajikistan made progress in external sector reforms, closing the structural gap to emerging market leaders by roughly one-third, mainly through achieving higher degree of financial openness. When compared to low-income countries, Tajikistan performs very close to the frontier and exhibits higher scores than regional peers such as Kazakhstan and Kyrgyz Republic.

- **Credit Market Regulation**: Tajikistan has made substantial progress in closing the credit market structural gap with respect to emerging and developing economies, particularly driven by an improvement in private sector credit after 2012, which aims to measure the extent to which government borrowing is crowding out private sector involvement.

[3] The governance gap uses point scores from the WGI, which are subject to uncertainties and have standard errors/confidence intervals (part of the WGI database) that are not analyzed here.

Interestingly, as the Covid-19 pandemic led to increasing government debt and a declining trend in credit market scores as a result, Tajikistan, on the other hand, has experienced stability during the height of the pandemic and further improvements since 2021.

- **Labor Market Regulation**: Tajikistan currently experiences moderate structural gaps in labor market regulation, compared to leaders in emerging and developing economies. Since 2010, Tajikistan has seen minimal improvements in the flexibility of regulation as it pertains to hiring and firing as well as centralized collective bargaining but coupled with a general trend of declining scores for EMDEs, the size of the structural gaps has shrunk during the period 2010-19, especially with respect to countries with similar level of development.

Estimating Impact of Structural Reforms

3. **This section illustrates the potential impact of structural reforms** in the context of Tajikistan, based on the empirical analysis featured in Budina and others (2023). To assess this, the empirical framework relies on local projection approach in a panel data setting to estimate the impact of reforms on output, following the specification below:

$$y_{i,t+k} - y_{i,t-1} = \alpha_i + \lambda_t + \beta_k \Delta SR_{i,t} + \theta X'_{i,t} + \epsilon_{i,t},$$

where $y_{i,t+k}$ is the log of real GDP (PPP) for country i in year $t+k$, α_i and λ_t denote the country and year fixed effects, which help control for unobservable cross-country heterogeneity as well as common global factors, $\Delta SR_{i,t}$ is the change in the average structural reform score[4] indicator for country i between *t and t-1*, and $X'_{i,t}$ is the set of time-varying controls, including lags of the dependent variable, and past reforms. For additional robustness, $X'_{i,t}$ also controls for simultaneous and past reforms in other areas of reform which could affect the estimated output response (i.e., when estimating the impact of business regulation reforms, simultaneous and past reforms in other areas such as external sector, credit market, labor market and governance are accounted for). It is important to note that the local projection approach is less robust to addressing endogeneity, and hence the large coefficients should be interpreted with caution.

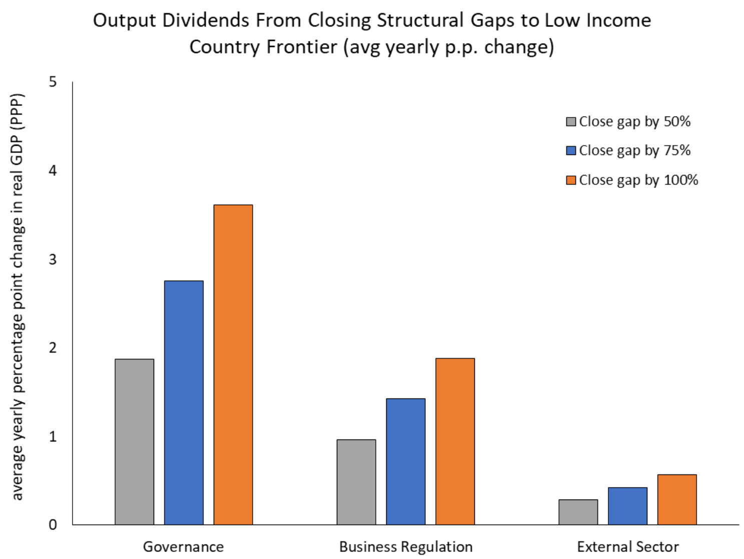
In the following section, the estimated reform multipliers are combined with information on which structural areas Tajikistan is lagging the most in (structural gaps radar chart) to identify potential areas of specific reform action.

4. **Specifically, we find that significant reform efforts in areas where Tajikistan lags its peers the most, such as governance and business regulation, can add between 2.8 and 5.5 percentage points to annual real GDP growth combined, depending on the size of each reform.** Based on our calculations, such output gains could be obtained if Tajikistan were to close the 2022 structural gap to the Low-Income Countries frontier by 50 percent or, in a more ambitious

[4] Each reform area includes multiple sub-indicators, with 1 representing the highest score.

scenario by 100 percent. The proposed reforms which would see Tajikistan close its structural gaps would result in much larger reforms than what is observed in the data; hence, we recommend interpreting these results with caution. Further reforms related to external sector openness could also yield positive, although smaller, output gains in the medium-term ranging between 0.3 and 0.6 additional percentage points to annual real GDP growth.

Figure 2. Tajikistan: Impact of First-Generation Reforms on Output



Sources: Fraser Institute; World Bank; IMF staff calculations.

Note: Each bar shows the average additional annual growth (in pp.) in response to a reform which would see Tajikistan closing the gap to the Low-Income Country frontier by 50%, 75%, or 100%. We use the coefficient at the end of the projection horizon (average of last two periods), which represents the cumulative percent change in output over a period of five years and convert it to annual contribution to growth using CAGR formula. Results are statistically significant at the 10% level.

References

Budina and others. 2023. Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies. Staff Discussion Note SDN/2023/007. International Monetary Fund, Washington D.C.

Annex VII. Governance Reforms and Financial Inclusion in Tajikistan

1. **Financial inclusion is deeply intertwined with public confidence in macro-financial stability.** Financial inclusion, defined as the level of access and use of financial services by households and firms, plays a critical role in fostering more sustainable and inclusive growth. However, in Tajikistan, and the CCA more broadly, achieving broad-based inclusion is a challenge as economic and political crises have weakened trust in financial institutions and the macroeconomic policy- and institutional frameworks, creating an urgent need for confidence-building reforms.

2. **This Annex examines how bolstering confidence through governance reforms and transparent policies can foster greater financial inclusion** by stimulating financial participation and increasing the demand and supply of financial services. The annex is based on the empirical analysis in the IMF Working Paper "A Confidence-Financial Inclusion Nexus for Caucasus and Central Asia?" The annex also examines the role of transparent rules-based monetary and fiscal policy frameworks and robust financial safety nets in promoting confidence and financial inclusion.

Financial inclusion and governance gaps

3. **The nexus between confidence, institutional reforms and financial inclusion is analyzed using the methodology outlined in Tintchev and Keita (2024).** Tajikistan's financial inclusion and governance indicators are benchmarked against a global yardstick by calculating their deviations from the global average and dividing by the standard deviation of the global sample. The resulting z-score measures the difference between their levels in Tajikistan and the global frontier in number of standard deviations, with negative (positive) values indicating that Tajikistan is below (above) the global average.

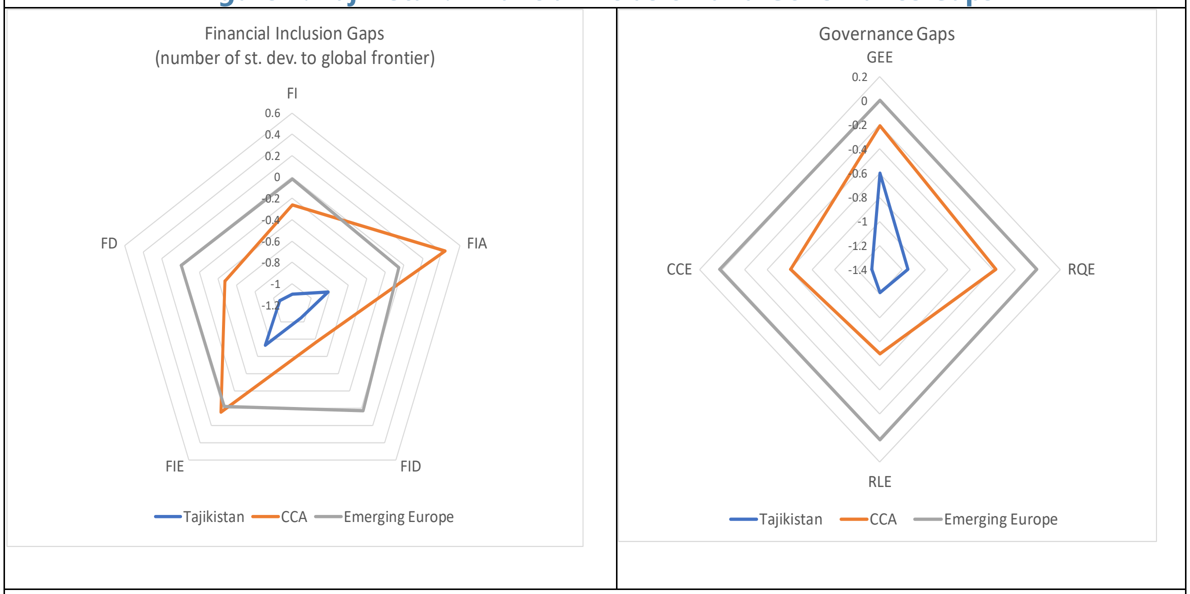
4. **The dataset covers key dimensions of financial inclusion and governance.** The analysis is based on the financial institution development index (FI) proposed by Sahey and others (2015) and its three subcomponents measuring financial institution access (FIA), financial institution depth (FID), and financial institution efficiency (FIE) as well as the broader financial development index (FD). We also employ the World Bank Worldwide Governance Indicators (WGI) to assess the level of government effectiveness (GEE), regulatory quality (RQE), rule of law (RLE) and control of corruption (CCE).[1]

5. **The benchmarking exercise points to significant financial inclusion and governance gaps relative to regional and global peers.** Despite some recent progress in broadening financial inclusion through improvements in access to financial services, financial institution efficiency and financial deepening, Tajikistan still lags regional and emerging market peers on key financial

[1] We derive a composite governance index using principal component analysis from the six dimensions of governance measured by the WGI which also include voice and accountability and political stability. For definitions of government dimensions see Kaufman and others (2010).

inclusion and governance metrics (Figure 1). Across financial inclusion dimensions, there are still gaps of about 1 standard deviation in financial deepening and overall financial development relative to the global average. Across governance dimensions, Tajikistan has made some progress in improving government efficiency but lags peers in other areas such as the rule of law, regulatory quality and control of corruption. In addition, although Tajikistan has already put in place an explicit deposit insurance scheme and follows inflation and fiscal targets it still lacks formally established inflation targeting and fiscal rule frameworks.

Figure 1. Tajikistan: Financial Inclusion and Governance Gaps



Sources: The IMF, World Bank, and IMF staff calculations.

Impact of governance reforms in Tajikistan

6. To investigate the potential impact of governance reforms on financial inclusion in Tajikistan, we estimate the following panel model using data for the eight CCA countries[2]:

$$FI\_gap_{i,t} = \psi Gov\_gap_{i,t} + \sum_{k=1}^{m} \lambda_k \, Gov\_gap_{i,t} \text{ x } POL_{i,t,k} + \sum_{k=1}^{m} Z_k \, POL_{i,t,k} + \sum_{k=1}^{n} \theta_k X_{i,t,k} + n_i + \varepsilon_{i,t} \,,$$

where $FI\_gap_{i,t}$ is the financial inclusion gap in country i and year t, $Gov\_gap_{i,t}$ is the gap between the composite governance index and its global average;[3] $POL_{i,t,k}$ is a vector of k binary variables equal to 1 in periods of reliance on inflation targeting, fiscal rules and deposit insurance schemes and zero otherwise, and $X_{i,t,k}$ is a vector of k control variables.[4]

[2] Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

[3] The index is derived from the various dimensions of governance using principal component analysis. We also fit the model using each individual governance dimension.

[4] The control variables include detrended GDP per capita (PPP), real GDP growth, inflation, a banking crisis dummy, a trade openness index (exports and imports over GDP), the UN human development index and the Chinn-Ito capital account liberalization index.

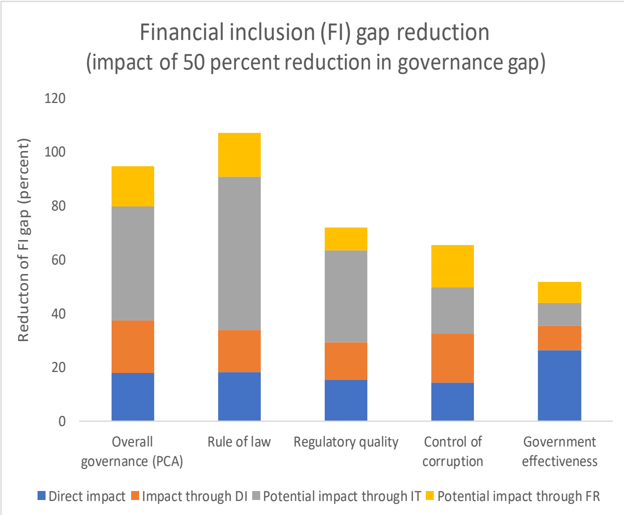
7. In the model, governance, policy rules and deposit insurance schemes affect financial inclusion both directly and through their mutual interactions. The overall effect of governance on financial inclusion is equal to the partial derivative: $\psi + \sum_{k=1}^{m} \lambda_k \, POL_{i,t,k} \; (k = 1\ldots3)$. In this expression, the direct effect of governance is amplified by the presence of inflation targeting, fiscal rules and deposit insurance schemes. Likewise, the overall effect of inflation targeting, fiscal rules and deposit insurance on financial inclusion is each equal to $Z_k + \lambda_k Gov\_gap_{it}$. Accordingly, positive (negative) governance gaps would increase (diminish) the positive effect of policy rules and financial safety nets on financial inclusion.

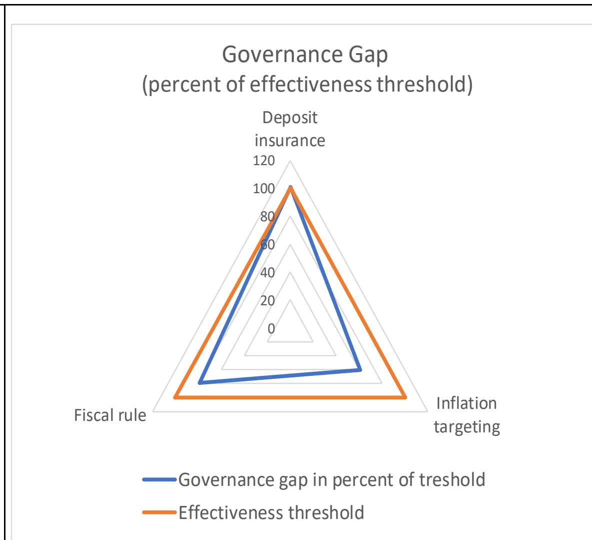
8. We find positive and robust direct and indirect effects of governance on financial inclusion. Enhancements to the rule of law, regulatory quality, and control of corruption are particularly effective in promoting financial inclusion. In addition, there are significant positive interactions (synergies) between the rule of law and inflation targeting; government effectiveness and fiscal rules; and control of corruption and deposit insurance. Accordingly, progress in these governance areas can help reinforce the positive effects of policy rules and deposit insurance schemes on financial inclusion.

9. The overall effect of policy rules and financial safety nets on financial inclusion depends on the level of governance. While positive governance gaps bolster the credibility and effectiveness of such frameworks, with positive implications for financial inclusion, large negative gaps can impede the frameworks' ability to support financial inclusion. The estimates suggest that the overall effects of inflation targeting, fiscal rules and deposit insurance schemes on financial inclusion would be positive when the overall governance gap is above the -1.6, -2.1 and -2.7 thresholds, respectively.

10. The model estimates indicate that broad-based governance and transparency reforms can significantly bolster confidence and financial inclusion in Tajikistan (Figure 2). Closing the overall governance gap by 50 percent would reduce the financial institution development gap by 38 percent, of which 18 percent directly and 20 percent indirectly through the contribution of deposit insurance (left-hand chart). If Tajikistan adopts formal inflation targeting and fiscal rule frameworks, their positive synergies with governance reforms could also help close the financial inclusion gap. However, to ensure that inflation targeting and fiscal rules have a positive effect on financial inclusion, reductions in the overall governance gap of at least 40 percent and 20 percent would be needed, respectively (right-hand chart).

Figure 2. Tajikistan: Impact of Governance Reforms





Sources: The IMF, World Bank, and IMF staff calculations.

Note: The left-hand chart shows the potential reduction in the financial inclusion gap from a 50 percent reduction in each of the various governance gaps, including the direct effect (blue bar), the indirect effect through deposit insurance (DI) (brown bar) and potential indirect effects through inflation targeting (IT) (grey bar) and fiscal rules (FR) (yellow bar) should they be introduced. The right-hand chart shows that positive effects through IT and FR are contingent on the governance gap reaching a certain threshold level. While governance levels in Tajikistan are already above the DI threshold, reductions in the overall governance gap of about 40 and 20 percent respectively are needed for IT and FR to have a positive effect on financial inclusion.

Policy implications

11. **The analysis indicates that policymakers need to prioritize governance reforms to address structural barriers to confidence and financial inclusion.** Institutional reforms should pave the way for monetary and fiscal policy reforms to unlock their potential benefits. For example, better regulatory quality and rule of law can help make inflation targeting more effective in ensuring low inflation and adequate real returns for depositors. In contrast, in a weak governance environment, monetary and fiscal policy rules and deposit insurance schemes may fail to achieve their goals, undermining public confidence.

- *Rule of law*. Strengthening property rights of both men and women is a key pre-requisite for ensuring the availability of adequate collateral to access credit and broaden financial inclusion. Safeguarding the legal independence of the central bank is essential to support confidence in macro-financial stability and the credibility and effectiveness of inflation targeting.

- *Robust regulatory and supervisory frameworks, financial safety nets and control of corruption* are critical to foster public confidence in financial institutions. Strong regulatory oversight and well-designed bank resolution and depositor protection systems are crucial for effective protection of creditor and depositor rights while strong corporate governance is critical for adequate control of corruption.

- *Cooperation with international organizations* can facilitate the implementation of such reforms given Tajikistan's resource and capacity constraints. By deepening governance and transparency reforms, Tajikistan can maximize the potential of financial inclusion as a driver of inclusive economic growth.

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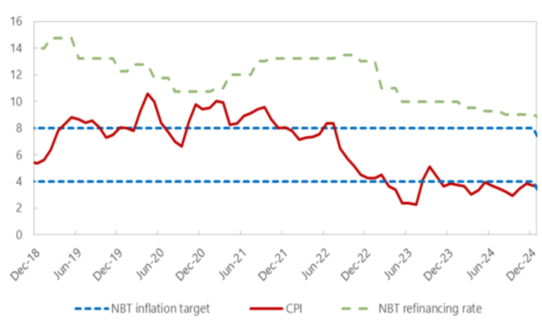
Annex VIII. Monetary Policy Reforms Towards Inflation Targeting[1]

The National Bank of Tajikistan (NBT) is taking steps to reform its monetary policy and operations and moving towards an Inflation Targeting (IT) framework. This annex provides an overview of recent inflation dynamics in Tajikistan, evaluates the effectiveness of monetary policy transmission channels, and reviews progress toward the adoption of an inflation targeting regime, including key developments and remaining challenges.

A. Inflation Dynamics

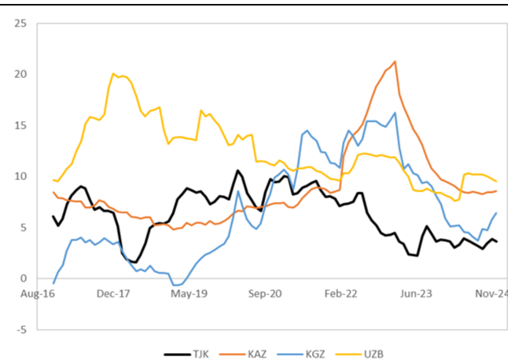
1. Tajikistan has experienced a structural break in inflation dynamics in recent years. Prior to 2021, despite fluctuations in the monetary policy rate, inflation remained elevated near the upper bound of the 4-8 percent target range (Figure 1). Following a sharp policy rate hike in 2021, inflation rate declined in 2022 and has since stayed around the lower bound of the target range. The decline in inflation in Tajikistan occurred despite a significant rise in inflation among neighboring countries, bringing Tajikistan's inflation rate to the lowest in the region (Figure 2).

Figure 1. Tajikistan: Inflation and NBT Refinancing Rate (percentage)



Source: National Bank of Tajikistan

Figure 2. Tajikistan: Inflation of Selected CCA Countries

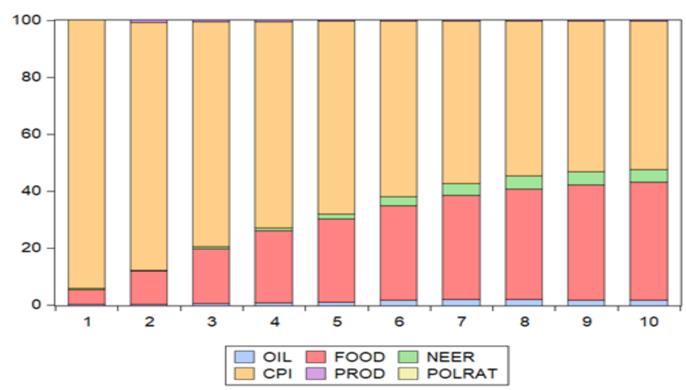


Source: Haver Analytics

2. Several factors appear to have contributed to recent inflation dynamics. Staff estimated a new structural Vector Autoregressive (SVAR) model, which identifies international food prices as a key driver of inflation dynamics, accounts for more than 40 percent of historical variations of inflation (Figure 3). Given that a large weight of imported items (60 percent) in Tajikistan's CPI basket, shocks to exchange rate also have significant impact on inflation.

[1] Prepared by Tongli Zhang and Jami Chiniev.

Figure 3. Tajikistan: Variance Decomposition of Inflation



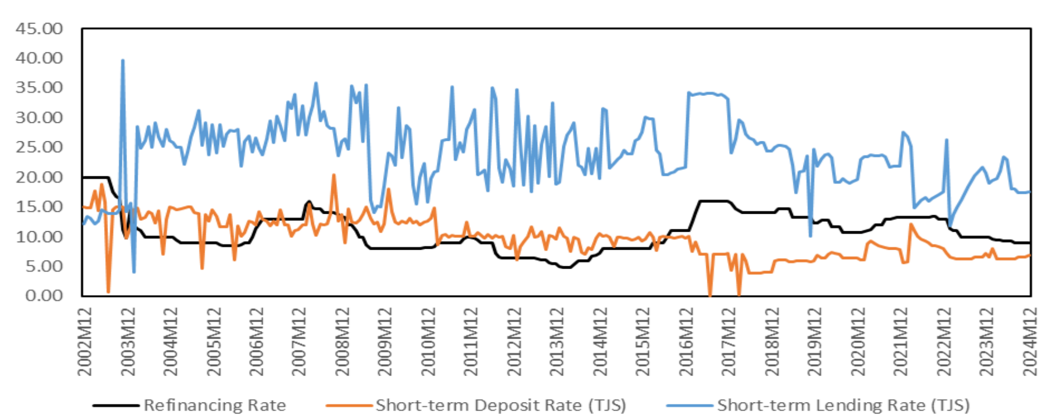
Source: Staff estimation with a structural VAR model using monthly data on: international oil price, global food price, nominal effective exchange rate (NEER), CPI index, industrial production (PROD), and monetary policy rate (POLRAT)

B. Monetary Policy Transmission

In developing countries, monetary policy typically influences inflation dynamics through three main transmission channels: the interest rate channel, the bank lending channel, and the exchange rate channel. The following sections examine each of these channels for Tajikistan.

3. The NBT uses the refinancing rate as its monetary policy rate. The pass-through of the monetary policy rate to domestic lending and deposit rates has improved since 2016, supported by efforts to enhance the business environment and reduce banks' operational costs (Figure 4). Nevertheless, while the medium-term levels of lending and deposit rates are broadly aligned with the policy rate, the short-term transmission of policy rate change to market rates remains weak.

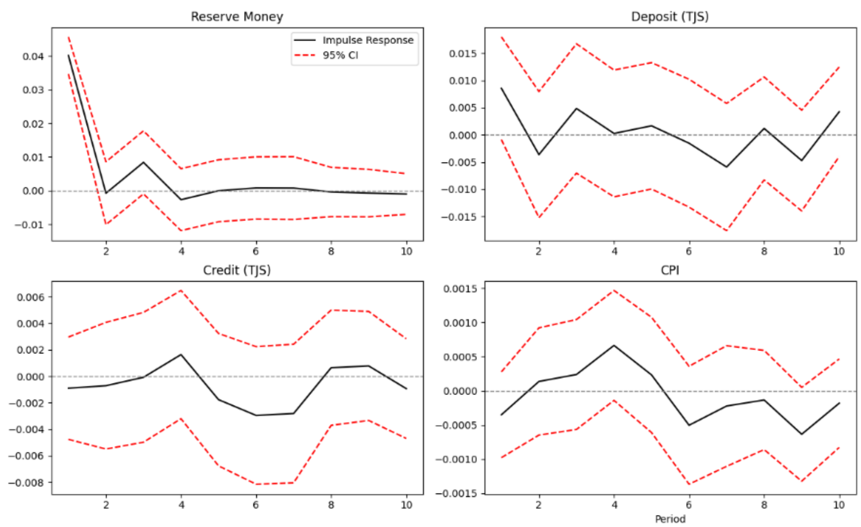
Figure 4. Tajikistan: Interest Rates (2002-2024)



Source: National Bank of Tajikistan

4. The transmission through the bank lending channel is limited. As shown in Figure 5, changes in money supply does not lead to significant response in domestic credit issuance. Instead, the banking system has experienced a notable accumulation of excess reserves.

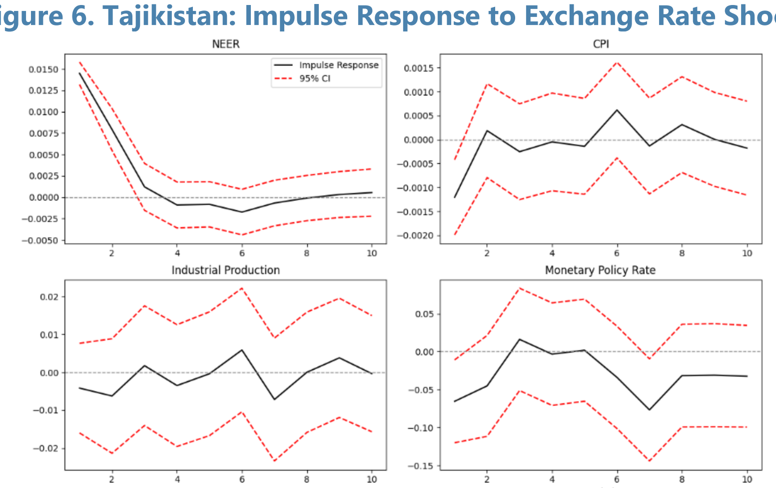
Figure 5. Tajikistan: Impulse Response to Money Supply Shock



Source: IMF staff calculations

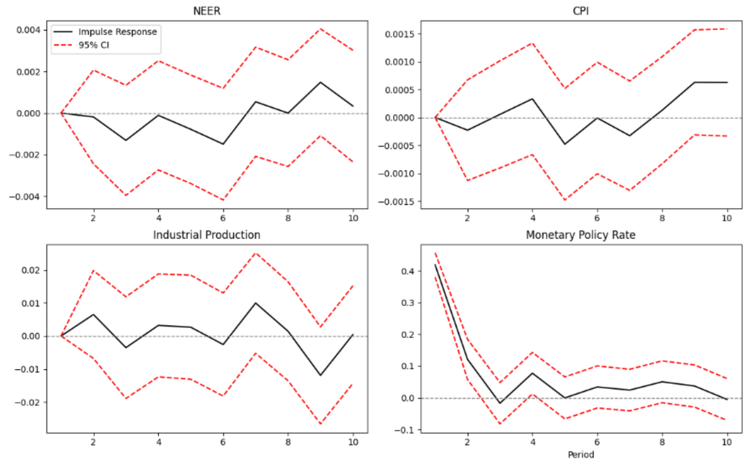
5. Movements in the somoni exchange rate exhibit a strong pass-through to inflation (Figure 6)**.** However, the effectiveness of the exchange rate channel in transmitting monetary policy is constrained. The NBT's active foreign exchange interventions to stabilize the exchange rate limit the responsiveness of the exchange rate to changes in the policy rate (Figure 7).

Figure 6. Tajikistan: Impulse Response to Exchange Rate Shock



Source: IMF staff calculations

Figure 7. Tajikistan: Impulse Response to Monetary Policy Shock



Source: IMF staff calculations

C. Transition to inflation targeting (IT)

6. The NBT continues to modernize its monetary policy through implementation of its Monetary Policy Strategy to move toward an inflation targeting regime. Supported by Fund TA missions on monetary policy operations, central bank governance, and liquidity management, the NBT has made progress in several areas, including: the efficiency of monetary policy tools, liquidity forecasting, and monetary-fiscal coordination. The following paragraphs of this section review progress and remaining challenges in key building blocks of inflation targeting framework.

7. A core building block of an inflation targeting framework is a clear mandate for the central bank to pursue an inflation objective and accountability mechanisms to meet the objective. Since 2025, the NBT has adopted an inflation target of 5±2 percent, reduced from the previous 6±2 percent. While the official mandate remains monetary targeting, the exchange rate continues to serve as the de facto nominal anchor. A communication strategy has been adopted, but its associated action plan has been implemented only intermittently; updating the plan would help ensure sustained and consistent implementation over time.

8. Successful implementation of inflation targeting also requires close coordination between monetary and fiscal policies. At the same time, monetary policy should remain independent of fiscal needs. As a quantitative target of the PCI program, NBT credit to government has declined consistently. In 2024, a Memorandum of Understanding (MoU) between the Ministry of Finance (MoF) and the NBT was signed to facilitate information sharing for liquidity forecasting. Further strengthening coordination between the MoF and the NBT would support the development of somoni-denominated government bond markets.

9. Effective monetary policy instruments are essential for the NBT to achieve its inflation target. The NBT uses four monetary policy operational instruments: Open Market Operations (OMOs), Overnight Standing facilities, Reserve Requirement (RR), and FX operations.

- OMOs are the primary instrument for managing banking system liquidity using the NBT Certificates of Deposits (CDs). However, the NBT has faced challenges in absorbing excess liquidity since 2022, constrained by a cash-based economy and dominant state-owned banks with excess reserves.

- Overnight Deposit/Credit Standing facilities are designed to inject or absorb overnight liquidity at refinancing rate ±3%, the wide interest rate corridor limits the NBT's ability to guide short-term market rates effectively.

- Minimum reserve requirements are currently set at 3.0% for somoni deposits and 9.0% for FX deposits. Under an interest rate target, reserve requirements are used to manage structural liquidity and are expected to be adjusted less frequently.

10. The NBT has taken steps to make FX operations more transparent and market oriented. Key measures include discontinuing NPCR ruble auctions, enhancing the execution of public sector FX transactions, and introducing price-based auctions to support FX price discovery. The somoni-dollar exchange rate remains relatively stable as the NBT actively purchases excess FX from the market to stabilize the exchange rate. Greater exchange rate flexibility is needed to enable monetary policy to focus on achieving the inflation target. Under an inflation targeting framework, the exchange rate objective should be clearly subordinated to the inflation goal, and FX interventions should be limited to address disorderly market conditions.

11. An effective inflation targeting framework requires a sufficiently stable and developed financial system. While the interbank market has seen notable progress, its size remains small due to segmentation, lack of confidence between banks, and operational inefficiencies. The banking system has expanded following the resolution of two troubled banks, with household confidence improving. The gradual introduction of macroprudential tools as part of the PCI program aims to help strengthen financial stability. The government bond market remains at an early stage, but recent successful issuances mark important progress.

Annex IX. Overview of Tajikistan's Mining Sector[1]

This annex provides an overview of Tajikistan's mining sector and its economic impact. It builds on the work done in the 2021 Article IV report by offering a more detailed discussion on the mining framework and legislation. The annex explores recent developments and prospects of the gold sector, defines key players in Tajikistan's gold market, and analyzes how mining activities impact the state budget and contribute to overall economic growth. Additionally, it reviews the authorities' progress in the Extractive Industries Transparency Initiative (EITI) and existing challenges.

1. Tajikistan is one of the most mineral resource-rich countries in the region, with significant deposits of various minerals. The country has identified and explored over 600 deposits and 800 occurrences of minerals for industrial development. This includes significant deposits of antimony[2], mercury, lead, zinc, silver, and rock salt. The National Academy of Science estimates that the country has around 500 tons of extractable gold spread across 28 major gold deposits. Tajikistan is divided into six regions based on the genesis of placer gold deposits: Fergana, Zeravshan-Hissar, Southern Tajikistan, Darvaz, Western Pamir, and Eastern Pamir. Placer gold deposits and occurrences are concentrated in four main areas: Yakhsu, Saryob, Muminabad, and Pyandzh.

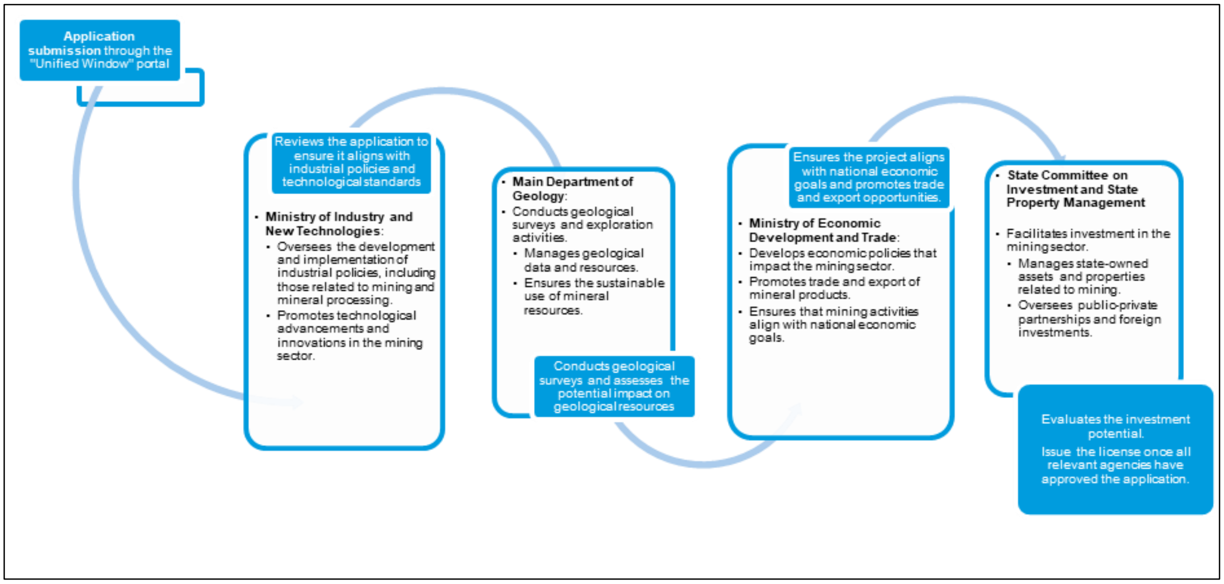
Key government institutions, laws, and regulations in the mining sector

2. The process of obtaining a mining license in Tajikistan is complex and requires high-level agreements. The country's mining sector is primarily regulated by the Ministry of Industry and New Technologies, the Department of Geology, the State Committee on Investment and State Property Management, and the Ministry of Economic Development and Trade. The process at a certain stage also involves the opinions of the Ministry of Justice and the Ministry of Finance. Despite written regulations, the licensing process is not clearly defined and necessitates preliminary agreements at a high level. Once these agreements are in place, the process goes through a "Unified Window" involving all mentioned agencies. After receiving approval from all relevant institutions, the company is granted the license by the State Investment Committee. With the license obtained, the company remains accountable to all the mentioned agencies, which continue to regulate and oversee its activities.

[1] Prepared by Nailya Menlasheva

[2] Tajikistan holds a significant position in the global antimony market, possessing 10% of the world's reserves. This places the country second in the world for antimony reserves, following China.

Figure 1. Tajikistan: Institutional Roles in the Mining Sector in Tajikistan



3. **Subsoil use in Tajikistan is governed by a comprehensive legal framework.** The Constitution of Tajikistan designates subsoil resources as state property, ensuring their effective use for the people's benefit. The primary legislation is the "Law on Subsoil" (1994). Other important laws include the "Law on Precious Metals and Precious Stones," the "Law on Licensing Certain Types of Activities," the "Law on Production Sharing Agreements," the "Law on Investments," and the "Law on Concessions." The right to use subsoil resources is granted in two ways: through licensing and direct negotiations, as well as through concession agreements (with foreign investors), production sharing agreements, and investment agreements. The payment system for subsoil use includes payments for the right to use subsoil resources, contributions for the reproduction of the mineral resource base, and fees for issuing license.

Figure 2. Tajikistan: Key Laws Governing the Mining Sector in Tajikistan

Law on Subsoil
- Governs the exploration, use, and protection of subsoil resources.
- Establishes the legal framework for mining rights and licenses.

Law on Precious Metals and Precious Stones
- Regulates the extraction, processing, and trade of precious metals and stones.
- Sets standards for quality and certification.

Law on Licensing Certain Types of Activities
- Outlines the licensing requirements for various mining-related activities.
- Ensures compliance with safety and environmental standards.

Law on Production Sharing Agreements
- Defines the terms and conditions for production sharing agreements between the state and private entities.
- Facilitates foreign investment in the mining sector.

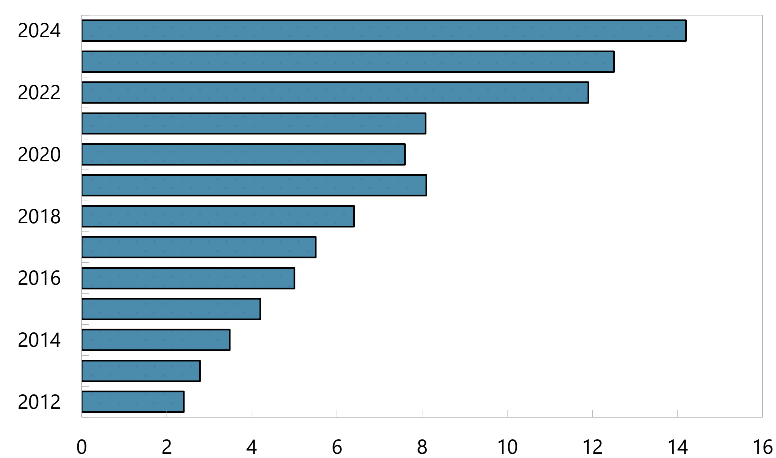
Law on Investments
- Provides the legal framework for domestic and foreign investments in the mining sector.
- Offers incentives and protections for investors.

Law on Concessions
- Regulates the granting of concessions for the exploration and extraction of mineral resources.
- Ensures that concession agreements are transparent and beneficial to the state.

Recent Developments in the Gold Sector

4. **Gold mining in Tajikistan has increased significantly over the past decade.** Tajikistan's gold production reached 14.5 tons in 2024, an increase of 180 percent since 2019 and more than 300 percent since 2015.

Figure 3. Tajikistan: Gold Production (tons)



The 2024 figure is pending final confirmation upon completion of country reporting.
Source: CEIC data reported by U.S. Geological Survey

5. **China is the largest investor in Tajikistan's mining sector, particularly in gold.** Gold mining and production in Tajikistan is primarily carried out by six companies: Zeravshan LLC JV, Aprelevka LLC STC, Tilloi Tochik GCRP, Odina JSC, Pakrut LLC, Naziri LLC. The largest gold mining operation in Tajikistan is the Zeravshan enterprise, established in 1994 in partnership with China. Zijin Mining owns 70%, and the state of Tajikistan owns 30%. Located in the Sughd region, it accounts for about 70% of the country's gold production. The enterprise processes ores from the Jilau, Taror, Khirskhona, and Olympiyskoe deposits, with a nearly complete technological cycle from mining to refining, producing finished gold bars. Other large gold producers in Tajikistan include the state enterprise Tilloi Tochik, which manages placer deposits in the Khatlon region, and the joint venture Aprelevka in the Sughd region, along with other smaller enterprises. In 2016, a new gold mining enterprise, Pakrut LLC, owned by China Nonferrous Gold Limited, was opened, with gold reserves estimated to last 35 years and initial production of 1.3 tons per year, increasing to over 2 tons with the second phase. In April 2022, two gold mining enterprises were launched in the Ayni district of the Sughd region, including "TALCO Gold" and "TBEA Dushanbe" located near the Kumargi Bolo and Duobai Sharqi deposits.

Figure 4. Tajikistan: Gold Production by Companies as of 2023

	Deposits, in tons	Production, in tons	Production share (%)	Government share (%)
LLC JV Zarafshon	87	8.7	70	30
LLC China non-ferrous	20	1.1	9	0
LLC JV Aprelevka	45	0.7	6	51
SOE Tilloi Tojik	64	0.5	4	100
TBEA Dushanbe	75	0.6	5	0
TALCO Gold	51	0.2	2	50
Others	18	0.7	6	…

Source: Tajik Authorities and staff estimates

6. **The share of the mining sector in Tajikistan's economy has increased steadily with the expansion in gold production.** The contribution of the mining sector to real GDP growth increased from 1.5% in 2012 to 12% in 2024, accounting for 37% of the industrial sector in 2024.

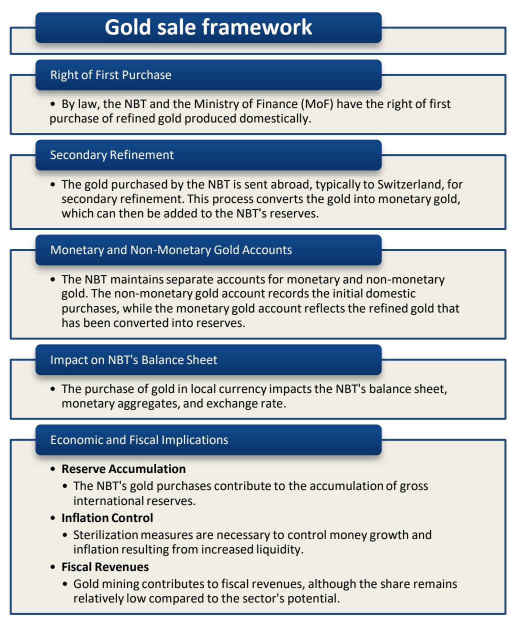
Figure 5. Tajikistan: Mining Sector Contribution to Real GDP Growth, in Percent

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
RGDP growth/1/	7.5	7.4	6.7	6	6.9	7.1	7.3	7.5	4.4	9.4	8	8.3	8.2
o/w industry contribution	1.5	0.6	0.8	1.6	2.3	2.8	2.3	2.6	1.7	3.8	2.8	2.7	4.7
o/w from mining 1/	0.2	0.1	0.1	0.2	0.4	0.4	0.4	0.5	0.3	0.5	0.7	0.9	1.6

1/ There is no separate accounting for the mining sector's contribution to economic growth. According to the statistical classifier, mining constitutes approximately 20-33 percent of the industrial sector.

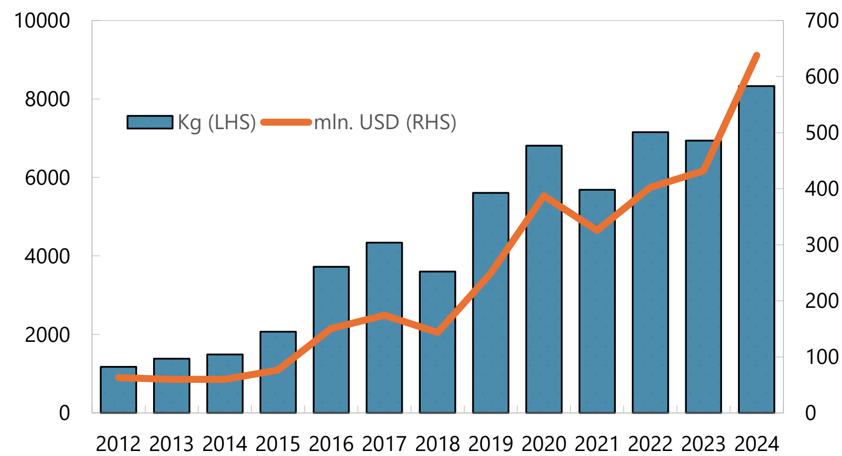
Source: Authorities data and staff estimates

7. **The gold produced in Tajikistan is primarily sold to the National Bank of Tajikistan (NBT) in local currency**. By the Law on Precious Metals and Precious Stones, the Ministry of Finance (MOF) and the NBT have the right of first purchase, with the bulk of domestic production typically purchased by the NBT. The gold purchased by the NBT is then sent abroad for secondary refinement, typically to Switzerland, converting it into monetary gold that is then included as a foreign reserve asset. Gold exports recorded in the BOP reflect sales by the NBT; there is no transfer of ownership during secondary refinement. The NBT maintains separate accounts on its balance sheet for monetary and non-monetary gold, with the non-monetary gold account recording the initial domestic purchases and the monetary gold account reflecting the refined gold converted



into reserves. To manage the liquidity injection resulting from these purchases, the NBT typically sterilizes the impact through FX sales or issuance of NBT CDs.

Figure 6. Tajikistan: NBT Gold Purchases



Fiscal Revenues from the Gold Sector

8. **Tajikistan's state budget receives both tax and dividend payments from gold producers.** In addition to the four general taxes applicable to all economic activities (income tax, profit tax, VAT, and social tax), there are several specific taxes related to the gold mining sector: royalties, export rent, and bonuses. Approximately 15 percent of the budget's mining inflows come from specific taxes, while the remaining 85 percent is contributed by mining companies through general taxes. The state also receives dividends from its shares in profitable mining companies. The increase in fiscal revenues from the mining sector does not appear to have matched the significant increase in gold production in recent years; taxes from the mining sector accounted for around 10 percent of overall tax revenues in 2024, compared with 8 percent of overall tax revenues in 2021.

Table 1. Tajikistan: Main Types of Taxes and Payments in Tajikistan's Mining Sector

Type of Tax	Tax Rate
Income Tax	- 12% for resident individuals - 15% for other individuals - Dividend tax: 12%
Profit Tax	- 13% for production activities, 18% for other activities - Net profit tax for permanent establishments of foreign legal entities: 15%
Value Added Tax (VAT)	- 15% standard rate - 7% reduced rate for certain services - 5% for specific goods.

Table 1. Tajikistan: Main Types of Taxes and Payments in Tajikistan's Mining Sector (Concluded)

Type of Tax	Tax Rate
Social Tax	- From individuals:1% for budgetary institutions, 2% for other organizations- From employers:25% for budgetary institutions, 20% for other organization
Natural Resource Taxes (specifically for gold)	
Royalty for extraction	- 8%-15%, determined as the sum of the derived value (volume) of each mineral resource extracted by the user of natural resources during the tax period multiplied by the corresponding royalty rates for extraction.
Export rent	from January 1, 2023 - 2 percent. from January 1, 2025 - 4 percent. from January 1, 2027 - 6 percent.
Payment in Kind	Payment of royalties in kind is permitted if an additional agreement is signed between the user of natural resources and the authorized state body
Subscription Bonus	The amount of the subscription bonus is established in accordance with the rules defined by the Government of the Republic of Tajikistan and is reflected in the contract for the use of natural resources.
Commercial discovery bonus	The amount of the commercial discovery bonus is established in the manner determined by the Government of the Republic of Tajikistan and is reflected in the contract for the use of natural resources.

Mining sector transparency and EITI

9. **The Extractive Industries Transparency Initiative (EITI) is a global standard aimed at promoting transparency and accountability in the oil, gas, and mining sectors.** EITI participation aims to help countries improve governance, attract investment, and ensure that natural resource wealth benefits all citizens. Tajikistan joined EITI on February 26, 2013. Since joining, Tajikistan has undergone several validation processes, achieving some progress in its latest validation in 2021. The country has produced and officially published four EITI reports, with the latest covering the years 2019-2021. Additionally, the report covering 2022-2023 has been prepared and submitted for validation.

10. **Tajikistan has faced several challenges with EITI, including rejections, non-validation, and membership suspension.** The country struggled with limited activities to achieve EITI objectives, inadequate technology, and insufficient human capacity. These issues led to temporary suspension of its membership due to non-compliance with EITI standards and poor stakeholder engagement. However, Tajikistan has made significant efforts to recover by enhancing transparency and compliance, improving stakeholder engagement, and submitting the 2022-2023 report for validation. These steps have helped Tajikistan regain its standing within EITI and continue its progress towards better governance in the extractive sectors.

Recommendations

11. There is significant economic potential from the continued development of the mining sector in Tajikistan. A comprehensive assessment of the framework for natural resource management could be considered to ensure that the development of the mining sector is also contributing to fiscal revenues to fund public services, infrastructure projects, and social programs. The current practice of selling gold domestically also contributes to recurrent domestic liquidity pressures and increases the structural costs of monetary policy implementation. A more holistic and transparent fiscal management of natural resources is essential, supported by improved reporting and monitoring mechanisms. Under the PCI, the authorities have committed to including a breakdown of mining-related revenues as part of their GFSM2014 fiscal presentation. Building the capacity of government institutions involved in regulating the mining sector is also necessary, which includes providing training, improving technology, and enhancing coordination among the different agencies involved in the sector. Continued engagement with the Extractive Industries Transparency Initiative (EITI) would be beneficial in this context.

Appendix I. Program Statement

Letter of Intent

Ms. Kristalina Georgieva | Dushanbe, June 10, 2025
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Ms. Georgieva:

Tajikistan's economic performance remained favorable during 2024, with strong growth and low inflation reflecting our commitment to sound macroeconomic policies. Real GDP increased 8.4 percent, marking the fourth consecutive year of growth above 8 percent. The external position remains strong, with international reserves above 7 months' import coverage at the end of 2024. Monetary policy has been effective in maintaining inflation well below the NBT's target range, while the fiscal deficit remained well within the program target of 2.5 percent of GDP in 2024, anchoring a further reduction in public debt.

Program implementation under the Policy Coordination Instrument (PCI) during the second half of 2024 has been on track. The QTs for net international reserves, reserve money, credit to government from the NBT, the fiscal balance and social assistance spending were all met comfortably. The continuous target on the increase in the arrears of Barki Tojik to private counterparties was missed in December. To address the missed target, we have rescheduled some of the payments that were due in 2024, and a fiscal transfer was made to offset the remaining amount. In addition, an electricity tariff increase was implemented in April 2025, and we have developed new measures to strengthen payment discipline by state-owned entities, with a fiscal backstop in the event of non-payment, and introduce fines and criminal penalties for electricity theft. The recent renegotiation of tariffs with two key independent power suppliers will also help to improve the financial situation of Barki Tojik in 2025.

The reform targets for the second review were broadly implemented as planned. To improve SOE governance, new rules for appointment of SOE supervisory boards were approved in December 2024. Actual appointments based on the new requirements are well-advanced and expected to be completed by June 2025. In addition, all companies with a minimum of 20 percent state ownership were included in the 2024 Statement of Fiscal Risks and a report was completed on the financial viability of Tajik Air. To ensure transparent corporate ownership, the framework for reporting, verification, sanctioning and accessing beneficial ownership information was amended to align with the definition of beneficial ownership under the AML/CFT international standard. An internal NBT regulation defining the usage of beneficial ownership information in banking supervision was also approved. To modernize FX markets, the NBT approved rules for price–based FX auctions and to strengthen monetary policy transmission, the NBT approved a new regulation introducing a required reserve averaging mechanism. The action plan to streamline tax exemptions will require additional time for delivery of supporting Fund TA and is proposed as an RT for the third review.

Completing the Rogun Hydropower Project (HPP) remains a key national development objective. In 2024, the World Bank approved the first phase of their financial support for the Rogun HPP, and we signed new Rogun-related financing arrangements with the Islamic Development Bank, the Saudi Fund for Development, OPEC, the Kuwait Fund for Development and Abu Dhabi Fund for Development. We remain committed to keeping the overall Rogun financing package on concessional terms to ensure that public debt remains firmly on a downward path. We expect that steadfast program implementation will help catalyze additional development funding for priority social and infrastructure projects to foster sustainable and more inclusive growth.

The Program Statement attached to this letter details the macroeconomic policies and structural reforms that we will implement to achieve the objectives of the IMF-supported program. This includes measures to further strengthen the resilience of our economy under the three pillars of the PCI: (i) improve fiscal resilience, (ii) modernize monetary, exchange rate and financial sector policies, and (iii) promote governance and transparency to foster sustainable and more inclusive growth. Program implementation will continue to be monitored through QTs and RTs, as detailed in the attached Technical Memorandum of Understanding (TMU). QTs and RTs for subsequent reviews are shown in Tables 1 and 2. We request modification of the completion date for the RT to strengthen the asset declaration regime from June 2025 to November 2025. The plan to streamline tax exemptions is proposed as an RT for November 2025.

The Government believes that the policies set forth in the attached Program Statement (PS) are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. We will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the PS, in accordance with the Fund's policies on such consultation. We remain committed to providing timely information needed to monitor economic developments and program implementation.

In line with our commitment to transparency, we agree to the publication of this Letter of Intent, the attached Program Statement and Technical Memorandum of Understanding, and the IMF staff report on the second review following approval by the IMF Executive Board.

Sincerely yours,

/s/	/s/
Faiziddin Qahhorzoda	Firdavs Tolibzoda
Minister	Chairman
Ministry of Finance of Tajikistan	National Bank of Tajikistan

Attachments: Program Statement
Technical Memorandum of Understanding

Attachment I. Program Statement

1. In February 2024, the IMF Executive Board approved Tajikistan's request for a program under the Policy Coordination Instrument (PCI). This nonfinancial instrument aims to anchor Tajikistan's macroeconomic policies and support the government's reform efforts. The IMF program has garnered broad-based domestic political support and has been received positively by multilateral and bilateral development partners and private investors. The program is expected to continue to catalyze multilateral and bilateral financing for priority social and infrastructure projects.

2. The PCI has helped advance the government's structural reform agenda. We have made progress, with assistance from the IMF, in a wide range of areas, including the adoption of an updated Medium-Term Revenue Plan (MTRP) for 2024-2026 and Debt Management Strategy (DMS), the development of a domestic government securities market, and improvements in the monitoring of state-owned enterprises (SOEs), coverage of targeted social assistance, and functioning of foreign exchange markets.

3. This Program Statement sets out our economic program for the remaining period of the PCI. We are fully committed to achieving the remaining reform targets to attain more sustainable and inclusive growth for the benefit of all Tajik citizens. In line with the policy objectives outlined in our Program Statement dated February 9, 2024, the economic program is organized around three pillars: (i) improving fiscal resilience; (ii) modernizing monetary, foreign exchange and financial sector policy frameworks; and (iii) fostering sustainable and more inclusive growth.

I. Recent Economic Developments

4. The economy continues to achieve strong broad-based growth, supported by the government's economic reform program. Real GDP increased by 8.4 percent during 2024 and 8.2 percent in the first quarter of 2025, with strong momentum in industry, services and agriculture. Growth has been underpinned by strong domestic demand, including public and private investment, as construction of key infrastructure projects moves forward.

5. Inflation has been contained well below the NBT's target range. Twelve-month inflation stood at 3.6 percent in April 2025, reflecting stable prices for key imported commodities such as food and fuel. The NBT lowered their inflation target from 6 to 5 percent (±2 percent) in 2025, to reflect lower inflation expectations as inflation has remained well-anchored in this range for the past several years. The policy rate was lowered by 25 basis points in February 2025 and 50 basis points in April 2025 to 8.25 percent as inflation remains close to the lower bound of the target range, but the real policy rate is still relatively high at about 5 percent (based on realized inflation).

6. The current account remained in surplus in 2024. Tajikistan recorded a current account surplus of 6.2 percent of GDP in 2024 supported by strong financial inflows. The strong external position, together with the NBT's monetization of gold purchased from domestic producers, boosted FX reserves to US$ 4.7 billion at the end of April 2025, keeping reserves' import cover above 7 months of imports.

7. **Fiscal performance remains anchored within program targets.** The fiscal outturn amounted to a surplus of 0.3 percent of GDP in 2024, well below the program target of 2.5 percent of GDP. The outturn reflected stable revenue growth despite a reduction in the VAT rate from 15 to 14 percent, while externally financed capital spending was lower than planned. Revenue collection reflected continued improvements in tax and customs administration supported by digitalization measures for the tax and customs authorities. Tajikistan's commitment to sound macroeconomic policies under the program has contributed to a narrowing of the sovereign spread to around 350 basis points in mid-May from close to 1000 basis points at end-2023.

8. **The financial sector is stable amid strong growth in monetary and credit aggregates.** After contracting in 2023, reserve and broad money returned to double digit growth in 2024 reflecting the NBT's purchases on FX on the local market and domestic gold production. The pace of monetary growth moderated in the second half of 2024 as the NBT stepped up its sterilization efforts to absorb this liquidity but remained at 32 percent (y/y) in April 2024. Banks' NPL ratio declined to 7.0 percent in February as they continued to clean up their balance sheets through write-offs of legacy NPLs. Banks' stock of outstanding loans increased by 23 percent (y/y) in March 2025, boosted by a continued expansion of banks' deposit base and the introduction of new retail lending products.

II. Outlook and Risks

9. **Tajikistan's economic outlook is favorable notwithstanding the challenging external environment.** Real GDP growth is expected to reach 7 percent in 2025, supported by strong domestic demand, including public and private investment. Twelve-month inflation is projected at 4.5 percent at the end of 2025, close to the mid-point of the NBT's target range, as inflation expectations remain well-anchored. The current account is projected to shift to a small deficit over the medium-term as financial inflows begin to normalize, but FX reserves are projected to remain at comfortable levels. Over the medium term, the structural reforms under the program are expected to lift potential growth by 0.5 percentage points to 4.5 percent and keep inflation anchored within the NBT's target range.

10. **Risks to the outlook are tilted to the downside.** The outlook remains subject to risks from a less favorable external environment in the context of considerable regional and global uncertainty. Financial inflows are projected to gradually return toward historical levels after the strong inflows experienced in recent years, but a more pronounced decline would have a negative impact on growth, FX reserve accumulation and budget performance. Tajikistan is also vulnerable to climate change and the potential impact of more frequent and intense natural disasters on budget resources. On the upside, continued strength in gold prices would help build a countercyclical buffer against external shocks, while rising demand for minerals could attract increased investment in the mining sector.

III. Performance Under The PCI

11. Our program implementation under the PCI is broadly on track. All quantitative targets for end-December 2024 were met, except for the continuous target on the increase in the arrears of Barki Tojik to its private counterparties. To address the missed target, we have rescheduled some of the payments that were due in 2024, and an intergovernmental fiscal transfer was made to offset the remaining amount. In addition, an electricity tariff increase was implemented in April 2025, and we have developed new measures to strengthen payment discipline by state-owned entities, with a fiscal backstop in the event of non-payment, and introduce fines and criminal penalties for electricity theft. The recent renegotiation of tariffs with two key independent power suppliers will also help to improve the financial situation of Barki Tojik in 2025. All other standard continuous targets were observed.

12. The reform targets for the second review were broadly implemented.

- To improve SOE governance, new rules for appointment of SOE supervisory boards were approved in December 2024. Actual appointments based on the new requirements are well-advanced and expected to be completed by June 2025. In addition, all companies with a minimum of 20 percent state ownership were included in the 2024 Statement of Fiscal Risks and a report was completed on the financial viability of Tajik Air.
- To ensure transparent corporate ownership, the framework for reporting, verification, sanctioning and accessing beneficial ownership information was amended to align with the definition of beneficial ownership under the AML/CFT international standard. An internal NBT regulation defining the usage of beneficial ownership information in banking supervision was also approved.
- To modernize FX markets, the NBT approved rules introducing price–based FX auctions for NBT FX transactions.
- To strengthen monetary policy transmission, the NBT approved a new regulation introducing a required reserve averaging mechanism.
- The action plan to streamline tax exemptions will require additional time for delivery of supporting Fund TA and has been proposed as an RT for the third review.

IV. Policies Under the PCI

13. Our program aims to maintain macroeconomic stability and strengthen policy frameworks while advancing governance reforms to foster more inclusive growth. The outlook remains subject to risks from a less favorable external environment in the context of considerable regional and global uncertainty, while fiscal space is constrained by the need to balance sizeable Rogun expenditures with significant socio-economic needs. Reform priorities under the PCI are organized around three main pillars: (i) strengthening fiscal resilience to create space for priority social and development spending; (ii) modernizing the monetary, exchange rate, and financial sector policy frameworks; and (iii) advancing governance and transparency reforms to achieve more sustainable and inclusive growth. Program implementation is monitored through a combination of quantitative targets (QTs) and reform targets (RTs).

A. Pillar I. Improving Fiscal Resilience

14. We remain committed to steadfast implementation of the program's fiscal QTs to anchor medium-term debt sustainability. We will continue to pursue prudent fiscal policy anchored in QTs on the overall fiscal balance and external disbursements as well as continuous ceilings on the nominal value of non-concessional external borrowing, external government arrears, and Barki Tojik's overdue financial obligations toward the private sector. Importantly, we will aim to maintain an annual fiscal deficit within the program target of 2.5 percent of GDP, keeping internal Rogun expenditures within a sustainable budget envelope, with an annual limit of 3-3.5 percent of GDP, and developing contingency plans to safeguard against downside risks to revenue. We will refrain from contracting non-concessional debt, except for loans related to the Rogun HPP in consultation with the IMF, which will remain within the program ceiling and only if alternative concessional financing is not available.

15. Continued fiscal discipline is key to keeping public debt firmly on a downward path. To reduce debt vulnerabilities, we have kept the fiscal deficit well below our medium-term anchor of 2.5 percent of GDP in the post-COVID period. Fiscal discipline, coupled with strong GDP growth and sizeable repayment of external debt, helped bring the public debt-to-GDP ratio to 25 percent at the end of 2024 from close to 52 percent at the end of 2020. External disbursements during 2024 amounted to US$76 million, significantly below the program ceiling of US$510 million. New Rogun loans were signed in 2024 with the Islamic Development Bank (US$150 million), OPEC (US$25 million), the Kuwait Fund for Development (US$17 million) and the Asian Infrastructure Investment Bank ($270 million). To promote transparency, we will report the amount of contracted non-concessional Rogun-related loans as a memorandum item to the Table on Quantitative Targets (Table 1).

16. We plan to use the policy space created under the program to enhance social protection of the most vulnerable to foster inclusive growth. The government has adopted a new means testing formula, developed with World Bank support, to expand coverage of the poorest decile of the population from 38 to 63 percent. The formula has helped improve the targeting of eligible households and enhanced the quality of social assistance. We plan to further increase budget allocations for targeted social assistance in line with the floor agreed under the program (Table 1). To facilitate implementation, we will expand the social registry and integrate related information technology (IT) systems to better capture information on eligible applicants.

17. Tax policy will focus on improving revenue mobilization to increase space for priority social and development spending. We have prepared an updated MTRP for 2024-2026 and a timebound action plan that aims to raise total revenue, excluding grants, to 26 percent of GDP by

2026 through a combination of tax policy and tax administration measures (RT for the 1st Review). To anchor improved revenue mobilization, we are laying the groundwork for a comprehensive tax reform that aims to broaden the tax base by phasing out inefficient tax exemptions and refraining from granting new inefficient tax exemptions, except for the exemptions outlined in existing legislation. As a next step, we intend to analyze the fiscal cost of tax exemptions and preferential customs duties and develop a concrete and timebound action plan to streamline inefficient tax exemptions and customs preferences based on upcoming technical assistance from the IMF. We would propose to modify the date for this RT from March 2025 to November 2025 to incorporate recommendations from forthcoming IMF TA.

18. Continued tax administration reforms will reinforce tax policy measures. In line with recent Fund TA, we plan to introduce a targeted instalment scheme to clear collectible tax arrears and strengthen compliance risks management for large taxpayers and other at-risk taxpayer groups. To reduce the footprint of the cash-based economy, we have advanced digitalization, transitioning all government services to electronic payments and launching a large-scale roll-out of new generation cash registers and electronic labeling of excisable goods which have helped increase tax collection rates. Further tax administration reforms will be guided by the recently approved five-year IMF capacity development (CD) project covering tax policy, tax administration and customs and supported by a Fund resident advisor to the Tax Committee expected to start this fiscal year in August 2025 (pending formal approval). Under the CD project a tax administration assessment using the Tax Administration Diagnostic Assessment Tool (TADAT) methodology will be undertaken, with IMF support, to measure the progress in tax administration since the previous TADAT assessment (December 2019), set up new baseline, and further inform the reform priorities for the MTRP implementation. The TADAT assessment is planned for December 2025.

19. We plan to rationalize capital expenditures in line with the 2023 PIMA recommendations. While the 2023 PIMA found Tajikistan's public investment management framework to be overall sound, it also identified some issues in project appraisal and selection of internally financed projects. The additional C-PIMA module also stressed the need to integrate climate projects in an overarching institutional framework. We are committed to swift implementation of the PIMA recommendations to improve capital spending efficiency and align externally- and internally funded projects, including climate projects, in a single, comprehensive framework for project oversight and management with clear and enforceable appraisal guidelines and other actions as laid out in the April 2025 PIMA Road Map Action Plan.

20. Deepening the domestic debt market is key to improving budget flexibility and diversifying sources of financing. Developing a well-functioning local government securities market is key to improving budget flexibility while diversifying sources of financing to reduce reliance on external FX-denominated debt. In line with our updated DMS (RT for the 1st Review), we have launched issuance of government securities at market rates in accordance with the schedule in Table 1. To support DMS implementation, we have developed a plan to manage government obligations, including upcoming repayments of the 2017 Eurobond (US$500 million) during 2025-2027, which will be financed through a combination of budgetary resources, drawdowns of government deposits, and issuance of new domestic debt. The first semi-annual installment of the Eurobond repayment was completed in March 2025.

21. Improving the financial performance of the electricity sector is critical to reduce fiscal risks and ensure the long-term financial viability of the Rogun project. To address the missed target on Barki Tojik's arrears for December 2024 (Table 1), we have rescheduled some of the payments that were due in 2024, and a fiscal transfer was made to offset the remaining shortfall. In addition, an electricity tariff increase was implemented in April 2025; we will continue to execute our plan of gradual tariff adjustments to bring electricity tariffs to cost recovery by 2027 in line with our commitments under the World Bank Power Utility Financial Recovery Program, and plan to complete the roll-out of smart metering by 2025. We have also developed new measures to improve cost controls across the electricity sector, strengthen payment discipline by state-owned entities, with a fiscal backstop in the event of non-payment, and introduce fines and criminal penalties for electricity theft under the oversight of the new Electricity Control Agency. The recent renegotiation of tariffs with two key independent power suppliers will also help to improve the financial situation of Barki Tojik in 2025. The missed target in December 2024 partly reflected a decrease in the overall collection rate of the electricity distribution company (STB) to 91 percent during 2024 from 97 percent in 2023. We will aim to make further progress in reducing collection losses, especially at large SOEs, which accounted for the deterioration in the collection rate in 2024 and are included as memorandum items in Table 1.

22. The MOF will continue to improve fiscal reporting. Quarterly fiscal statistics for 2022 and 2023 were published in line with GFSM2014 (RT for the 2nd Review) and we are preparing the statistics for 2024 with support from Fund TA. Given the importance of transparent disclosure of mining revenues and electricity sector losses, we will identify and report separately mining revenues and transfers to the SOE sector. We also plan to fully migrate to the GFSM2014 fiscal presentation by 2026.

23. We will continue to enhance SOE monitoring in line with program objectives. Our new Fiscal Risk Management Strategy, drafted with Fund support, provides a roadmap to strengthen monitoring of SOEs and align their reporting and auditing practices with IFRS requirements. We remain committed to regular preparation, presentation to parliament and publication of SOEs' Fiscal Risk Statements. Under the program, all companies with a minimum of 20 percent state ownership have been brought into the list of SOEs monitored by the MOF (RT for 1st Review) and into the 2024 Statement of Fiscal Risks (RT for the 2nd Review).

24. To further improve fiscal transparency, **we published an updated list of SOEs and joint stock companies with state shareholding of at least 10 percent**. The list specifies the sector and legal basis and will support completion of a sectorization exercise for the 27 largest SOEs to distinguish those that are part of public sector from those that are general government entities (RT for the 3rd Review). In addition, with assistance from a recent Fund TA, we have prepared a report assessing the financial viability of OJSC Tajik Air and developed a timebound action plan for addressing its financial losses (RT for the 2nd Review). Aviation sector specialists will be engaged to conduct a viability assessment of the company's re-entering the market, its positioning vis-à-vis the existing competition and a sequenced action plan and detailed estimates of additional funds required for restarting the company's operations and acquiring new assets (aircraft).

B. Pillar II. Modernizing Monetary, Exchange Rate and Financial Policy Frameworks

25. Monetary policy will aim to keep inflation firmly anchored within the NBT's target range. We have been cautious in easing monetary conditions, despite reduced inflation pressures, to safeguard against upside risks from rapid credit growth and strong domestic demand. We have lowered the policy rate by a cumulative 75 basis points during 2025 to 8.25 percent in mid-May, in line with subdued inflation, but the real policy rate has remained relatively high, above 5 percent.[1] Our monetary policy will remain data driven and vigilant to potential upward demand pressure on inflation from strong credit growth and robust financial inflows.

26. In line with our commitment to price stability, we will anchor monetary policy in the QTs agreed under the PCI. Monetary policy under the program aims to maintain inflation within the NBT's target range of 5 (±2) percent through quantitative ceilings on growth in reserve money and the stock of gross NBT credit to the government. The latter will ensure a gradual reduction in outstanding government obligations towards the NBT. We will also continue to refrain from monetary financing of the fiscal deficit, in line with the amendments to the NBT Law approved in 2024. In addition, we intend to use open market operations and the NBT's standing facilities as needed to mop up excess liquidity and sterilize FX inflows, in line with the program target on reserve money. The quantitative target floor on net international reserves will support the quantitative reserve money ceiling and serve as our policy commitment to maintain adequate external buffers in the volatile external environment.

27. We will continue to build capacity to gradually transition to an inflation targeting framework. To strengthen monetary policy transmission, the NBT has adopted amendments to the active NBT instruction #244 "On required reserves of credit institutions" to introduce the required reserves averaging mechanism recommended by Fund TA (RT for the 3rd Review) while continuing to streamline open market operations linked to the policy rate and improve the effectiveness of standing facilities in line with recent Fund TA. Work is also being carried out to automate the process of averaging required reserves and simplify monitoring to reduce operational risks.

28. We intend to enhance exchange rate flexibility as a buffer against external shocks. The somoni remained relatively stable against the dollar during 2024, appreciating by 0.2 percent as the NBT actively purchased FX from banks that were close to breaching prudential FX limits. Large FX inflows have continued during 2025, resulting in an appreciation of about 5 percent through mid-May. We will continue to limit FX operations only to avoid disorderly market conditions to facilitate development of the FX market and allow exchange rate adjustment to cushion the impact of FX

[1] The real policy rate estimate is based on end-period twelve month realized inflation (y/y).

inflows on the money supply and reduce sterilization pressures. Modernizing the foreign exchange market also remains critical to improving monetary policy transmission.

29. We have implemented several measures under the PCI to facilitate exchange rate flexibility and plan further measures in this direction. The NBT has: (i) discontinued Russian ruble auctions of NPCR transfers and began transmitting all such transfers in the respective currency to banks executing the transfers (RT for the 1st Review)[2], (ii) developed an improved mechanism for executing public sector FX transactions including to better reflect prevailing market rates (RT for the 1st Review); and (iii) introduced price-based auctions for FX interventions (RT for the 2nd Review). In addition, we have made FX quotes by FX market segments available to the public in continuous time and modified the NBT Instruction #228 "On the procedure for determining and declaring the official ER of the national currency to foreign currencies" related to the activity of the Foreign Exchange Group to explicitly limit any corrections to the official exchange rate to exceptional circumstances and require any corrections with justification to be published in the publicly available record of group meetings. We also plan to strengthen the responsibilities of FX market participants to execute transactions for their clients in the FX market. The NBT will issue a corresponding circular (order) to require banks to enter the interbank market to execute a client transaction if the bank is unable to execute the transaction with its own position, and explicitly inform the client of the result and the existence of the NBT website that provides the internet link to the market quotes. We will provide the country team with all the information and data needed under the new MCP policy.

30. Supervisory vigilance is key to increasing the financial system's resilience to shocks. In line with our commitments under the PCI and the 2023 FSSR, we will continue to enhance risk-based supervision and implementing Basel III standards to ensure that banks maintain adequate capital for risks taken by banks and macroprudential buffers against potential risks from rapid credit growth and volatile financial inflows. To mitigate risks from exposures to related parties, we have issued an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process (RT for the 2nd Review). To improve risk monitoring, we are building capacity to implement forward-looking stress tests, starting with liquidity stress tests, with support from World Bank TA (RT for the 3rd Review). In addition, the NBT continues to facilitate the timely and transparent final resolution of AIB and TSB banks in line with the recommendations in the 2022 IMF Article IV report. To further improve the insurance sector in line with international best practice, we intend to empower the supervisory authority with development of its own regulatory framework.

31. We will continue to refine our macroprudential toolkit to reinforce supervisory policies. Robust growth of credit to the private sector has continued during 2024 and early 2025. We are closely monitoring banks' credit quality, especially loans in foreign currency and large exposures to ensure that banks maintain prudent lending standards and adequate capital and liquidity buffers. To preemptively address potential risks from rapid credit growth, we also intend to develop, with support from the IMF long-term resident advisor and with technical assistance from the IMF under the FSSR as needed, a plan for phasing in a countercyclical capital buffer and

[2] "Money transfers" refer to RUB inward remittances without opening a bank account.

macroprudential limits on the leverage assumed by banks and their clients (debt service-to-income (DSTI), loan-to-value (LTV) and credit to stable funding ratio (CSFR)) (RT for the 3rd Review).

C. Pillar III. Enhancing Governance and Transparency

32. We have launched broad-based governance and transparency reforms to support sustainable and inclusive growth in line with the National Development Strategy. The ultimate objective of our National Development Strategy for the period up to 2030 is to raise the standards of living of the population through sustainable economic development. Key priorities under the strategy include: (i) education; (ii) health care; (iii) employment; (iv) inequality; (v) combating corruption; (vi) food security and nutrition; (vii) good governance; (viii) social welfare; (ix) prevention of potential conflicts; and (x) energy security, environmental protection and management of demographic processes. To fulfil our development objectives, we are pressing ahead with reforms in key areas, including SOE monitoring and governance, AML-CFT standards, control of corruption and transparency of the extractive sector, financial inclusion, and resilience to climate change.

33. Strengthening governance is a key element of our SOE strategy. In addition to measures to strengthen SOE monitoring and oversight (see para 21-24), we have approved new rules to ensure that all SOE supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and established rules for determining their remuneration and evaluating their performance (RT for the 2nd review). Actual appointment of supervisory boards in the 27 largest SOEs based on the new rules is well-advanced and expected to be completed by June 2025. As part of our engagement with the World Bank on the Rogun HPP, we have also conducted a review of procurement on the existing contracts for work already in progress and introduced measures to ensure compliance with international best practices going forward.

34. We are committed to swift implementation of the new AML-CFT framework. A new AML/CFT Law, drafted with Fund TA support and enacted in March 2023 has brought the AML-CFT framework in line with international best practices. We have also aligned the Law on State Registration of legal persons with the new requirements of the AML/CFT international standards (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions (RT for the 3rd Review).

35. Strengthening control of corruption is key to fostering a more growth-friendly business environment. Our National Anticorruption Strategy for 2021-2030 focuses on eradicating corruption across a number of areas, including public service, education and healthcare, taxes and customs, and public procurement. For the first phase of the strategy (2021-2025), we have developed an action plan with 22 actions and published annual progress reports on the status of completion. We also plan to amend the legal provisions of the asset declaration (AD) regime, with technical assistance from the IMF, to ensure that: (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials (RT for the 3rd Review). In addition, we intend to amend the penal code as needed to criminalize corruption consistent with Chapter III of the United Nations Convention Against Corruption.

36. We will continue to improve governance and transparency in the extractive sector in line with international best practices. The EITI second validation process noted that Tajikistan achieved meaningful progress in implementing the EITI Standard 2016, including development of an online mining cadaster, systematic disclosure of data about the extractive sector, and improvements in the dialogue between different stakeholders including civil society. The publication of the 4th National EITI report on Tajikistan for 2019-2021 has helped reinstate our EITI membership. Following the publication, a third validation process is ongoing and expected to be completed by the end of 2024 to assess Tajikistan's compliance with EITI standards. Meanwhile, we have made progress in implementing the 11 corrective actions recommended by the second validation process.

37. Deepening financial inclusion is central to our efforts to support private sector development and foster inclusive growth. We continue to advance the financial reforms envisaged under the National Financial Inclusion Strategy for 2022-2026 to remove barriers to accessing financial products and broaden the availability of financial services. Our key priorities are to strengthen digital infrastructure, diversify the financial services offered by banks, support innovative financial solutions that address the needs of small and medium-sized enterprises, including female-led businesses and improve financial literacy. As a first step, we have established the Coordination Council, Executive Committee and working groups on various aspects of the strategy. We will continue to bolster public trust in the financial system to support gains in financial intermediation through enhanced banking supervision, macroprudential oversight and financial safety nets.

38. Building resilience to climate change is a key priority of our National Development Strategy. Our Green Development Strategy for 2023-2037 is aimed at reducing Tajikistan's carbon footprint and expanding the green economy to promote domestic job creation and foster sustainable and inclusive growth. We plan to continue to develop Tajikistan's ample renewable energy potential to support the environmental sustainability of our industrial development strategy. We are also advancing our reform agenda under the National Strategy for Adaptation to Climate Change for 2020-2030 to strengthen the resilience of the economy to climate change and ensure adequate social protection of populations in disaster-prone areas.

V. Program Monitoring

39. The program will be monitored through a combination of quantitative and reform targets. Quantitative targets are set on the general government overall fiscal deficit and targeted social assistance, external loan disbursements, NBT's net international reserves and gross credit to general government and reserve money (Table 1). Continuous targets will set ceilings on new general government external payment arrears, new non-concessional external debt, and on Barki Tojik's new arrears to the private sector. Definitions of key concepts and indicators, and reporting requirements, are detailed in the accompanying TMU. Table 2 shows the reform targets for the three reviews and their status of implementation. Completion of the quantitative targets is assessed at each test date (Tables 1 and 3) and implementation of reform targets is evaluated as of the dates specified in Table 2 at each forthcoming review.

Table 1. Tajikistan: Quantitative Targets Under the PCI, 2024-2025
(In millions of TJS somoni unless otherwise indicated)

	end-Jun 2024			end-Dec 2024			end-Jun 2025
	Prog.	Actual	Status	Prog.	Actual	Status	Prog.
I. Quantitative targets (QT)							
1. Floor on NBT stock of net international reserves (USD mn) 1/	2500	3361	Met	2700	3536	Met	3000
2. Ceiling on gross credit to general government from NBT	4021	4028	Not met 6/	3808	3808	Met	3595
3. Ceiling on the stock of reserve money	41000	40500	Met	46500	46068	Met	52000
4. Ceiling on general government overall fiscal deficit 2/	2400	185	Met	3655	-423	Met	2790
5. Floor on general government expenditure on targeted social assistance 2/	122	122	Met	244	267	Met	144
6. Ceiling on the disbursements of external debt (USD mn) 2/ 3/	510	76	Met	510	167	Met	650
II. Continuous targets 2/							
7. Ceiling on increase in external general government arrears	0	0	Met	0	0	Met	0
8. Ceiling on new non-concessional external debt contracted or guaranteed by the central government (USD mn) 4/	0	60	Met	0	0	Met	0
9. Ceiling on Barki Tojik's new arrears to the private sector	550	712	Not met	550	1102	Not met	500
III. Memorandum items							
Issuance of domestic debt at positive real rates	100	280		300	580		300
Collection rate of electricity distribution company (STB), overall (in percent)		89.1 7/		...	91.2		...
Collection rate of electricity distribution company (STB), SOEs (in percent)		...		...	...		...
Overall fiscal and quasi-fiscal deficit (including BT arrears)	2950	897		4205	679		...
Non-concessional borrowing exception on newly contracted external Rogun-related loans (USD mn)	1800	0		1800	462		2120
IV. Standard continuous targets							
Not to impose or intensify restrictions on the making of payments and transfers for current international transactions.			Met			Met	
Not to introduce or modify multiple currency practices.			Met			Met	
Not to conclude bilateral payment agreements which are inconsistent with Article VIII.			Met			Met	
Not to impose or intensify import restrictions for balance of payment reasons.			Met			Met	
Program exchange rate (TJS/US dollar) 5/	10.95			10.95			10.95
Program gold price per ounce (US dollars) 5/	2029			2029			2029

1/ Net international reserves exclude FX liabilities to non-residents, IMF, the government and commerical banks.
2/ Cumulative, from the beginning of the year.
3/ Given the country's capacity constraints related to the recording and calculations of grant elements and present values of external debt, these figures are being presented and monitored in nominal terms and are inclusive of all disbursements of debt contracted for Rogun HPP. Planned Fund TA will aim to improve the recording and reporting of public debt.
4/ A zero NCB limit with exceptions applying exclusively to new non-concessional debt contracted for the Rogun HPP, which is capped at US$1800mn for June and Dec. 2024 and US$ 2120 for June 2025 (cumulative since the start of the program). This figure is expected to fully cover the total estimated NCB disbursements as per the latest WB estimates including a buffer for potential cost overruns.
5/ Closing price as of January 23, 2024 according to Bloomberg which will be fixed throughout the program period.
6/ The QT on repayment of outstanding debt to NBT was missed by a small amount (7 million somoni) at the end of June, but was met on July 4th.
7/ For January-August 2024.

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025

Policy Objective	Reform Target	Date	Responsibility	Status
Strengthen NBT's independence and governance	Government approval of the amendments to the NBT Law recommended by the 2021 Safeguards Assessment.	Prior action	NBT	Met
A. Fiscal sector				
1. Enhance domestic revenue mobilization	Publish a report quantifying revenue losses from tax exemptions/incentives.	end-September 2024	MOF	Met
2. Enhance domestic revenue mobilization	Expand the mandate of the PFM committee to include developing a Medium-Term Revenue Program (MTRP) and overseeing implementation.	end-March 2024	MOF	Met
3. Enhance domestic revenue mobilization	Approve an MTRP, including a time-bound action plan for implementation based on identified exemptions.	end-October 2024	MOF	Met
4. Improve fiscal transparency	Publish quarterly budget data for 2022 and 2023 in line with *GFSM2014*, including a breakdown of mining-related revenues and transfers to SOEs.	end-November 2024	MOF	Met
5. Development of domestic debt market	Prepare an updated Debt Management Strategy for the period 2024-2026, including a plan for expanding domestic issuance and managing government obligations.	end-May 2024	MOF	Met
6. Development of domestic debt market	Begin market-based issuance of government securities at positive real rates (according to amounts specified in Table on Quantitative Targets).	end-June 2024	MOF	Met
7. Enhance domestic revenue mobilization	Prepare and adopt a medium-term time-bound action plan to streamline tax exemptions and customs preferences beginning in 2025 based on tax expenditure analysis conducted with support from Fund TA.	end-March 2025	MOF	Unmet[1] Proposed as an RT for end-November 2025 (3rd Review)
B. Monetary sector				
8. Strengthen monetary policy transmission	Adopt amendments to the active NBT instruction #244 "On required reserves of credit institutions" to introduce the required reserve averaging mechanism in line with Fund TA recommendations.	end-May 2025	NBT	Met
9. Improve the functioning of the FX market and enhance exchange rate flexibility	Develop improved mechanism to execute government and other public sector foreign exchange transactions to better reflect prevailing market rates. This mechanism will ensure that transactions are carried out at the valid official rate during the same day or at the prevailing market rate, with the	end-May 2024	NBT	Met

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

	intention of transactions being carried out in the first half of the business day. In the event when a transaction request at an official rate violates the one-day delay limitation, the applicable official rate will be the official rate that is valid on the day the transaction is executed.			
10. Improve the functioning of the FX market and enhance exchange rate flexibility	Introduce price–based auctions for NBT FX interventions. To limit incentives for excessive overbidding or underbidding, the sales price of the auction will be calculated as follows: the price for those bids below a weighted average price of the bids will be a weighted average price of all bids; the price of those bids above weighted average price of all bids will be actual price of the bid.	end-December 2024	NBT	Unmet[2] Implemented with delay
11. Improve the functioning of the FX market and enhance exchange rate flexibility	Stop conducting ruble auctions of NPCR transfers and instead transmit all the amounts of the transfer in the respective currency to the bank executing the transfer.	end-April 2024	NBT	Met
C. Financial sector				
12. Improve governance and transparency	Issue an NBT regulation defining the mechanism of usage of ultimate beneficial ownership information in the banking supervision process.	end-April 2025	NBT	Met
13. Strengthen macroprudential oversight	Approve a plan for phasing in new macroprudential tools (including debt service to income (DSTI), loan to value (LTV) and credit to stable funding (CSFR) ratios) and countercyclical capital buffer (CCB) based on 2022 FSSR.	end-June 2025	NBT	3rd Review
14. Enhance banking supervision	Approve an NBT regulation introducing liquidity stress tests.	end-June 2025	NBT	3rd Review
D. Structural				
15. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in: (i) the list of SOEs monitored by the Ministry of Finance; and (ii) the 2023 Statement of Fiscal Risks. Require SOEs monitored by the MOF to provide detailed expense reports to the SOEMD monthly.	end-April 2024	MOF	Met
16. Improve governance and transparency of SOEs	Complete a report assessing the financial viability of OJSC Tajik Air based on Fund TA and providing a timebound action plan for addressing its financial losses.	end-May 2025	MOF/Civil Aviation Agency	Met

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Continued)

17. Improve governance and transparency of SOEs	Publish an updated list of SOE and joint stock companies with state shareholding of at least 10 percent, specifying sector and legal basis; and complete a sectorization exercise for the 27 large SOEs monitored by the SOEMD to distinguish SOEs that are part of public sector from those that are general government entities.	end-June 2025	MOF/State Committee on Investment and State Property Management	3rd Review
18. Improve governance and transparency of SOEs	Based on the revised SOE Law and following international standards and best practice, enact regulations that ensure all supervisory board appointments are done through transparent and competitive procedures with clear fit and proper criteria and set out rules for determining their remunerations and evaluating their performance, and establish supervisory boards in the 27 large SOEs currently monitored by the SOEMD in line with those procedures.	end-December 2024	MOF	Met
19. Improve governance and transparency of SOEs	Include all companies with a minimum of 20 percent state ownership in the 2024 Statement of Fiscal Risks.	end-May 2025	MOF	Met
20. Anti-corruption	Enact legislation strengthening the asset declaration regime to ensure that (i) the elected members of the National Assembly, judges and justices of all high courts, all high level officials of the executive and the government, as defined in the Constitution, and the procurator general and his subordinates, are obliged to file with their asset declarations additional information regarding disclosure of interests (including financial, contractual and corporate) and assets beneficially owned, (ii) asset declarations of high-level officials are publicly available and accessible online, except confidential data for personal and family safety and privacy reasons (e.g. account numbers, personal identification numbers), and (iii) a dissuasive sanctions regime is put in place to prevent noncompliance, including filing of inaccurate information by public officials.	end-June 2025	MOF/Civil Service Agency	Proposed to be reset to end-November 2025 (3rd Review)

Table 2. Tajikistan: Reform Targets Under the PCI, 2024-2025 (Concluded)

21. Transparency of beneficial ownership information	Amend the Law on State Registration of Legal Persons to align with the definition of beneficial ownership in the new requirements of the AML/CFT international standard (FATF Recommendation 24), with respect to (i) the definition of beneficial owner, (ii) strengthening verification and sanctioning powers of the Unified State Registry, (iii) providing access to beneficial ownership information to competent authorities (supervisory, financial intelligence unit, law enforcement and procurement authorities), and AML reporting institutions.	end-December 2024	MOF/Tax Committee	Met

[1]The delay in completing the action plan on tax exemptions and customs preferences reflects additional time needed for delivery of supporting Fund TA.

[2]The draft regulation was prepared by the NBT in October 2024 and finalized in December 2024 to allow additional time to consult with the Fund and incorporate Fund recommendations. The document was formally approved by the NBT Board in January 2025.

Table 3. Tajikistan: Schedule of Reviews Under the Policy Coordination Instrument, 2024-2025

Program Review	Test date	Review date
Board discussion of PCI request		February 2024
First Review	June 30, 2024	September 30, 2024
Second Review	December 31, 2024	March 31, 2025
Third Review	June 30, 2025	September 30, 2025

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the quantitative targets, the continuous targets, the memorandum items, and the standard continuous targets discussed in the Program Statement that will be used to assess performance in the framework of Tajikistan's program under the Policy Coordination Instrument (PCI) adopted on February 28, 2024, and covering the period from February 2024 to December 2025[1]. The TMU also describes the program's data reporting requirements, defines the program exchange rates, and program terms and concepts.

2. Semi-annual program reviews will assess the observance of program targets on the specified dates and on an ongoing basis. Specifically, three reviews will evaluate the quantitative targets at each test date (end-June 2024, end-December 2024, and end-June 2025).

Conditionality

3. Quantitative targets to be monitored over the course of the program are provided in Table 1 of the Program Statement attached to the Letter of Intent. The reform targets for the three reviews are detailed in Table 2 of the Program Statement.

Definitions

4. **Public sector:** Unless otherwise indicated, the public sector refers to general government and public nonfinancial corporations. General government includes the central government and state and local governments. Central government is defined as in the 2014 Government Finance Statistics Manual (GFSM, 2014), comprised of the budgetary central government, the extra-budgetary central government and the social security fund.

5. **External sector:** For purposes of this TMU, "external "and "external sector" are defined respectively as the non-resident and non-resident sector.

6. **A State-Owned Enterprise (SOE)** is a commercial or industrial unit fully or partially owned by the central government or its bodies that sells goods and services to the public.

QUANTITATIVE TARGETS

7. **The quantitative targets** provided in the list below are specified in Table 1 of the Program Statement. Unless otherwise indicated, all quantitative targets defined on a flow basis will be evaluated cumulatively from the beginning of each calendar year until the relevant test date specified in Table 3 of the Program Statement. All quantitative targets defined on a stock basis will be assessed based on the levels as of the test dates.

[1]The terms of the program are subject to updates in subsequent reviews. If the terms of the program need to be updated, the new terms will be discussed with authorities to reach an agreement.

8. For program purposes, the applicable exchange rates and gold price will be those in the IMF rates database and Bloomberg, respectively, as of January 23, 2024 (See Table 1 for major currencies).

Table 1. Tajikistan: Program Exchange Rates and Gold Price (from January 23, 2024)

Currency	USD per Currency Unit, unless otherwise indicated
Euro	1.087
Chinese Yuan (per USD)	7.171
British Pound	1.271
Japanese Yen (per USD)	148.1
Swiss Franc	0.865
Tajik Somoni (per USD)	10.95
SDR	1.331
Gold price/ounce (in USD)	2,029

9. Floor on NBT stock of net international reserves (USD mn)

- ***Definition:*** Program Net international reserves (NIR) of the NBT are defined as its reserve assets (gross international reserves) minus its reserve liabilities. In terms of breakdown, the NBT's reserve assets, as defined in the IMF BOP Manual (6th edition) include: (i) monetary gold; (ii) holdings of SDRs; (iii) the reserve position at the IMF; (iv) all holdings of foreign exchange; and (v) other liquid and marketable assets readily available to the monetary authority. The reserve liabilities include (i) short-term foreign currency liabilities to non-residents, (ii) outstanding IMF purchases and loans, (iii) liabilities to residents in foreign currency (banks and the central government). The template for the calculation of the program NIR is displayed in Table 2. Program NIR are monitored in USD, and for program monitoring purposes, assets and liabilities in currencies other than USD dollars will be converted into dollar equivalent values using the program exchange rates as displayed in Table 1. Monetary gold will be valued in USD at the exchange rates and gold prices prevailing on the start date of the program (Table 1).

- ***Information Requirements:*** The NBT will report to IMF staff monthly data on international reserve assets and liabilities. The NBT will also provide a quarterly cash flow table to account for the change in international reserves, according to the template provided by the Fund. NIR for each test date under the program should be verified and provided by the NBT's Internal Audit Department. Monthly data reporting should be completed within two weeks after the end of the month and provided by the NBT's International Reserves Management and Exchange Rate Policy Department.

Table 2. Tajikistan: Net International Reserves (US dollars, millions)

	Jun-24	Dec-24	Jun-25
Reserve Assets			
Monetary gold			
SDR holdings			
Reserve position at the IMF			
Holdings of foreign exchange			
Other liquid and marketable assets			
Reserve liabilities			
Short-term FX liabilities to non-residents			
Outstanding IMF purchases and Loans			
Liabilities to residents in FX			
Liabilities to banks in FX			
Required reserves and clearing balances			
Other liabilities to banks in FX			
Liabilities to central government in FX			

Note: Liabilities to central government in FX should exclude any unused balances on IMF purchases and loans.

10. Ceiling on gross credit to general government from NBT

- ***Definition:*** Gross outstanding credit (claims) to general government is defined as the NBT's holdings of government securities plus NBT's loans to the general government. It is different from net credit to general government which deducts from the claims the central bank's liabilities to general government (such as deposits of the general government at the NBT).

- ***Information requirements:*** The NBT will report to the IMF staff monthly data on NBT's claims on general government as part of the central bank balance sheet. The monthly data should be provided within two weeks after the end of the month.

11. Ceiling on the stock of reserve money

- ***Definition:*** Reserve money is defined in the monetary statistics reported to the IMF. It includes domestic currency in circulation and total deposits of depository corporations at the central bank (including reserves and other deposits) in both domestic and foreign currency. Reserve money in foreign currency will be converted to domestic currency using the program exchange rates in Table 1.

- ***Information requirements:*** Monthly data will be reported by the NBT to IMF staff as part of the central bank's balance sheet within two weeks of the end of each month.

12. Ceiling on general government overall fiscal deficit

- ***Definition:*** Under the program, the general government fiscal deficit is defined as the general government's cumulative overall fiscal balance from the beginning of the year: the overall revenues, including tax revenue and grants minus overall expenditures, including current and capital expenditures. Current expenditures include interest payments and capital expenditures include Rogun spending.

- ***Information requirements:*** The MoF will report monthly data on revenues, expenditures, and the overall fiscal balance of the general government. The data will be provided within five weeks after the end of the month.

13. Floor on general government expenditure on targeted social assistance *Definition*: Targeted social assistance benefits are defined as social assistance benefits dedicated to the poorest and vulnerable part of the population as per the national legislation and definitions. Social assistance benefits follow the GFSM 2014 classification. They will be defined as the *Social Benefits and Social Assistance* subcomponent of the *Transfers to Households* account of the central government yearly budget.

The floor of public expenditures on targeted social assistance will be equated to the quantitative target indicator in accordance with Table 1 of the program statement. However, considering that the new mechanism for providing targeted social assistance from July 1st 2023 provides for payments based on the number of children in family and the annual indexation of payments for targeted social assistance, and the possibilities of the existing system for providing targeted social assistance, during program monitoring the target indicator will be considered to be the actual paid targeted social assistance.

- ***Information requirements:*** The MoF/Ministry of Health and Social Protection will prepare and share with the IMF staff quarterly data on the Social Benefits and Social Assistance account and its components. The data will be provided within five weeks after the end of the quarter.

14. Ceiling on the disbursements of external debt (USD mn)

- ***Definition:*** This ceiling applies to disbursements on concessional and non-concessional external debt contracted or guaranteed by the general government. This target does not apply to rescheduling agreements. This target is monitored in USD, external disbursements in currencies other than USD will be converted to USD using the program exchange rates detailed in Table 1.

- ***Information requirements:*** The MoF will report quarterly to the IMF staff any new external disbursements and their respective terms, including amount, maturity, and interest rate within five weeks of the disbursement.

CONTINUOUS TARGETS

15. Continuous targets are applied on an ongoing basis over the program's duration. The continuous targets under the program are defined below.

16. Ceiling on increase in external general government arrears

- ***Definition:*** External general government arrears are defined as external debt payments due but not paid by the general government to all its external lenders after a 90-day grace period. The program target requires no new external arrears be accumulated under the program.

- ***Information requirements:*** The MoF will report to the IMF staff quarterly data on general government external arrears, with detailed characteristics, within five weeks after the end of each quarter.

17. Ceiling on new non-concessional external debt contracted or guaranteed by the general government (USD mn)

- ***Definition:*** New non-concessional external debt is defined as new external debt with a grant element lower than 35 percent. The grant element is calculated as the difference between the loan's nominal value (face value) and the sum of the discounted future debt-service payments (present value), expressed as a percentage of the loan's face value, converted at the program exchange rate. The discount rate to be used to calculate the loan's present value is 5 percent per annum, in line with the IMF-World Bank Guidance Note on Debt Sustainability Analysis in Low Income Countries. The program target establishes a zero limit on new non-concessional external debt contracted or guaranteed by the general government with exceptions applying to new non-concessional external debt contracted or guaranteed by the general government for the Rogun HPP which are subject to a continuous cumulative non-zero ceiling specified in the Program Statement (Table 1). In the situation where a borrowing contracted by a public entity such as a State-Owned-Enterprise on non-concessional terms is guaranteed by the general government, the amount that is guaranteed will be considered as a new non-concessional external debt under this target.

- ***Information requirements:*** The MoF will provide to the IMF staff a quarterly report on government external borrowing and guaranteed borrowing, with detailed information on interest rates, currency, and maturity, within five weeks after the end of the quarter.

18. Ceiling on Barki Tojik's new arrears to the private sector

- ***Definition:*** The arrears of Barki Tojik to the private sector include all its financial liabilities to independent energy producers, financial institutions, and other suppliers and creditors of the private sector that have not been paid after a 90-day grace period as of the start date of the program. The program terms require that no new arrears to the private sector be recorded over the program period.

- ***Information requirements:*** During the program duration, the MoF, the Ministry of Energy and Water Resources, Barki Tojik, Shabakahoi taqsimoti barq (the Electricity Distribution Company) will provide quarterly information on Barki Tojik's financial obligations as part of its balance sheet and a table on the evolution of Barki Tojik's arrears. The data should be transmitted within five weeks after the end of the quarter.

STANDARD CONTINUOUS TARGETS

19. In addition to the quantitative targets and continuous targets defined above, as for any Fund arrangements, the program implementation will be monitored through (nonquantitative) standard continuous targets which will be applied on a continuous basis during the duration of the program. The targets specifically require (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) not to introduce or modify multiple currency practices; (iii) not to conclude bilateral payments agreements that are inconsistent with Article VIII; and (iv) not to impose or intensify import restrictions for balance of payments reasons. The introduction of an improved mechanism for executing public sector FX transactions including to reflect prevailing market rates (May 2024 RT) and the introduction of price-based auctions for FX interventions to facilitate market-based price discovery (December 2024 RT), both being conducted in consultation with IMF staff, would not constitute an introduction or modification of multiple currency practices (MCPs).

MEMORANDUM ITEMS

20. **Memorandum items** are not part of the formal conditionality under the program but are reported in the table with quantitative targets to facilitate monitoring of overall program implementation. The memorandum items under the program are specified below:

21. Issuance of domestic debt at positive real rates

- ***Definition:*** Issuance of domestic debt at positive real rates is defined under the program as the general government issuance of short-term securities on the domestic primary market at real rates that are positive and determined by competitive auctions. The real rate being the nominal rate minus inflation rate. Issuances are comprised of domestically issued T-bills and other government securities. Under the program, the general government will gradually increase its issuance of market-based T-bills and other government securities. Issuance volumes are reported as a memorandum item and are not part of the formal conditionality under the program.

- ***Information requirements:*** During the program duration, the MoF will report to the IMF staff data on issuance of T-bills and other government securities including amounts, rates (yields) as well as calculated real rates, and maturity. The data will be transmitted within two weeks after the end of each test date.

22. Collection rate of electricity distribution company (STB), overall

- ***Definition:*** The overall collection rate of the electricity distribution company is defined as the ratio of the overall revenue effectively collected from sales of electricity in the country to the overall revenue that was expected to be collected.

- ***Information requirements:*** The MoF, the Ministry of Energy and Water Resources, Barki Tojik, and Shabakahoi taqsimoti barq (the Electricity Distribution Company) will report to IMF staff quarterly data on the overall collection rate of the electricity distribution company (STB). The data will be provided within five weeks after the end of the quarter.

23. Collection rate of electricity distribution company (STB), SOEs

- ***Definition:*** The collection rate of the electricity distribution company from SOEs is defined as the ratio of the revenue effectively collected from sales of electricity to SOEs to the revenue that was expected to be collected from SOEs.

- ***Information requirements:*** The MoF, the Ministry of Energy and Water Resources, Barki Tojik, Shabakahoi taqsimoti barq (the Electricity Distribution Company) will report to IMF staff quarterly data on the collection rate of the electricity distribution company from electricity sales to SOEs. The data will be provided within five weeks after the end of the quarter.

24. Overall fiscal and quasi-fiscal deficit (including Barki Tojik arrears)

- ***Definition:*** This indicator is defined as the sum of the overall fiscal deficit of the general government and the new Barki Tojik arrears (excluding arrears to the government).

- ***Information requirements:*** The MoF, the Ministry of Energy and Water Resources, Barki Tojik, Shabakahoi taqsimoti barq (the electricity distribution company) will report to IMF staff quarterly data on the overall fiscal balance of the general government including accumulated new BT arrears (excluding arrears to the government). The data will be provided within five weeks after the end of the quarter.

DATA REPORTING REQUIREMENTS

25. The data required to monitor observance of the quantitative targets under the program will be reported to IMF staff with the frequency specified in Table 3 below. In addition, all data revisions will be reported immediately to IMF staff. The authorities commit to keep IMF staff informed on progress achieved on reform targets (specified in Table 2 of the Program Statement) and overall program objectives. The authorities also commit to report within three weeks, at the Fund's request, any information or data not specified in the TMU but needed to monitor program implementation.

26. The principal data sources for program monitoring are as follows:

- The integrated monetary database provided by the National Bank of Tajikistan (NBT) to the IMF, including the standardized reporting forms, 1SR, 2SR.

- The general government provisional budget execution tables and the government debt tables provided by the Ministry of Finance.

- Barki Tojik’s balance sheet provided by the MoF, the Ministry of Energy and Water Resources, Barki Tojik and Shabakahoi taqsimoti barq (the electricity distribution company)

- Collection rate data provided by the Ministry of Energy and Water Resources, Barki Tojik and Shabakahoi taqsimoti barq (the electricity distribution company).

- Data on T-Bills and other government securities issuances from the MoF.

- Other data provided regularly by authorities (Table 3).

27. The authorities will report to IMF staff, in electronic format, and within the indicated deadlines (in Table 3 below), the following:

(i) Any decree, decision, circular, ordinance, or law that has implications for the program. This includes, particularly, all actions that modify budget allocations included in the budget law, actions that have implications for NBT's monetary policy, exchange rate policy or for the financial sector, actions that affect SOEs, actions that affect anticorruption and beneficial ownership or actions leading to the creation of a new agency or a new fund. The documents will be provided to the Fund within two weeks after adoption.

(ii) Preliminary data on:

- Monthly updates on general government budget operations.

- A quarterly update of the projected public debt service, with a breakdown of debt service by amortization and interest payments, by existing and newly disbursed debt and by creditor category (internal debt: loans, T-bills, and others (if any); external debt: multilateral, bilateral, and others (if any)).

- Quarterly report on public investment projects, including Rogun, detailing progress on implementation and execution of financing plans.

(iii) NBT will report to the staff of the IMF:

- The monthly balance sheet of the central bank.

- The monthly consolidated balance sheet of all banks.

- The monthly depository corporations survey (consolidated monetary survey).

- Monthly data on the lending and deposit interest rates of commercial banks.

Table 3. Tajikistan: Summary of Data Reporting Requirements

	Frequency of Data[2]	Frequency ofreporting[1]	Reporting deadline	Reporting Entity
International Reserve Assets and Liabilities of the NBT[3]	M	M	Two weeks	NBT-IRM-ERP
International reserves cash-flow table*	Q	Q	Two weeks	NBT
Reserve/Base Money	M	M	Two weeks	NBT
Central Bank Balance Sheet	M	M	Two weeks	NBT
Consolidated Balance Sheet of Banking System	M	M	Four weeks	NBT
Depository corporations survey	M	M	Four weeks	NBT
Revenue, Expenditure, Balance, and Composition of Financing[4] of the General Government	M	M	Five weeks	MoF
Budget Tables	Submitted to Parliament		Five weeks	MoF
Revised Budget Tables	Submitted to Parliament		Five weeks	MoF
New and planned external borrowing of the General Government or guaranteed by the General Government and its conditions	Q	Q	Five weeks	MoF
Disbursements of external debt (concessional and non-concessional) contracted or guaranteed by the General Government	Q	Q	Five weeks	MoF
Social Benefits and Social Assistance account and its components	Q	Q	Five weeks	MoF
External and domestic arrears of the General Government	Q	Q	Five weeks	MoF
Barki Tojik's balance sheet and table on arrears	Q	Q	Five weeks	MoF, the Ministry of Energy and Water Resources, Barki Tojik, the Electricity Distribution Company)
Overall fiscal balance of the general government including accumulated new Barki Tojik arrears (excluding arrears to the government)	Q	Q	Five weeks	MoF, the Ministry of Energy and Water Resources, Barki Tojik, the Electricity Distribution Company)

Table 3. Tajikistan: Summary of Data Reporting Requirements (Concluded)

Domestic T-bills and other government securities issuances with amounts, rates, and maturities	SA	SA	Two weeks after each test date	MoF
Revenue collection rate of the electricity distribution company on sales of electricity to SOEs	Q	Q	Five weeks	The Ministry of Energy and Water Resources, Barki Tojik, and the Electricity Distribution Company
Overall revenue collection rate of the electricity distribution company on sales of electricity to domestic consumers.	Q	Q	Five weeks	The Ministry of Energy and Water Resources, Barki Tojik, and the Electricity Distribution Company
Stocks of Public and Publicly Guaranteed debt[4]	Q	Q	Five weeks	MoF
Projected public debt service — domestic and external	Q	Q	Five weeks	MoF
Comprehensive report on progress of execution of public investment projects, and financing plans, including for Rogun	Q	Q	Five weeks	MoF
Interest Rates[5]	Q	Q	Two weeks	NBT
New decrees, decisions, circulars, ordinances, or laws	Submitted to Parliament		Two weeks	Ministry of Justice

[1] Monthly (M); Quarterly (Q); Semi-Annually (SA), Annually (A).
[2] Monthly (M); Quarterly (Q); Semi-Annually (SA), Annually (A).
[3] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[4] Also includes detailed information on currency and maturity composition.
[5] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

*Note: The international reserves cash-flow table will cover gold monetization, loan and grant disbursements to the government (budget support), FX purchases and sales by the NBT, conversion of NPCR receipts (until the NPCR is closed), and external debt service (separating principal and interest).

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

REPUBLIC OF TAJIKISTAN—STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A REFORM TARGET—INFORMATIONAL ANNEX

June 10, 2025

Prepared By

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

CONTENTS

RELATIONS WITH THE FUND

(As of May 23, 2025)

Membership Status: Joined April 27, 1993; Article VIII

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	174.00	100.00
IMF's Holdings of Currency (Holdings Rate)	174.00	100.00
Reserve Tranche Position	0.00	0.00

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	248.85	100.00
Holdings	189.42	76.12

Outstanding Purchases and Loans:	**SDR Million**	**Percent Quota**
RCF Loans	139.20	80.00

Latest Financial Commitments:

Arrangements:

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

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	May 06, 2020	May 08, 2020	139.20	139.20

[1] Formerly PRGF.

Overdue Obligations and Projected Payments to Fund[2]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal	13.92	27.84	27.84	27.84	27.84
Charges/Interest	1.35	1.78	1.78	1.78	1.78
Total	15.27	29.62	29.62	29.62	29.62

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		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	69.31	69.31

Implementation of Catastrophe Containment and Relief (CCR)[4]**:**

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr 13, 2020	7.83	7.83
N/A	Oct 02, 2020	5.22	5.22
N/A	Apr 01, 2021	3.91	3.91
N/A	Oct 06, 2021	1.30	1.30
N/A	Dec 15, 2021	1.30	1.30

[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.

[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.

[4] As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Safeguards Assessment

The National Bank of Tajikistan is making progress in implementing the recommendations of the IMF 2021 Safeguards Assessment. The Safeguards Assessment had especially found vulnerabilities in the legal framework and governance arrangements. The NBT is currently reforming its legal framework in line with the recommendations. The amendments to the NBT Law recommended by the 2021 Safeguards Assessment have been approved by the government. These amendments aim at strengthening the NBT's operational autonomy and governance and limit the scope for monetary financing of the deficit. The NBT re-iterated its commitment to implement other safeguard recommendations, including on strengthening the foreign reserves management framework, IT security, and mechanisms for distinguishing between realized and unrealized gains in profit appropriation procedures. With regards to profit appropriation procedures the NBT is considering requesting Fund technical assistance.

Exchange Rate Arrangements

Tajikistan's de jure exchange rate arrangement is managed floating and its de facto exchange rate arrangement is classified as stabilized. The official exchange rate is based on all interbank and intrabank transactions in foreign exchange. It is calculated and announced daily and is effective from the next business day.

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. Tajikistan maintains an exchange rate system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.[5] 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).

Article IV Consultations

The 2022 Article IV consultation with Tajikistan was concluded on February 23, 2023.

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[5] Tajikistan previously maintained two multiple currency practices. One multiple currency practice arose 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 was required to be used for converting domestic currency (somoni) to foreign currency, and vice-versa, between accounts of individuals and legal entities opened within the same commercial bank. The second multiple currency practice arose 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 was required to be used for mandatory ruble surrender transactions and 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. (IMF Country Report No. 23/125). The NBT notified the IMF that the regulatory instruction containing provisions which gave rise to the first MCP was revoked by NBT Resolution No.23 of February 22, 2022. Hence, the first MCP considered eliminated as of that date. Further, in line with paragraph 42 of the revised MCP policy which became effective on February 1, 2024, all MCPs maintained by members under the previous MCP policy are considered eliminated as of Feb 1, 2024.

FSAP Participation

Tajikistan participated in the Financial Sector Assessment Program during 2007–08, and the FSSA report was published at: https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Tajikistan-Financial-System-Stability-Assessment-including-Reports-on-Observance-22534. 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. Tajikistan has not participated in an FSAP since 2015, although a Financial Sector Stability Review (FSSR) was completed in April 2022. The FSSR conducted a diagnostic review that covered financial supervision and regulation; macroprudential policy and financial stability; stress testing; financial safety net and crisis management; and financial market infrastructure and payments. The FSSR prepared a roadmap for technical assistance over the next three years to address key vulnerabilities and strengthen the financial system.

TECHNICAL ASSISTANCE PROVIDED BY THE FUND

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

Tajikistan: Future Technical Assistance, 2025		
Fund Department	**Area of Assistance**	**Mission Dates**
FAD	HQ-Mission: Tax Expenditure	June 2025

Tajikistan: Technical Assistance, 2006-2025		
MCM	May FY26 Translation Request	May 2025
FAD	Customs - HQ Mission FY25 - Translation	April 2025
FAD	HQ LTX STX- SOE Fiscal Risks Support - DS	April 2025
CCAMTAC	Follow-up: Public Investment Management Assessment	April 2025
FAD	Tax Arrears Management	April 2025
STA	Government Finance Statistics	April 2025
FAD	Customs - HQ Mission FY25	December 2024
FAD	Tax Expenditure	November/December 2024
FAD/CCAMTAC	SOE Fiscal Risks	August/September 2024
MCM	FY25 MP LTX Deployment	July 2024-July 2025
LEG	FY25 Desk-based Work (MR)	June 2024
STA/CCAMTAC	Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS)	April 2024
FAD	Follow-up: Priority Tax Administration Reforms and Medium-Term Revenue Strategy (MTRS) preparation	March 2024
LEG	Desk-Based Work (MR)	February 2024
STA	GDP by Expenditure	January/February 2024
MCM	Domestic Bond Market Development	January/February 2024
FAD	Public Investment Management Assessment (PIMA) and Climate-PIMA	November/December 2023
MCM	Segregating Realized and Unrealized Gains and Losses	October 2023
CCAMTAC	Capacity Development Scoping	September 2023
MCM	In-person Follow-up: Strengthening Liquidity Management and Forecasting	August 2023
MCM	Virtual Follow-up: Strengthening Liquidity Management and Forecasting	August 2023
STA	FSI - Strengthen Compilation - FSSF	July/August 2023
STA	GDP by Expenditure	May/June 2023

Tajikistan: Technical Assistance, 2006-2025 (Continued)		
LEG	Virtual Missions: CD project closing up	May 2023-April 2024
STA/ CCAMTAC	Expanding Sector Coverage	April/May 2023
LEG	FY23 Desk work STX	March 2023
LEG	Legal Drafting and Sectoral Risk-based Supervision	February 2023
FAD	Tax Policy Diagnostics	January/February 2023
MCM	Discussion on FSSR Work Plan	December 2022
FAD	Tax Administration	December 2022
STA	GDP by expenditure	November 2022
MCM/ ITD/ CCAMTAC	Enhancing Liquidity Forecasting Framework	September/October 2022
FAD	SOEs Fiscal Risks Statement	August/September 2022
LEG	Legal Drafting Mission on AML/CFT Law	May 2022
STA	Government Finance Statistics	March 2022
STA	External Sector Statistics Mission	February 2022
MCM	Financial Sector Stability Review	December 2021
STA	Residential Property Prices Index Mission	November/December 2021
LEG	Legal Drafting Mission on AML/CFT Law	October 2021
LEG	Central Banking Law	August 2021
CCAMTAC	Strengthening Fiscal Risks Management and Disclosure	June 2021
MCM	Improving the Functioning of the FX Market	May 2021
STA	Government Financial Statistics	May 2021
LEG	Draft Tax Law Code	February/March 2021
FAD	Second SOE Fiscal Risk Management Strategy	February 2021
CCAMTAC	Tax Administration	February 2021
STA	National Accounts Mission	January 2021
FAD	SOE Fiscal Risks	August 2020
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
MCM	Strengthening Monetary and Exchange Rate Policy	March 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

Tajikistan: Technical Assistance, 2006-2025 (Continued)		
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 MCM	Banking Supervision Banking Supervision	August 2017 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/Nov 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

Tajikistan: Technical Assistance, 2006-2025 (Concluded)		
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/home/what-we-do/where-we-invest/tajikistan.html

INTERNATIONAL MONETARY FUND

REPUBLIC OF TAJIKISTAN

June 10, 2025

REPUBLIC OF TAJIKISTAN—STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF A REFORM TARGET—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

Tajikistan: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgment	*No*

This joint World Bank/IMF Debt Sustainability Analysis (DSA) indicates that Tajikistan's debt is sustainable while the external and overall risk of debt distress remain high (unchanged from the February 2024 DSA).[1] Nevertheless, public debt remains on a sustainable path, anchored by the authorities' commitment to maintaining a fiscal deficit of 2.5 percent of GDP over the medium term.[2] External borrowing has been revised slightly downward compared to the previous DSA to reflect the lower 2024 outturn and updated estimates of construction costs for the Rogun hydropower plant (HPP).[3] This has reduced the share of semi-concessional financing.[4] Under the baseline, the total public and publicly guaranteed (PPG) debt-to-GDP ratio stabilizes at about 31 percent over the long-term.

[1] The composite indicator (CI) for Tajikistan is estimated at 3.12, based on 2023 World Bank's Country Policy and Institutional Assessment (CPIA) and the October 2024 IMF WEO, indicating a strong Debt Carrying Capacity (DCC) rating.

[2] Maintaining a medium-term fiscal deficit target of 2.5 percent of GDP is a key policy commitment under the Policy Coordination Instrument (PCI).

[3] Based on the World Bank's Technical Assistance for Financing Framework for Rogun HPP (P178819) and Sustainable Financing for Rogun HPP (P181029).

[4] Although the grant element of the overall financing package for Rogun is above the concessionality threshold of 35 percent, several of the individual loans are not expected to be on fully concessional terms.

Tajikistan's high risk of debt distress mainly results from the breach of the external PPG debt service-to-export indicator in 2025-2027. Debt service peaks during this period following principal repayments that are due on the Eurobond (US$500 million) and the RCF loan (about US$183 million). This indicator also shows high vulnerability in stress tests, especially shocks to exports, contingent liabilities, and commodity prices.

Adhering to fiscal discipline and containing SOE-related risks, as well as diversifying exports by removing barriers to private sector led growth, are key to reducing debt vulnerabilities and keeping debt on a sustainable path.

COVERAGE AND BACKGROUND ON PUBLIC DEBT

A. Public Debt Coverage

1. This DSA covers the central government, central bank, and government-guaranteed external and domestic debt (Text Table 1). Debt coverage includes external and domestic debt and guarantees of the Central Government (CG), including extrabudgetary funds, and the social security fund. As debt recording and monitoring capacity is weak, this DSA does not include in its baseline: (i) non-guaranteed liabilities of state-owned enterprises (SOEs),[5] (ii) debt of state and local governments, given that the bulk of this debt is contracted by the central government, recorded as central government debt and then on-lent to local governments in the form of sub-loans, and (iii) demand or guarantees triggered from any existing public-private partnership (PPP) agreements.

Text Table 1. Tajikistan: Public Debt Coverage

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	X
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

B. Background on Debt

2. Prudent fiscal policies and rapid economic growth have resulted in a significant decrease in public debt in the post-COVID period. Fiscal consolidation supported by a strong post-pandemic economic recovery brought external PPG debt down to 22.3 percent of GDP in 2024 from 43.8 percent of GDP in 2020. Domestic PPG debt also declined to 2.6 percent of GDP in 2024 (from 6.6 percent of GDP in 2020) as the government repaid government bonds held by the central bank, the National Bank of Tajikistan (NBT), which were mainly issued to recapitalize two troubled banks in 2016. Public debt is expected to fall further with the repayment of Tajikistan's Eurobond[6] (US$500 million) during 2025-2027 and principal payments on the RCF loan from the IMF starting 2025 (about US$183 million). In August 2024, Standard and Poor's raised its long-term foreign and local currency ratings for Tajikistan to B from B-, with a stable outlook to reflect Tajikistan's stronger fiscal and debt position. Moody's has also upgraded Tajikistan's outlook from stable to positive.

[5] The Ministry of Finance does not record non-guaranteed debt of SOEs. IDA's Sustainable Development Finance Policy (SDFP) and IMF's TA are jointly supporting the improvement of SOEs' fiscal risk management in Tajikistan. See more details in paragraph 32.

[6] The Eurobond was issued in September 2017, at an interest rate of 7.125 percent and will be repaid in six semi-annual installments during 2025-2027.

3. **External debt continued to account for the majority of PPG debt in 2024.** External PPG debt amounted to nearly 90 percent of total PPG debt in 2024, with over 80 percent of external PPG debt owed to multilateral and bilateral creditors while the rest representing a commercial Eurobond. The largest single creditor was China, which accounted for about thirty percent of total PPG external debt (Text Table 2).

4. **Under the PCI, the authorities have reduced the stock of accumulated debt arrears to the NBT (Text Table 3)**. This includes the government bonds issued to recapitalize two large commercial banks in 2016. Most of the government securities held by the NBT were issued at significantly below-market terms, with some interest rates as low as 0.99 percent. There is a backlog of accumulated interest and principal payment arrears to the NBT which is being repaid.[7] The government repaid about TJS 380 million to the NBT during 2023 and TJS 495 million during 2024 (a cumulative debt reduction of about 0.6 percent of GDP). Overdue government obligations to the NBT declined to about 2.6 percent of GDP at end-2024. The authorities are committed to continuing to reduce debt to the NBT, including by using collateral proceeds from the liquidation of the two closed banks.

5. **The authorities have launched issuance of government securities at market-based rates.** Prior to 2024, Tajikistan maintained a small stock of Treasury bills outstanding, issued at an interest rate of 0.99 percent, which was held entirely by the Deposit and Savings Insurance Fund (DIF). Under the PCI, the authorities have launched competitive market-based auctions for government securities. Gross issuance amounted to TJS 580 million in 2024, held mainly by commercial banks and the DIF, with maturities from three months to two years. In 2025, the authorities plan gross issuance of TJS 895 million with maturities of up to five years, with issuance further increasing to TJS 1 billion by 2026 and TJS 1.3 billion by 2027.

[7] These arrears do not trigger debt distress as the corresponding instruments are domestic and non-marketable, reflecting internal operations between the Ministry of Finance's Treasury and the Central Bank only.

Text Table 2. Tajikistan: Composition of Public Debt and Debt Service by Creditor[1]

	Debt Stock (end of period)			Debt Service					
	2024			2024	2025	2026	2024	2025	2026
	(In US$)	*(Percent total debt)*	*(Percent GDP)*	*(In US$)*			*(Percent GDP)*		
Total	3500	100.0	24.9	366	547	611	2.6	3.5	3.6
External	3132	89.5	22.3	299	468	502	2.1	3.0	3.0
Multilateral creditors[2]	1631	46.6	11.6	146	151	186	1.0	1.0	1.1
IMF	183	5.2	1.3						
World Bank	371	10.6	2.6						
ADB	257	7.4	1.8						
Other Multilaterals	820	23.4	5.8						
o/w: Islamic Development Bank	215	6.1	1.5						
ACF	103	3.0	0.7						
Bilateral Creditors	1000	28.6	7.1	118	119	128	0.8	0.8	0.8
Paris Club	36	1.0	0.3	0.8	0.8	1.2	0.0	0.0	0.0
o/w: France	21	0.6	0.1						
Germany	15	0.4	0.1						
Non-Paris Club	965	27.6	6.9	117	118	127	0.8	0.8	0.8
o/w: China	821	23.5	5.9						
Saudi Fund	98	2.8	0.7						
Bonds	500	14.3	3.6	36	199	187	0.3	1.3	1.1
Commercial creditors		0.0	0.0						
o/w: list largest two creditors		0.0	0.0						
list of additional large creditors		0.0	0.0						
Other international creditors		0.0	0.0						
o/w: list largest two creditors		0.0	0.0						
list of additional large creditors		0.0	0.0						
Domestic	368	10.5	2.6	67	79	109	0.5	0.5	0.6
Held by residents, total	368	10.5	2.6	67	79	109	0.5	0.5	0.6
Held by non-residents, total	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	28	0.8	0.2						
Bonds	282	8.1	2.0						
Loans	58	1.6	0.4						
Memo items:									
Collateralized debt[3]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities									
o/w: Public guarantees									
o/w: Other explicit contingent liabilities[4]									
Nominal GDP			14,199	14,199	15,553	16,780			

1/As reported by Tajikistan authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Text Table 3. Tajikistan: Stock of Domestic Debt, 2020-2024

(TJS million)

Debt instrument	2020	2021	2022	2023	2024
1. Tajiksodirotbank recapitalization bonds	2,134	2,133	2,118	2,013	1,816
2. MoF bond related to Agroinvestbank	1,748	1,708	1,609	1,500	1,361
Agroinvestbank recapitalization bonds	1,065	1,024	931	823	697
Bonds to settle Agroinvestbank's loan	484	484	477	477	464
Bond for capitalization of Agroinvestbank	200	200	200	200	200
3. MoF bond for Rogun financing	251	122	0	0	0
4. T-notes	278	73	100	50	369
Long-term	154	23	0	0	61
Short-term	125	50	100	50	309
5. Amonotbank's lotteries	10	10	10	0	0
6. MoF bonds to support cotton producers	59	59	0	0	0
7. Loan from the NBT	1,059	953	847	741	631
Total	**5,539**	**5,058**	**4,684**	**4,304**	**4,177**

Source: National authorities.

BACKGROUND ON MACRO FORECASTS

6. Compared to the previous DSA, the macroeconomic outlook has improved (Text Table 5). The updated projections reflect Tajikistan's strong recovery from the global pandemic, which remains subject to downside risks from possible adverse macro-financial spillovers due to regional and global geopolitical tensions and still tight global financial conditions. The main assumptions are:

- ***Growth and inflation.*** Real GDP growth in 2024 was 8.4 percent, slightly up from 8.3 percent in 2023, reflecting strong domestic demand and increased activity in the mining, services and agricultural sectors. The economy has benefited from large remittance inflows, which amounted to 48 percent of GDP in 2024. Over the medium term, potential growth is projected to converge to about 4.5 percent, supported by some progress in addressing market distortions, public infrastructure investment and increased electricity exports, but will nevertheless remain constrained by uneven structural reforms and elevated climate risks. Over the long term, gradual improvement in public services and human capital is expected to drive private sector development, improve efficiency, increase labor force participation, and support GDP growth. This would facilitate a steady shift from low-productivity agriculture to higher-productivity manufacturing and services. To address climate change vulnerabilities, investments in adaptation measures—such as resilient infrastructure, climate-smart agriculture, and hydropower—is crucial for the country's sustainable development[8]. Headline inflation was 3.4 percent in 2024 (from 3.7 percent in 2023) and is expected to remain close to the mid-point of the NBT target range over the medium term in line with the authorities' prudent monetary policy.

- ***Fiscal.*** The fiscal outturn was well within the program target in 2024, as lower-than-planned externally financed capital spending contributed to a fiscal surplus of 0.3 percent of GDP. Over the medium-term, the overall fiscal deficit is expected to remain in line with the authorities' medium-term target of 2.5 percent of GDP.[9] Internal spending on the Rogun HPP and other large infrastructure projects will be financed through improved revenue mobilization, including from streamlining tax exemptions supported by Development Policy Operation (DPO), with offsetting cuts to other low-priority domestic capital spending as needed. Additionally, internal Rogun spending should remain within a sustainable budget envelope of 3-3.5 percent of GDP. Fiscal discipline should be further reinforced by measures to improve the financial position and governance of SOEs in line with the authorities' commitments under the PCI and DPO.

- ***External.*** The current account balance is expected to remain in surplus in 2025 and shift to a small deficit over the medium term, mostly reflecting a normalization of remittances, and an increase in infrastructure investment. Remittances are expected to remain at about 43 percent of GDP in 2025 and gradually converge to the pre-war levels of around 35 percent of GDP. (See Annex III and Annex V) Gold exports, the largest export item in recent years, are projected at

[8] Tajikistan Country Climate and Development Report (CCDR), 2024, World Bank.

[9] The commitment was made under the IMF's Rapid Credit Facility (2020) and has remained a key policy commitment under the PCI.

about 1.5-2.0 percent of GDP over the medium-term, with an increase in the share of non-gold exports as the economy diversifies. A projected increase in Rogun HPP's electricity exports to neighboring countries is expected to boost exports over the medium and long term while a modest real appreciation of the somoni will contribute to a gradual increase in imports. International reserves are projected to remain at comfortable levels, around 7 months' import coverage and well within the Fund's adequacy metrics. The 2021 SDR allocation remains unused and is included as part of FX reserves.

- ***Interest rates.*** The authorities have signed power purchase agreements (PPA) with Uzbekistan and Kazakhstan for exports of electricity from Rogun HPP in 2024. The PPAs will facilitate access to Rogun financing committed by a consortium of international financial institutions led by the World Bank (with a projected grant element of the entire financial package of about 41 percent—see Text Table 6). The cost of new external borrowing for the Rogun HPP is expected to be affected by still tight global financing conditions. As a result, effective average interest rates on external debt are expected to increase. Other financing from multilateral partners is provided in the form of grants and highly concessional loans (given Tajikistan's high-risk of debt distress). Tajikistan is expected to shift to IDA-blend financing terms from 2027[10]; as a result, the grant element on non-Rogun financing from IFIs is assumed to be around 35 percent. Deepening the domestic debt market and expanding debt maturities will help diversify sources of financing going forward but a gradual shift toward domestic financing also implies an increase in borrowing costs over the longer-term due to the higher interest rates on domestic borrowing.

- ***Rogun HPP.*** The World Bank approved the Sustainable Financing for Rogun HPP Project in December 2024, the preparation of which was supported by the Rogun Technical Assistance Project which helped to strengthen the project's financial and commercial framework, enhance its environmental and social sustainability, improve transparency, and support establishment of a benefit sharing program.[11] The financing project is not yet effective, pending completion of remaining effectiveness conditions. The DSA projections are based on completing the construction of the Rogun project in 2033 (instead of 2029 as initially planned by the authorities). While the project's impact on growth during the construction phase is expected to be limited due to its high import content, it is projected to contribute significantly to export revenues—reaching 0.7 to 0.85 percent of GDP annually by 2040. Electricity generation is projected to reach 85 percent of total capacity by 2032 and 100 percent by 2040 once the construction is completed and the reservoir reaches its full capacity, thus contributing to export revenues and higher GDP growth.

[10] Tajikistan can potentially move from IDA country-only status to Gap country status if it's GNI per capita exceeds the IDA operational cut-off for more than two consecutive years. Preliminary data shows that Tajikistan's GNI may reach the cut-off in FY26, and if this trend continues in FY27, Tajikistan will become a Gap country in FY27.

[11] Technical Assistance for Financing Framework for Rogun HPP (P178819) and Sustainable Financing for Rogun HPP (P181029).

Text Table 4. Tajikistan: Rogun HPP- Estimates of Economic Benefits

Indicator	Magnitude (annual average by 2040)
Impact on potential GDP	0.5 percentage points
Total electricity sales	1.2 percent of GDP, annually
Export revenues	0.7-0.85 percent of GDP, annually
Fiscal revenues	0.2 percent of GDP, annually

7. **Macroeconomic assumptions under the current baseline scenario are broadly in line with the medium-term projections in the February 2024 DSA.** GDP growth will remain high at 7 percent in 2025 but will converge to its potential rate over the medium-term. The growth potential was adjusted upward during the previous DSA to reflect some progress in addressing market distortions, increased public infrastructure investments, and higher electricity exports. The projected fiscal deficit in 2025 and over the medium and long term is consistent with the previous DSA. Fiscal projections are underpinned by the government's steadfast commitment to fiscal discipline, with the budget outturns expected to be in line with the medium-term fiscal deficit anchor of 2.5 percent of GDP. The external position shows improvement relative to the previous DSA, with small deficits in the medium term.

Text Table 5. Tajikistan: Baseline DSA Assumptions, 2021-2035

(In percent of GDP)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-2035
Real GDP growth, percent											
Current DSA	9.4	8.0	8.3	8.4	7.0	5.0	4.8	4.5	4.5	4.5	4.5
2024 DSA	9.4	8.0	8.3	6.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
2022 DSA	9.4	8.0	5.0	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0
CPI inflation (period avg), percent											
Current DSA	9.0	6.7	3.7	3.5	4.1	4.8	5.0	5.0	5.0	5.0	5.0
2024 DSA	9.0	6.7	3.5	4.9	6.3	6.5	6.5	6.5	6.5	6.5	6.5
2022 DSA	9.0	6.6	5.4	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Primary fiscal balance											
Current DSA	0.2	0.5	-0.2	1.0	-1.8	-1.9	-1.9	-1.9	-1.9	-1.8	-1.7
2024 DSA	0.2	0.5	-0.2	-1.8	-1.7	-1.9	-1.8	-1.9	-1.9	-1.9	-1.9
2022 DSA	0.2	-0.6	-1.8	-1.8	-1.9	-1.9	-2.2	-2.4	-2.4	-2.4	-2.4
Overall fiscal balance											
Current DSA	-0.6	-0.2	-0.9	0.3	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
2024 DSA	-0.7	-0.2	-1.0	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
2022 DSA	-0.7	-1.4	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Current account balance											
Current DSA	8.2	15.3	4.8	6.2	2.5	-0.5	-1.9	-2.6	-2.2	-2.4	-2.4
2024 DSA	8.2	15.6	-0.7	-2.2	-2.2	-2.3	-2.4	-2.5	-2.5	-2.5	-2.5
2022 DSA	8.2	6.4	-1.6	-2.4	-2.8	-2.9	-2.9	-3.0	-3.0	-3.0	-3.0
Public debt											
Current DSA	42.0	31.8	29.9	24.9	24.7	24.8	24.8	25.6	26.3	26.9	28.2
2024 DSA	42.1	32.1	30.9	30.8	30.2	29.4	28.8	29.1	29.6	30.0	31.2
2022 DSA	45.1	43.5	42.0	41.0	39.9	39.8	38.8	37.8	36.8	35.8	31.8

8. The baseline scenario assumes that medium-term fiscal financing will continue to be met primarily from external sources, with a gradual increase in domestic financing. Staff projections assume that domestic debt will reach about 30 percent of total PPG debt by 2045 as the local government securities market expands.

9. The Rogun project is assumed to be financed through the state budget, project revenues, and grants and loans from international development partners (Text Table 6). The remaining construction cost is estimated at about US$6.29 billion, down from US$6.4 billion in the previous DSA. The downward revision reflects a decline in the costs for imported components due to lower inflation. The financing package would indicatively consist of budget resources (US$2.14 billion), project revenues[12] (US$1.25 billion), International Development Association (IDA) and Asian Development Bank (ADB) grants (US$850 million),[13] concessional loans (US$550 million) from ADB, Islamic Development Bank (IsDB), and Saudi Development Fund (SDF), and semi-concessional loans[14] (US$1.5 billion) from the European Investment Bank (EIB), Asian Infrastructure Investment Bank (AIIB), Italian Development Bank Cassa Depositi e Prestiti (CDP), Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development, and traditional bilateral partners.[15] The high global interest rate environment has raised the cost of development projects. The World Bank conservatively projects the grant element of the overall financial package, including grants and loans, at about 41.3 percent, above the concessionality threshold of 35 percent. The financing arrangements with IFIs are now expected to follow given the signed Rogun's PPAs that was necessary to ensure greater certainty over anticipated export revenues from the project. The baseline assumes that average annual Rogun borrowing will represent about 1 percent of GDP during 2025-2033.

Text Table 6. Tajikistan: Sources of Financing to Complete the Construction of Rogun HPP
(USD million)

Sources of financing	Commitment amounts
Total package	**6,290**
Government budget	2,140
Project revenue	1,250
Grants	850
Concessional borrowing	550
Non-concessional borrowing	1,500

Source: World Bank

Note: Estimated project revenues from electricity generation during 2024-2035 (12 percent of the total package) affect debt sustainability primarily through a projected increase in export revenue while impact on tax revenue is expected to be small.

[12] The Rogun HPP is already generating electricity at about 10-15 percent of total capacity, which is expected to reach 85 percent by 2032 and 100 percent by 2040 as the construction is completed, and the water reservoir fills up.

[13] The availability of World Bank financing is also linked to other conditions, such as the availability of IDA resources, and structural reform commitments under the potential Development Policy Operation (DPO).

[14] Semi-concessional loans are loans with a grant element lower that 35 percent provided by international financial institutions at a cost that is still below commercial market rates.

[15] Kuwait and UAE.

10. In December 2024, the World Bank approved the Rogun investment project which is expected to become operational once all effectiveness conditions have been met. The initial grant in the amount of $350 million is part of an overall World Bank financing package of $650 million which is structured in two phases. In addition, loan agreements have already been signed with the Islamic Development Bank (US$150 million), the Saudi Fund for Development (US$100 million), OPEC (US$25 million), and are under discussions with the Kuwait Fund for Development and the Abu Dhabi Fund for Development. The availability of external financing would help keep internal Rogun spending within a sustainable envelope to ensure space for critical social and development spending. In addition, Tajikistan has committed to contributing 3 percent of Rogun's revenue for pro-poor social policies during the construction phase, increasing to 4 percent from completion of construction of the dam at a height of 1,185 meters above the sea level (masl), and 5 percent upon project completion.

11. The use of semi-concessional loans for the Rogun project is warranted by its criticality for national development and absence of alternative concessional financing (Text Table 7). A key priority under the National Development Strategy, the project aims to provide low-cost clean energy to support energy security. The Rogun HPP is expected to export a large share of its electricity output to neighboring countries and export revenues are projected to more than offset debt service costs. The World Bank has been working with the authorities to advance Rogun HPP design and implementation and is playing a lead role in engaging development partners and helping leverage the required financing for the project. The authorities undertook an IMF Public Investment Management Assessment in 2023 to further streamline project planning and management. In addition, high global interest rates have raised the cost of development finance, and several donor conferences have confirmed that alternative financing on fully concessional terms is at present not available from development partners.[16]

12. The repayment schedule of Rogun loans is at long maturities broadly aligned with projected project revenue, mitigating its impact on debt sustainability. The loans are expected to have long maturities and grace periods, with debt accumulation and debt service peaking after the Eurobond is repaid in 2027 and the authorities' debt repayment capacity is strengthened. Initially, financing needs would be met to a larger extent from budget resources which will be gradually substituted with borrowed funds and project revenue, creating space for priority spending.

13. Steadfast adherence to the medium-term deficit target of 2.5 percent of GDP is key to preserving debt sustainability. Budget financing (excluding loans) is projected to decrease from about 3.5 percent of GDP over the past decade to about 2.7-3 percent of GDP during 2024-2026 and ease gradually to about 1 percent of GDP afterwards, reflecting the construction profile and reinvestment of project revenue. Budget financing will be accommodated within the deficit target of 2.5 percent of GDP as the authorities intend to delay low priority capital spending if needed to make fiscal space for higher Rogun expenditures in the short term, in line with their commitment to fiscal discipline and expenditure re-prioritization. In addition, the authorities have committed to improving revenue mobilization and debt management under the IMF's PCI program and World Bank's DPO and SDFP.

[16] The financing package would largely consist of floating rate loans tied to the SOFR which are expected to be hedged through interest rate swap arrangements.

14. Deepening the domestic debt market is crucial for reducing reliance on external debt. Domestic public debt (about 3 percent of GDP) mainly consists of legacy bonds held by the NBT. Under the PCI, the authorities started clearing the accumulated arrears to NBT (Table on QT). To improve budget flexibility, the MOF launched government security auctions in 2024, raising 580 million somoni from commercial banks at market-based rates. The auctions have seen increased investor traction, with gross issuance in 2025 expected to increase to close to 900 million somoni. Expanding the investor base to include insurance companies, the deposit insurance fund and the pension fund and extending debt maturities beyond one year can help diversify domestic financing sources and improve market efficiency while mitigating rollover risk.

15. Although private sector participation in Tajikistan is significant, it lacks dynamism due to multiple weaknesses such as low entry rate, productivity, trade integration, innovation, and capabilities. Private firms struggle to grow as they age, reflecting a business environment that doesn't reward efficiency or growth potential. To address these structural weaknesses, it is crucial to remove barriers that prevent resource reallocation to more productive firms. Prioritizing structural policies that remove impediments to firm entry and expansion, competition, foreign direct investment, and trade barriers, will make private sector growth and export diversification more efficient[17].

16. The realism tools largely suggest that staff forecasts are realistic conditional on key assumptions being met. Under the baseline, external PPG debt accumulation is lower by around 0.5 percent of GDP by 2032 compared to the previous DSA where Rogun-related borrowing is higher. External debt is projected to stabilize at about 25 percent of GDP by 2033 and decline to 22 percent by 2045 as Rogun-related debt is gradually repaid. The contribution of primary deficits to debt accumulation is expected to remain broadly in line with the historical average due to envisaged reforms to improve revenue mobilization (including streamlining inefficient tax exemptions) and strengthening the expenditure management framework. Debt repayment over the long term would be supported by a projected increase in electricity exports, in line with World Bank's conservative estimates, and higher potential growth. Another important assumption is that the macroeconomic environment remains stable and the contribution of currency depreciations to debt accumulation remains lower than in recent years. Real GDP growth is projected to converge with potential growth of 4.5 percent over the medium-term, after faster growth in recent years due to the strong rebound from the pandemic and the sharp increase in remittances after 2022.

17. A key assumption is that the Rogun HPP is financially viable based on export revenues and improved payment discipline of the domestic electricity sector. Rogun is expected to export about 70 percent of its total output to the region, which would be backed by PPAs. On the external front, the fiscal risks associated with the project are mitigated through better financial performance of the electricity sectors in Kazakhstan and Uzbekistan, a strong payment track record from external buyers, the competitive cost of Rogun energy relative to other sources, and availability of alternative export markets in the region. To address domestic issues, the authorities have prepared an action plan under the Power Utility Financial Recovery Program with the World Bank to improve the financial position of the state electricity company Barki Tojik (BT), which continued to accrue liabilities to electricity suppliers in 2024. The plan envisages

[17] Tajikistan Economic Update, Summer 2023, World Bank

raising electricity tariffs to cost recovery levels by 2027, reducing technical, commercial, and collection losses, improving governance, and addressing BT's arrears. This would help ensure a reliable source of revenue from Rogun's domestic electricity sales. It is also essential to follow sound procurement and financial management practices during the construction phase of the project to avoid cost overruns.

Text Table 7. Tajikistan: External Borrowing Plan, 2024-2026
(In USD million)

PPG external debt contracted or guaranteed	Volume of new debt, USD million 1/	Present value of new debt, USD million 1/
Sources of borrowing	**509**	**270**
Concessional debt 2/	497	265
o/w Multilateral	488	258
o/w Bilateral	9	7
Non-concessional debt	12	4
o/w Semi-concessional 3/	12	4
o/w Commercial terms 4/	0	0
Use of borrowing	**509**	**270**
o/w Rogun	12	4
o/w Budget financing	497	265
Memorandum items		
Indicative projections		
2025	650	400-500
2026	651	400-500

Sources: Tajikistan authorities and IMF staff estimates and projections.
1/ Present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.
2/ Debt with a grant element that exceeds a minimum threshold of 35 percent or higher.
3/ Debt with a positive grant element not meeting the minimum grant element.
4/ Debt without a positive grant element. For commercial debt, the PV would be defined as the nominal/face value.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

18. **Tajikistan's debt-carrying capacity (DCC) is assessed to be strong (Text Table 8).** The revised composite indicator (CI) from the October 2024 WEO and the World Bank's 2023 CPIA rating suggest that Tajikistan's DCC is currently assessed to be strong. The DCC did not change from the previous DSA.

Text Table 8. Tajikistan: Debt Carrying Capacity

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Strong	Strong 3.12	Strong 3.08	Strong 3.10

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	240
GDP	55
Debt service in % of	
Exports	21
Revenue	23

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	70

19. Stress tests for PPPs' agreements, potential size of a rescue of the financial sector, currency depreciation, and a commodity price shock are set at default levels. Stress test for PPPs' demand and guarantees is set at a default 1.7 percent of GDP. Stress test for the banking sector is set at default 5 percent of GDP[18] and the currency depreciation shock is set at 30 percent.[19] Default-tailored tests for commodity prices are also applied since non-fuel commodity exports constitute an important part of Tajikistan's exports.

20. A tailored contingent liability stress test is designed to incorporate contingent liabilities from potential non-guaranteed debt of SOEs. The debt coverage for Tajikistan excludes non-government guaranteed debt of non-financial public corporations (NFPC) under the baseline given uncertainties on the nature of the debt and lack of full financial information on SOEs. To illustrate the effects of contingent liabilities associated with large SOE debt that might have significant implications for debt sustainability, the shock is set at 11.7 percent of GDP. The shock reflects: (i) Barki Tojik's arrears estimated at 8.2 percent of GDP based on available information,[20] which could be transferred onto the government's balance sheet; (ii) TALCO's external debt (2 percent of GDP)[21]; (iii) Rogun HPP's

[18] The financial costs of the troubled banks were largely incurred during their government bailout in 2016 (about 6 percent of GDP). Since the commencement of the liquidation process in 2021, insured deposit obligations have been repaid through the Deposit Insurance Fund. The government has recovered some of the bailout costs through asset liquidations. High levels of capitalization and a substantial drop in non-performing loans in the past few years also suggest that the magnitude of the financial sector shock at default value is appropriate.

[19] According to LIC DSA guidance, the default PPP stress parameter is calculated as 35 percent of the PPP capital stock, while for banking sector the default stress parameter is set at 5 percent of GDP. Staff considers default parameters to be adequate in the case of Tajikistan.

[20] Barki Tojik is the state-owned electricity generation company in Tajikistan. Contingent liabilities associated with Barki Tojik include arrears to electricity suppliers, commercial banks, Rogun HPP, and for natural gas from Uzbekistan.

[21] TALCO's arrears are mostly to Barki Tojik, thus excluded from being part of the baseline coverage of public debt.

borrowing from the Social Security Fund (a bond issue of 1 percent of GDP); and (iv) Tajik Air financial losses (0.5 percent of GDP).

Text Table 9. Tajikistan: Magnitude of Tailored Stress Tests

1 The country's coverage of public debt	The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt			
	Default		Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	11.7	Great uncertainty about the true size of liabilities and weak financial position and performance of SOEs
4 PPP	35	percent of PPP stock	1.7	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)			18.4	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

21. Under the baseline scenario, the external PPG debt trajectory shows slight improvement in comparison to the previous DSA. External debt is projected to rise from 23 percent of GDP in 2028, following the Eurobond repayment, to 25 percent of GDP by 2033 due to Rogun-related borrowing. Nevertheless, external PPG debt is projected to gradually decline to 21.5 percent of GDP in 2045 as electricity exports increase and Rogun debt is being repaid.

22. One external debt indicator breaches its threshold in the medium term but falls below the threshold over the long term, unchanged from the 2024 DSA (Figure 1). More specifically, the baseline external PPG debt-service-to-exports ratio breaches its respective threshold during 2025-2027. After a spike in 2025, the flow/liquidity indicator remains elevated throughout 2027 and then falls below the threshold after 2027. The three-year breach starting in 2025 is mainly due to the principal repayments on the Eurobond and the RCF loan.[22] The other flow indicator, external PPG debt service-to-revenue ratio, remains below the threshold under the baseline. Both solvency indicators are stable throughout the projection horizon.

23. Under the historical scenario, debt flow indicators stabilize at lower levels than the baseline, and one flow indicator breaches the threshold. The historical scenario is based on averages from 2015 to 2024, during which the current account averaged a surplus of 2.4 percent of GDP compared to the modest deficit projected under the baseline. Therefore, under this scenario, debt flow ratios are lower than

[22] Eurobond principal will be repaid in six semi-annual equal instalments from March 2025 to September 2027. The IMF's RCF will be repaid from June 2025 to June 2030. These are the main reasons for breaching the external PPG debt service-to-export threshold.

the baseline trajectory. The external PPG debt-service-to export ratio breaches its threshold in 2025-2027 due to principal repayments on the Eurobond and the RCF loan.

24. Under the stress scenarios, two external debt indicators breach their respective thresholds. Breaches in the present value (PV) of external PPG debt-to-exports and external PPG debt-service-to-exports ratios are significant and point to debt vulnerabilities under stress conditions. Shocks to exports are the most extreme and impactful for these indicators. Under a shock to exports, the PV of the external PPG debt-to-exports ratio reaches 268 percent in 2027 (compared to 240 percent threshold), while external PPG debt service-to-exports ratio reaches 30-35 percent in 2026-2027 (compared to 21 percent threshold). The contingent liability shock also causes a deterioration in external debt sustainability. This highlights the importance of reforms to improve the business environment and connectivity, sound debt recording and management practices (especially for SOEs) and strong fiscal discipline to address risks from rising contingent liabilities.

25. Market-financing risk is assessed to be low. Following the approval of the PCI and Tajikistan's upgrade by Standard and Poor's, the spread on Tajikistan's Eurobond has gradually declined to about 350 basis points (bps) as of May 5, 2025, below the benchmark (570bps) under the market module. The gross financing needs, over the 3-year baseline projection horizon, are assessed to be at 5 percent of GDP - also below the benchmark value of 14 percent of GDP. The authorities' commitments to fiscal discipline should help maintain the market financing risk indicators at low levels in the medium term.

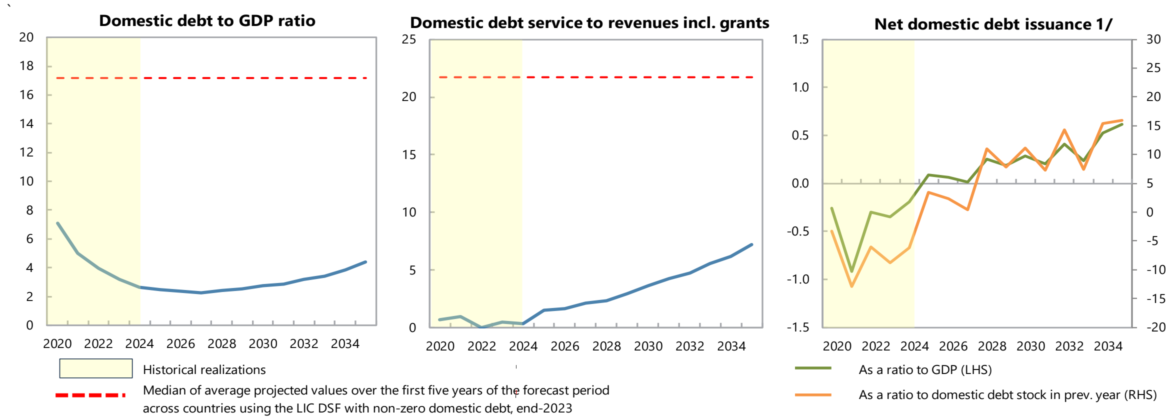
B. Public Debt Sustainability Analysis

26. Under the baseline, overall public debt-to-GDP does not breach its threshold but is assessed at high risk due to baseline breaches on the external debt indicators. The public debt burden indicator (PV of total public debt-to-GDP) ratio stabilizes and remains well below the 70 percent benchmark throughout the projection horizon. While the PV of the total public debt-to-revenue ratio exhibits a relatively stable path, the public debt service-to-revenue indicator significantly increases during 2025-2027, reflecting the repayment of the Eurobond and RCF loans.

27. The standardized sensitivity analysis shows similar risks to the previous DSA. Shocks to combined contingent liabilities in the most extreme and historical scenarios adversely affect public debt indicators. The shock causes a 11-percentage point deterioration relative to the baseline debt ratio by 2033. This highlights the need to strengthen the oversight of SOEs and improve the financial viability of the electricity sector during the construction phase of the Rogun HPP.

28. Domestic public debt is projected to remain limited in the medium to long term. Under the baseline scenario, the modest increase in domestic debt is in line with the authorities' continued efforts—scaled up in 2024—to develop the domestic securities market. Domestic issuance volumes are expected to increase over the long-term but would continue to be constrained by relatively low domestic savings and the limited absorption capacity of the domestic financial sector (Text Figure 1).

Text Figure 1. Tajikistan: Indicators of Domestic Public Debt, 2020-2035
(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	50%
Short-term	50%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	4.2%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	2.8%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

RISK RATING AND VULNERABILITIES

29. The debt sustainability analysis under the new LIC DSF framework suggests that Tajikistan's risk of external and overall public debt distress is high. Debt stabilizes under the baseline at approximately the same level as in the 2024 DSA. The results overall indicate that risks of debt distress remain similar to the previous DSA findings. Fiscal risks also increase as Rogun-related expenditure commitments leave fiscal performance vulnerable to revenue shocks.

30. Tajikistan's risk of external debt distress remains high. One external debt-burden indicator (external PPG debt service-to-exports ratio) breaches its threshold under the baseline for three years (2025-2027). The indicator stabilizes once the Eurobond repayment is completed and returns to levels below the threshold after 2027. The PV of external PPG debt-to-exports ratio remains below the threshold over the projection horizon. All other debt burden ratios are stable under the baseline and standardized stress tests indicate the importance of containing contingent liabilities and broadening the export base.

31. The overall risk of public debt distress is high under the baseline due to a breach of an external debt threshold. The breach is similar to the one in the previous DSA. Shocks to exports, commodity prices and contingent liabilities have the largest impact on public debt sustainability.

32. In the baseline, Tajikistan's public debt is sustainable provided the authorities adhere to their medium-term fiscal target and the Rogun HPP proves financially viable. While the additional borrowing for Rogun HPP increases the debt profile, all stock and flow indicators stabilize over the projection horizon. While external debt risk is high, public debt levels do not breach the thresholds in both the baseline and stress tests. If fiscal indicators fall short, especially if Rogun revenues do not materialize as expected or SOE-related contingent liabilities result in large losses, debt sustainability may come under pressure. The PPAs with neighboring countries will mitigate such risks by ensuring sufficient revenue from Rogun's electricity exports. In addition, the World Bank Power Utility Financial Recovery Program (PUFRP) envisages measures to raise electricity tariffs to cost recovery by 2027 and improve the financial position of Barki Tojik Open Joint Stock Company. On the other hand, greater-than-expected progress with economic diversification or higher exports would improve debt sustainability over the longer term.

33. Containing SOE-related contingent liabilities will reduce the vulnerabilities of public debt to shocks. Supported by the IDA's SDFP and IMF's TA, Tajikistan has made significant progress in enhancing (i) debt transparency by publishing annual public debt reports, audited financial statements of the largest SOEs, SOE Fiscal Risk Statements, covering all large 27 SOEs, and publishing annual borrowing plans (ABP) based on newly adopted methodology, (ii) fiscal sustainability by adopting the SOE Fiscal Risks Management Program (FRMP) for 2023-2027, adopting new methodology for estimating fiscal risks arising from PPP projects, and (iii) debt management by avoiding non-concessional loans and adopting a revised Law on Public and Publicly Guaranteed Debt in December 2022.[23] Continued progress in strengthening debt reporting and enhancing the linkages between the medium-term debt management strategy and fiscal borrowing plans would help contain debt vulnerabilities. Diversifying exports and enhancing debt management practices, including by setting aside dedicated funds for the Eurobond repayment, could help address the breaches in the debt service-to-exports ratio. Successful implementation of the medium-term SOE FRMP and stronger governance frameworks in public enterprises, including the Rogun HPP, will be critical to manage risks from contingent liabilities.

34. New measures aim to mitigate Eurobond-related liquidity risks. The authorities have adopted a Medium-term Debt Management Strategy (MTDMS) for 2024-2026 and a Roadmap for Eurobond Repayments supported by the World Bank's TA. The authorities have adequate levels of international reserves (more than 7 months' import coverage at end-2024) and began issuing government securities to commercial banks in 2024 to mitigate external refinancing risk and reduce dependence on external borrowing. Currently, the authorities' strategy is to repay the Eurobond using a combination of budget revenue, domestic debt issuance, external concessional borrowing, and reserve holdings[24]. Revenue mobilization measures are envisaged under the PCI with the IMF (based on recent Fund TA) and the DPO

[23] The authorities successfully delivered all SDFP commitments during FY21-FY24, which improved debt transparency and helped contain the country's debt vulnerabilities.

[24] The Eurobond Repayment Roadmap mitigates liquidity risk by evaluating various retirement and financing strategies. Retirement options include scheduled amortization, buybacks, and exercising call options while financing options encompass reserve holdings, conventional financing from multi/bi-laterals, domestic issuance, and commercial borrowing (with or without guarantees), including new Eurobonds. According to the Ministry of Finance's roadmap, a combination of scheduled amortization, financed by reserve holdings, conventional financing and domestic issuance is the most cost-effective strategy in current circumstances.

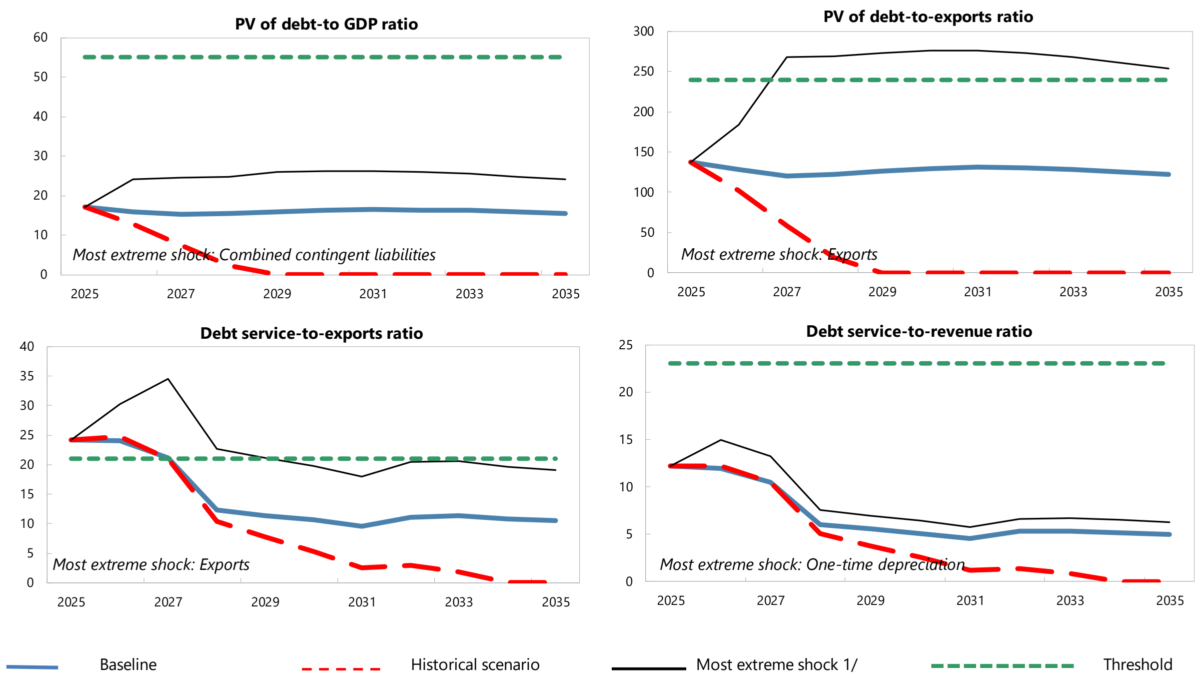
with the World Bank. The IMF and the World Bank have provided technical assistance on (i) the implementation of the MTDMS, including management of the liquidity risk related to the repayment of the Eurobond and (ii) domestic debt market development including contingency plans to safeguard against unexpected shocks to budget revenue.

35. Timely measures should be taken to mitigate Rogun-related fiscal risks. Maintaining a fiscal deficit of 2.5 percent of GDP would require offsetting fiscal measures and contingency plans should downside shocks to revenues materialize. In this context, it is important to keep average Rogun budget spending within a sustainable envelope of about 3-3.5 percent of GDP. It is also essential to strengthen revenue mobilization, including streamlining tax exemptions, and enhancing spending efficiency to safeguard high priority social spending. Improving Barki Tojik's financial position and capacity to meet its obligations to electricity suppliers is critical to help ensure Rogun HPP's long-term financial viability. To help offset the impact of rising borrowing costs expected over the longer-term and support debt sustainability, the primary deficit is projected to decline from 1.8 percent of GDP in 2030 to 1.4 percent of GDP in 2045.

AUTHORITIES' VIEWS

36. The authorities broadly agreed with the overall assessment. They concurred with staff that adherence to the fiscal deficit target of 2.5 percent of GDP is critical to keep public debt on a favorable trajectory while creating space for high priority development and social spending. The authorities noted the progress in launching market-based auctions of domestic government securities in 2024, and the first tranche of Eurobond repayment in 2025. They reiterated their commitment to anchoring Rogun spending in a sustainable budget envelope and borrowing plan and carrying out a medium-term fiscal adjustment to offset higher borrowing costs.

Figure 1. Tajikistan: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025-2035



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price 2/	No	No
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	4.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	6	9

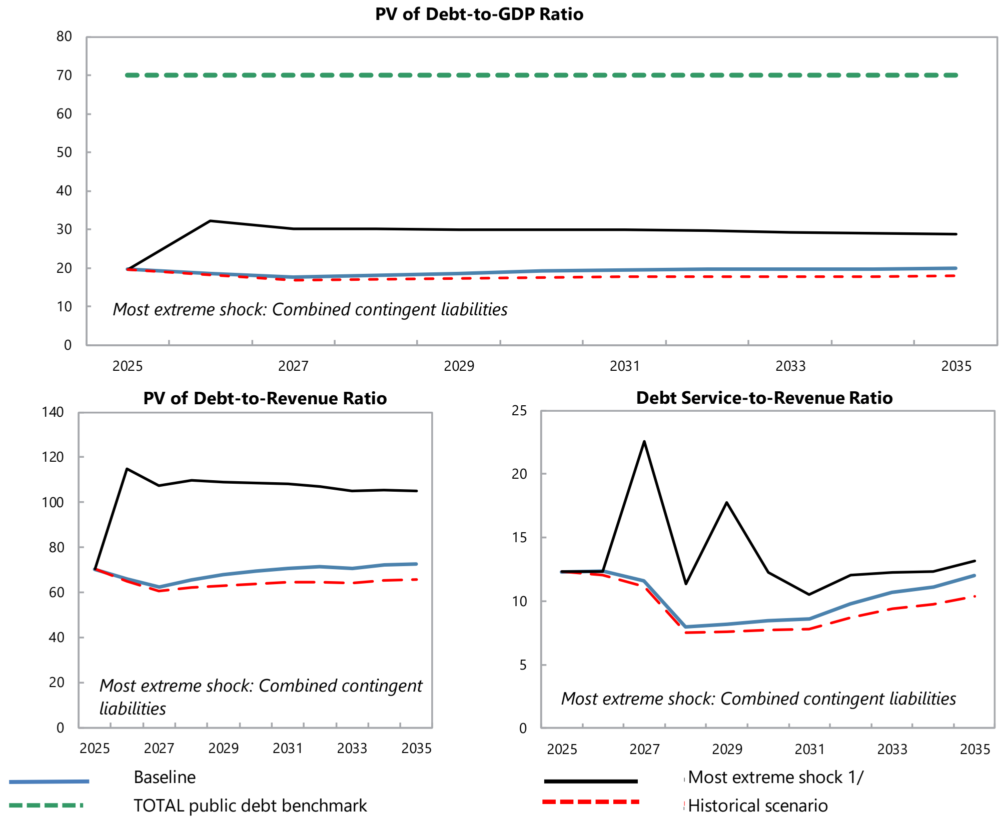
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Tajikistan: Indicators of Public Debt Under Alternative Scenarios, 2025-2035



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	71%	71%
Domestic medium and long-term	15%	15%
Domestic short-term	15%	15%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.2%	4.2%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.8%	2.8%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

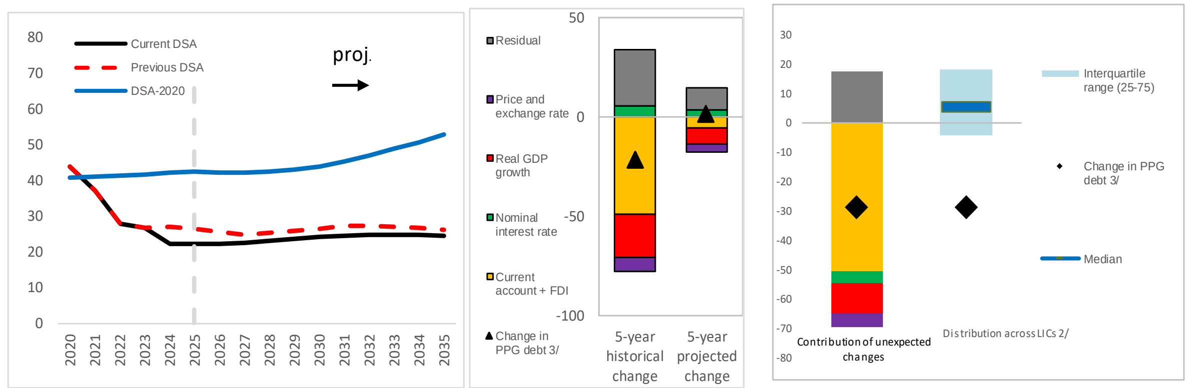
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Tajikistan: Drivers of Debt Dynamics – Baseline Scenario

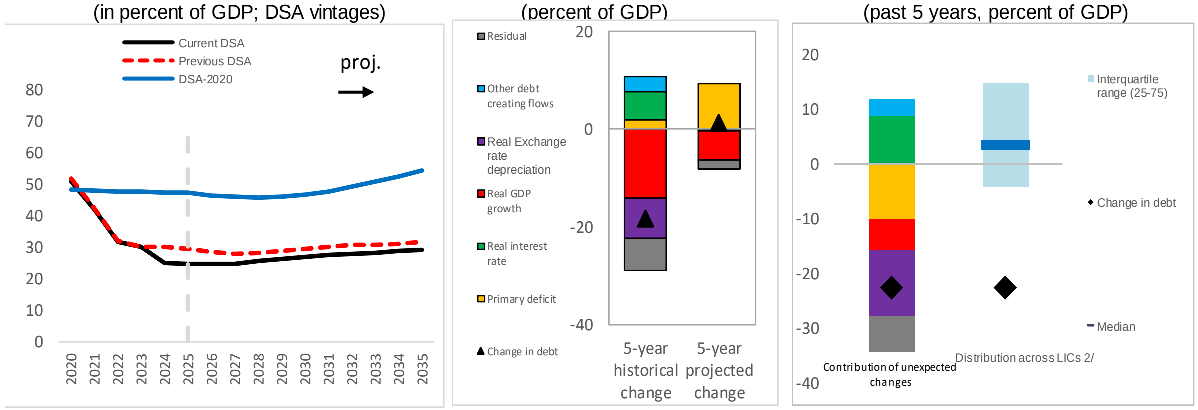
External debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



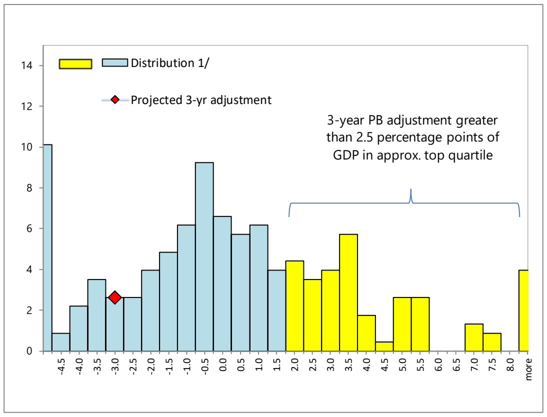
1/ Difference between anticipated and actual contributions on debt ratios. The large residual for the past 5 years is explained by large principal repayment of external debt.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

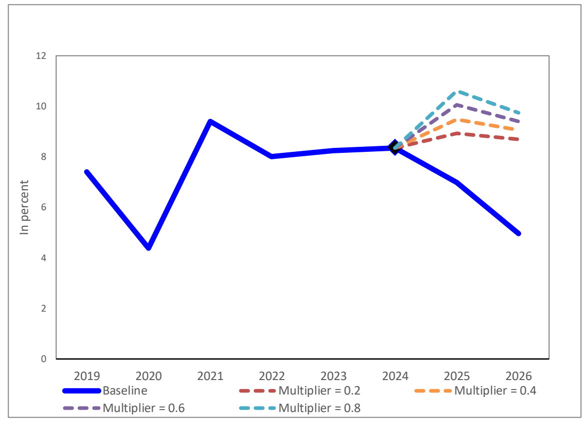
Figure 4. Tajikistan: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



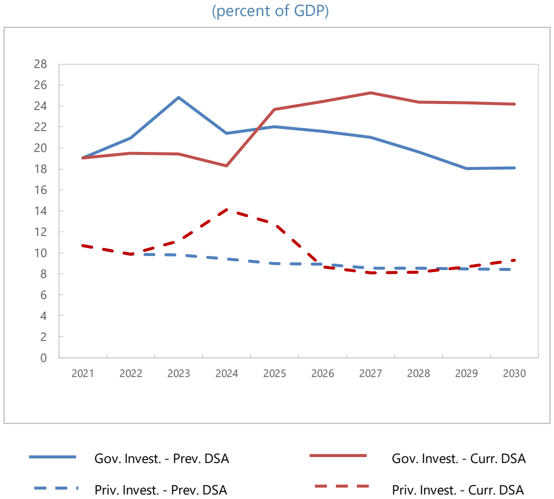
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

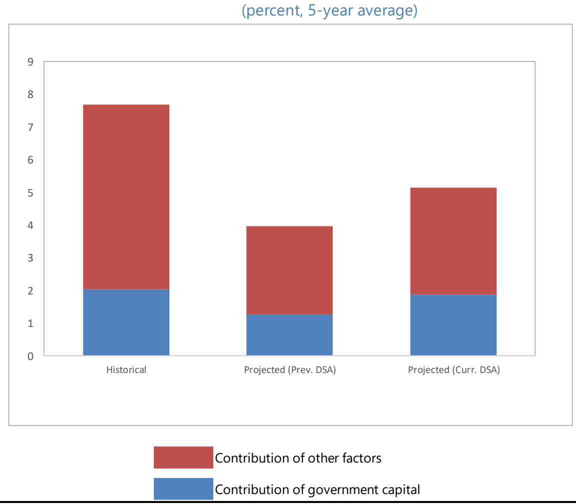
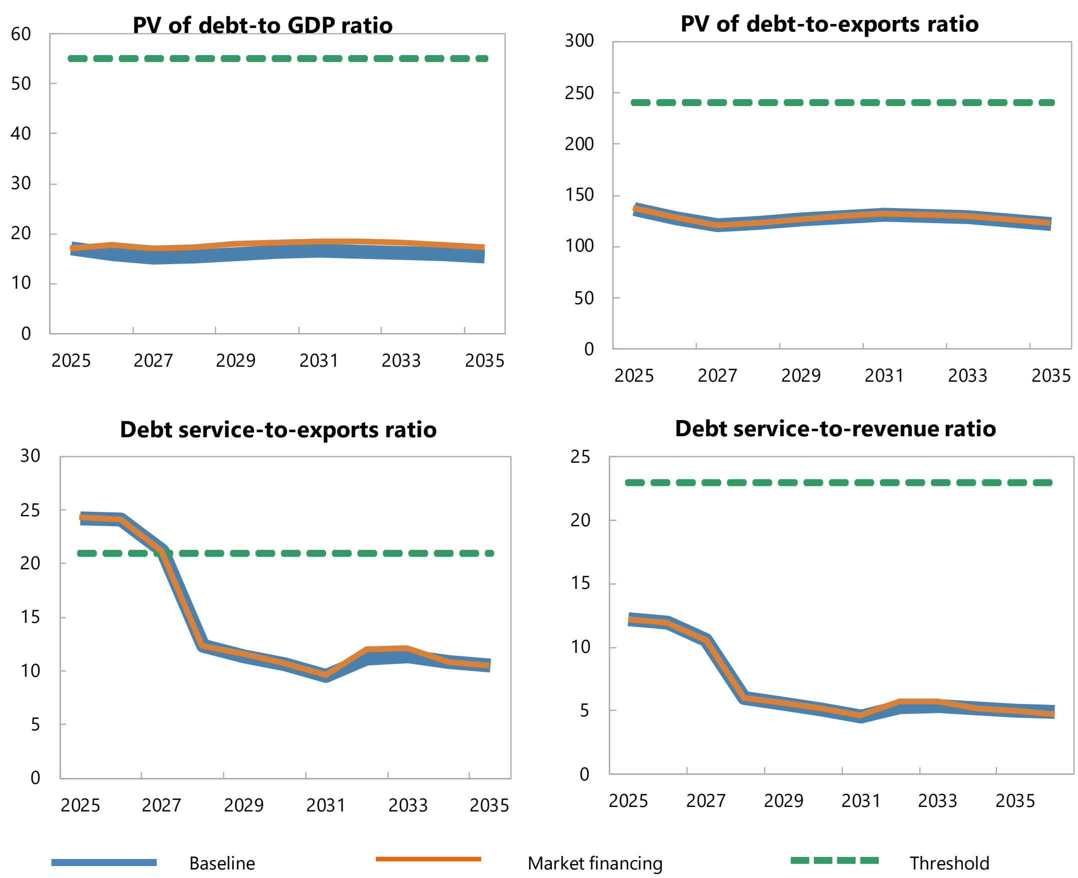


Figure 5. Tajikistan: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	5	358
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



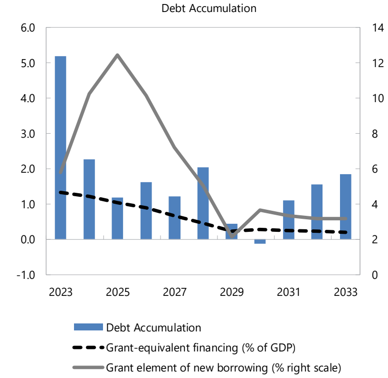
Sources: Country authorities; and staff estimates and projections.

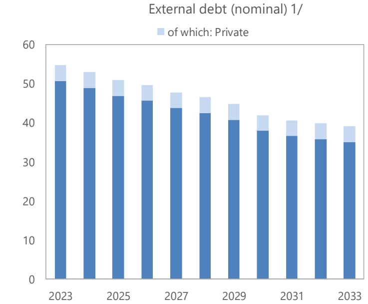
Table 1. Tajikistan: External Debt Sustainability Framework, Baseline Scenario, 2022-2045

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	48.8	45.7	35.2	33.9	33.1	32.4	32.3	32.3	32.1	31.7	28.0	64.0	32.4
of which: public and publicly guaranteed (PPG)	27.8	26.7	22.3	22.2	22.4	22.5	23.1	23.7	24.2	24.6	21.3	33.3	23.8
Change in external debt	-14.3	-3.1	-10.5	-1.3	-0.8	-0.7	-0.1	0.0	-0.2	-0.3	-0.3		
Identified net debt-creating flows	-27.3	-11.6	-14.0	-6.0	-2.3	-0.8	0.0	-0.4	-0.2	-0.8	-0.6	-6.7	-1.1
Non-interest current account deficit	-16.3	-5.8	-7.3	-3.4	-0.3	1.2	1.9	1.5	1.7	1.8	2.2	-3.7	1.1
Deficit in balance of goods and services	32.7	31.4	37.3	35.8	35.9	35.4	35.7	35.1	35.0	35.0	35.0	28.2	35.2
Exports	16.4	17.2	11.4	12.4	12.4	12.6	12.6	12.6	12.6	12.6	12.6		
Imports	49.1	48.6	48.6	48.3	48.3	47.9	48.3	47.8	47.5	47.5	47.5		
Net current transfers (negative = inflow)	-15.4	-10.9	-12.1	-10.8	-9.9	-9.3	-9.0	-8.7	-8.5	-8.4	-8.4	-9.5	-8.9
of which: official	-2.0	-0.9	-0.9	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0		
Other current account flows (negative = net inflow)	-33.7	-26.3	-32.4	-28.5	-26.3	-24.9	-24.7	-25.0	-24.8	-24.8	-24.4	-22.4	-25.3
Net FDI (negative = inflow)	-1.5	-0.8	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-2.0	-2.0	-2.0	-1.5
Endogenous debt dynamics 2/	-9.5	-4.9	-5.4	-1.4	-0.7	-0.7	-0.7	-0.6	-0.6	-0.6	-0.8		
Contribution from nominal interest rate	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.4		
Contribution from real GDP growth	-4.2	-3.5	-3.3	-2.2	-1.6	-1.5	-1.4	-1.4	-1.4	-1.3	-1.2		
Contribution from price and exchange rate changes	-6.3	-2.4	-3.1	...	...	...	...	...	...	...	...		
Residual 3/	13.0	8.5	3.5	4.7	1.5	0.1	-0.1	0.3	0.0	0.5	0.2	5.2	0.8
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	18.5	17.0	15.9	15.2	15.4	15.9	16.3	15.4	12.7		
PV of PPG external debt-to-exports ratio	...	...	162.7	137.0	128.0	120.6	122.4	126.1	129.1	122.3	101.1		
PPG debt service-to-exports ratio	12.3	12.2	20.0	24.2	24.0	21.1	12.3	11.4	10.6	10.5	8.3		
PPG debt service-to-revenue ratio	8.5	8.9	9.3	12.2	11.9	10.5	6.0	5.5	5.1	5.0	3.9		
Gross external financing need (Million of U.S. dollars)	-535.0	917.0	275.5	817.2	1316.7	1603.9	1585.1	1450.0	1573.9	1843.0	3670.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	8.0	8.3	8.4	7.0	5.0	4.8	4.5	4.5	4.5	4.5	4.5	7.3	4.8
GDP deflator in US dollar terms (change in percent)	11.0	5.2	7.4	2.4	2.8	2.8	2.8	2.8	2.8	3.3	3.4	-2.3	3.0
Effective interest rate (percent) 4/	2.0	2.4	2.6	2.7	2.6	2.5	2.3	2.4	2.5	2.5	1.5	2.2	2.5
Growth of exports of G&S (US dollar terms, in percent)	-18.9	20.1	-23.2	19.5	7.9	9.0	7.7	7.6	7.0	7.9	8.0	8.8	8.9
Growth of imports of G&S (US dollar terms, in percent)	23.5	12.7	16.4	8.7	8.1	6.9	8.2	6.3	6.9	7.9	8.0	6.5	7.7
Grant element of new public sector borrowing (in percent)	...	...	...	47.0	44.8	40.4	33.2	27.1	30.1	42.2	36.7	...	38.0
Government revenues (excluding grants, in percent of GDP)	23.8	23.7	24.5	24.8	25.1	25.3	25.9	26.0	26.2	26.3	26.6	24.8	25.9
Aid flows (in Million of US dollars) 5/	361.0	421.5	490.6	1141.9	1097.3	1031.6	628.7	471.7	545.4	982.4	1123.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.2	4.8	4.5	2.6	2.3	2.2	2.2	1.6	...	3.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	70.0	67.1	65.9	55.0	50.3	52.7	61.9	56.4	...	59.6
Nominal GDP (Million of US dollars)	10,714	12,203	14,199	15,553	16,780	18,077	19,418	20,859	22,407	32,817	70,511		
Nominal dollar GDP growth	19.9	13.9	16.4	9.5	7.9	7.7	7.4	7.4	7.4	7.9	8.0	5.0	7.9
Memorandum items:													
PV of external debt 7/	...	...	31.4	28.7	26.6	25.0	24.6	24.5	24.2	22.6	19.4		
In percent of exports	...	...	276.0	231.1	214.1	199.0	195.3	193.7	192.1	179.3	154.6		
Total external debt service-to-exports ratio	78.3	82.1	92.7	79.7	75.6	71.1	59.5	52.9	52.5	46.2	39.7		
PV of PPG external debt (in Million of US dollars)			2631.2	2649.2	2670.8	2743.1	2998.1	3324.1	3641.2	5050.8	8973.7		
(PVt-PVt-1)/GDPt-1 (in percent)				0.1	0.1	0.4	1.4	1.7	1.5	0.8	0.9		
Non-interest current account deficit that stabilizes debt ratio	-2.0	-2.7	3.2	-2.0	0.5	1.9	2.0	1.6	1.8	2.1	2.6		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

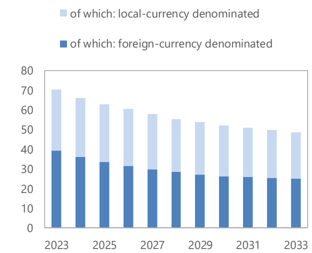
Table 2. Tajikistan: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022-2045

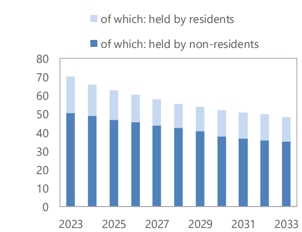
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	**31.8**	**29.9**	**24.9**	**24.7**	**24.8**	**24.8**	**25.6**	**26.3**	**26.9**	**29.0**	**30.7**	**39.3**	**26.7**
of which: external debt	**27.8**	**26.7**	**22.3**	**22.2**	**22.4**	**22.5**	**23.1**	**23.7**	**24.2**	**24.6**	**21.3**	**33.3**	**23.8**
Change in public sector debt	-10.2	-1.8	-5.0	-0.3	0.1	0.0	0.8	0.7	0.7	0.3	0.1		
Identified debt-creating flows	**-10.0**	**-1.1**	**-4.6**	**0.4**	**0.6**	**0.7**	**0.7**	**0.6**	**0.6**	**0.4**	**0.1**	**3.1**	**0.5**
Primary deficit	**-0.5**	**0.2**	**-1.0**	**1.8**	**1.9**	**1.9**	**1.9**	**1.9**	**1.8**	**1.6**	**1.4**	**2.0**	**1.8**
Revenue and grants	27.1	27.1	27.9	28.0	28.0	28.2	27.5	27.5	27.5	27.5	27.5	**27.7**	**27.7**
of which: grants	3.4	3.5	3.5	3.2	2.9	2.9	1.6	1.5	1.4	1.2	0.9		
Primary (noninterest) expenditure	26.7	27.3	26.9	29.8	29.9	30.1	29.4	29.4	29.3	29.1	28.9	**29.7**	**29.5**
Automatic debt dynamics	**-8.6**	**-0.9**	**-3.4**	**-1.4**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.2**	**-1.3**		
Contribution from interest rate/growth differential	-3.6	-2.7	-1.3	-1.4	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.3		
of which: contribution from average real interest rate	-0.5	-0.3	1.0	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0		
of which: contribution from real GDP growth	-3.1	-2.4	-2.3	-1.6	-1.2	-1.1	-1.1	-1.1	-1.1	-1.2	-1.3		
Contribution from real exchange rate depreciation	-5.0	1.8	-2.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**-1.0**	**-0.4**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.7**	**0.0**
Privatization receipts (negative)	-1.0	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**-0.2**	**-0.7**	**-0.4**	**-0.7**	**-0.6**	**-0.6**	**0.0**	**0.1**	**0.1**	**-0.1**	**-0.1**	**-3.4**	**-0.2**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**21.4**	**19.7**	**18.5**	**17.6**	**18.0**	**18.6**	**19.2**	**20.0**	**22.3**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**76.5**	**70.4**	**66.0**	**62.5**	**65.5**	**67.8**	**69.6**	**72.6**	**81.0**		
Debt service-to-revenue and grants ratio 3/	**7.4**	**8.2**	**8.5**	**12.3**	**12.4**	**11.6**	**8.0**	**8.2**	**8.5**	**12.0**	**20.8**		
Gross financing need 4/	0.5	2.0	1.1	5.3	5.3	5.2	4.1	4.1	4.1	4.9	7.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	8.0	8.3	8.4	7.0	5.0	4.8	4.5	4.5	4.5	4.5	4.5	**7.3**	**4.8**
Average nominal interest rate on external debt (in percent)	2.2	2.7	2.9	3.0	2.7	2.4	2.3	2.3	2.5	2.6	1.7	**2.2**	**2.6**
Average real interest rate on domestic debt (in percent)	-7.6	-2.6	-4.9	-2.2	-1.6	-0.8	-0.1	0.8	1.5	3.1	3.5	**-2.4**	**0.9**
Real exchange rate depreciation (in percent, + indicates depreciation)	-14.6	7.0	-8.1	...	...	...	...	...	...	...	...	**3.0**	**...**
Inflation rate (GDP deflator, in percent)	8.3	3.8	6.6	4.7	5.0	5.0	5.0	5.0	5.0	5.5	5.5	**5.2**	**5.2**
Growth of real primary spending (deflated by GDP deflator, in percent)	7.6	10.7	7.0	18.4	5.1	5.5	2.2	4.2	4.4	4.4	4.4	**7.8**	**5.6**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	9.8	2.0	4.0	2.1	1.8	1.9	1.2	1.2	1.1	1.3	1.4	**5.3**	**1.4**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Tajikistan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025-2035

(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	17	16	15	15	16	16	16	16	16	16	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	17	13	7	2	-2	-7	-11	-16	-21	-26	-31
B. Bound Tests											
B1. Real GDP growth	17	16	16	16	17	17	17	17	17	16	16
B2. Primary balance	17	18	21	22	22	23	23	22	22	21	21
B3. Exports	17	18	22	22	22	23	23	23	22	21	21
B4. Other flows 3/	17	20	23	23	24	24	24	23	23	22	22
B5. Depreciation	17	20	19	19	20	20	21	21	20	20	19
B6. Combination of B1-B5	17	21	19	20	20	20	21	20	20	19	19
C. Tailored Tests											
C1. Combined contingent liabilities	17	27	28	28	30	30	30	29	29	28	27
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	18	19	18	18	17	16	14	13	11	9
C4. Market Financing	17	18	17	17	18	18	18	18	18	18	17
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	**137**	128	121	122	126	129	131	130	129	126	122
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	137	102	58	19	-16	-54	-91	-130	-169	-208	-247
B. Bound Tests											
B1. Real GDP growth	137	128	121	122	126	129	131	130	129	126	122
B2. Primary balance	137	143	169	171	176	179	180	178	175	171	166
B3. Exports	137	184	**268**	**269**	**273**	**276**	**276**	**273**	**268**	**261**	**254**
B4. Other flows 3/	137	163	185	185	187	188	189	186	182	178	173
B5. Depreciation	137	128	121	122	126	129	131	130	129	126	122
B6. Combination of B1-B5	137	177	146	182	186	189	190	188	186	181	176
C. Tailored Tests											
C1. Combined contingent liabilities	137	220	222	223	234	238	237	234	230	224	218
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	137	167	169	159	150	139	127	115	103	90	77
C4. Market Financing	137	128	121	122	126	129	131	130	129	125	122
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	24	24	**21**	**12**	**11**	11	10	11	11	11	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	24	25	**21**	**10**	**8**	5	3	3	2	0	-2
B. Bound Tests											
B1. Real GDP growth	24	24	**21**	**12**	**11**	11	10	11	11	11	10
B2. Primary balance	24	24	**22**	**15**	**14**	13	12	14	14	13	13
B3. Exports	24	30	**35**	**23**	**21**	20	18	20	21	20	19
B4. Other flows 3/	24	24	**23**	**15**	**14**	13	12	13	14	13	13
B5. Depreciation	24	24	**21**	**12**	**11**	11	10	11	11	11	10
B6. Combination of B1-B5	24	27	**28**	**17**	**15**	14	13	15	15	14	14
C. Tailored Tests											
C1. Combined contingent liabilities	24	24	**25**	**17**	**16**	15	14	15	16	15	14
C2. Natural disaster	n.a.	n.a.	**n.a.**	**n.a.**	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	24	28	**25**	**15**	**14**	12	10	11	11	10	9
C4. Market Financing	24	24	**21**	**12**	**11**	11	10	12	12	11	10
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	12	12	11	6	6	5	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	12	12	10	5	4	3	1	1	1	0	-1
B. Bound Tests											
B1. Real GDP growth	12	12	11	6	6	5	5	6	6	5	5
B2. Primary balance	12	12	11	7	7	6	6	6	6	6	6
B3. Exports	12	12	11	7	7	6	6	6	6	6	6
B4. Other flows 3/	12	12	11	7	7	6	6	6	6	6	6
B5. Depreciation	12	15	13	8	7	6	6	7	7	6	6
B6. Combination of B1-B5	12	12	12	7	6	6	5	6	6	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	12	12	12	8	8	7	7	7	7	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	13	12	7	6	6	5	5	5	5	4
C4. Market Financing	12	12	11	6	6	5	5	6	6	5	5
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Tajikistan: Sensitivity Analysis for Key Indicators of Debt, 2025-2035

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	20	18	18	18	19	19	20	20	20	20	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	20	18	17	17	17	18	18	18	18	18	19
B. Bound Tests											
B1. Real GDP growth	20	19	20	21	23	24	26	27	28	28	29
B2. Primary balance	20	21	25	25	26	26	26	26	26	26	26
B3. Exports	20	21	24	24	25	25	25	25	25	25	25
B4. Other flows 3/	20	23	26	26	26	27	27	27	27	26	26
B5. Depreciation	20	21	18	16	14	13	12	10	8	7	5
B6. Combination of B1-B5	20	19	20	20	20	20	19	19	19	18	18
C. Tailored Tests											
C1. Combined contingent liabilities	20	35	34	34	34	34	34	33	33	33	32
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	20	20	22	25	28	30	31	32	33	34	34
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	70	66	62	66	68	70	71	71	71	72	73
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	70	65	61	62	64	65	66	66	66	68	69
B. Bound Tests											
B1. Real GDP growth	70	69	70	77	83	88	93	96	99	103	107
B2. Primary balance	70	76	89	92	94	94	95	94	93	94	94
B3. Exports	70	74	85	88	89	91	91	91	90	91	91
B4. Other flows 3/	70	82	92	95	96	97	97	97	95	96	96
B5. Depreciation	70	75	63	58	53	48	42	36	29	24	18
B6. Combination of B1-B5	70	69	72	72	72	72	71	69	66	66	64
C. Tailored Tests											
C1. Combined contingent liabilities	70	126	120	123	123	123	122	121	118	119	118
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	70	77	83	96	105	111	115	116	117	122	125
Debt Service-to-Revenue Ratio											
Baseline	12	12	12	8	8	8	9	10	11	11	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	12	12	11	8	8	8	8	9	10	10	11
B. Bound Tests											
B1. Real GDP growth	12	13	12	9	10	11	11	12	14	14	15
B2. Primary balance	12	12	14	11	11	12	11	12	12	13	14
B3. Exports	12	12	12	9	9	9	9	11	11	12	13
B4. Other flows 3/	12	12	12	9	9	10	10	11	12	12	13
B5. Depreciation	12	13	14	9	9	9	8	9	10	10	10
B6. Combination of B1-B5	12	12	12	10	9	10	9	10	11	11	12
C. Tailored Tests											
C1. Combined contingent liabilities	12	12	23	12	19	14	12	14	14	14	15
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	13	13	11	12	13	14	14	15	16	17

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Statement by Patryk Loszewski, Executive Director, and Pairav Amirzoda, Advisor for the Republic of Tajikistan
June 23, 2025

The Tajik authorities extend their sincere appreciation to staff for the insightful policy dialogue and the comprehensive analysis presented in their report and selected issues papers. They fully endorse staff's assessment, which affirms the resilience of Tajikistan's economic fundamentals and the appropriateness of its current policy stance, and highlights key medium-term policy challenges. The authorities consider the report's recommendations highly valuable and expect them to constructively inform domestic policy discussions on macroeconomic management, financial sector oversight, and structural reform priorities.

Outlook and Risks

The authorities broadly agree with staff's evaluation of the economic outlook and share their view on the principal risks surrounding it. Tajikistan's medium-term outlook remains positive, with real GDP projected to grow by 7 percent in 2025 and inflation expected to stay within the National Bank of Tajikistan's (NBT) target range. While remittances are likely to normalize—resulting in a small current account deficit—foreign exchange (FX) reserves are projected to remain adequate. Growth is expected to moderate to 4.5 percent over the medium term, highlighting the need for structural reforms to sustain momentum.

Key downside risks include weaker remittance inflows, slower growth in key trading partners, and climate or security shocks. To mitigate these risks, staff recommend greater exchange rate flexibility and a proactive monetary policy. While agreeing with staff's risk assessment, the authorities are more optimistic about medium-term growth, citing industrial expansion, financial deepening, and infrastructure development as key drivers. They also stress the importance of strong fiscal and external buffers to manage potential shocks.

Fiscal Policy

In 2024, Tajikistan achieved a fiscal surplus of 0.3 percent of GDP, supported by a 0.8 percent of GDP increase in revenue, driven by stronger income and non-tax revenues—despite a Value-Added Tax rate cut. Current spending rose by 0.5 percent of GDP, reflecting higher public wages, pensions, and social assistance. However, externally financed capital spending underperformed, with disbursements totaling USD 167 million, well below the USD 510 million ceiling, largely due to delays in Rogun Hydropower Project (Rogun) financing. The 2025 budget targets a fiscal deficit of up to 2.5 percent of GDP, with external disbursements projected to increase by 0.7 percent of GDP.

The World Bank's approval of a USD 350 million Rogun grant—part of a USD 650 million package—is expected to unlock nearly USD 3 billion in concessional financing from international financial institutions. This includes commitments from: the Islamic Development Bank (USD 150 million); the Organization of the Petroleum Exporting Countries (USD 25 million); the Kuwait Fund (USD 17 million); and the Asian Infrastructure Investment Bank (USD 270 million). These funds aim to keep Rogun-related spending within 3–3.5 percent of GDP. Tajikistan has also pledged to allocate 3 percent of Rogun revenues to pro-poor policies during construction, and 5 percent after completion.

Public debt declined to 25 percent of GDP by end-2024 but remains vulnerable due to Eurobond repayments scheduled for 2025–2027. To preserve fiscal space, the authorities plan to reprioritize spending and defer domestic capital projects if revenues fall short. The Medium-Term Revenue Plan (2024–2029) aims to raise revenue to 26 percent of GDP by 2026, through improved tax administration and rationalization of exemptions.

Quasi-fiscal losses in the electricity sector reached 0.7 percent of GDP in 2024, with the state-owned power company Barki Tojik's (BT) arrears totaling 7 percent of GDP. To reduce losses to 0.3 percent in 2025, the authorities raised tariffs by 15 percent, renegotiated purchase prices, and introduced stricter penalties for theft. On the domestic financing side, the Ministry of Finance raised 580 million somoni (about USD 57 million) through market-based securities auctions in 2024, and expects to raise 900 million somoni (about USD 88 million) this year. The authorities aim to deepen the domestic debt market and reduce reliance on external borrowing.

In 2024, the authorities made notable progress in tax administration and launched market-based government securities auctions, contributing to improved revenue collection and taxpayer compliance through expanded digitalization and reduced tax exemptions. They reaffirmed their commitment to the fiscal deficit ceiling of 2.5 percent of GDP, emphasizing readiness to adjust spending in response to revenue shortfalls. Efforts to address electricity sector losses have also advanced, including the rollout of smart meters, increases in tariffs, and strengthened payment discipline by state-owned entities. The authorities expressed optimism that recent agreements to reschedule BT's arrears and reduce electricity purchase prices will help stabilize the sector's finances in 2025.

Monetary Policy

Inflation remains close to the lower bound of the NBT's target, prompting a reduction in the target to 5 percent (±2 percent) for 2025. The policy rate was lowered to 8.25 percent following two cuts in early 2025. However, the real rate remains elevated at around 5 percent. Despite low inflation, strong credit growth and financial inflows warrant a cautious monetary stance. The

NBT continues to modernize its policy framework and upholds its commitment to avoid monetary financing, in line with the amended NBT Law.

To manage liquidity, the NBT increased sterilization efforts in late 2024. However, reserve money growth has picked up again in 2025. Current sterilization instruments yield below the policy rate, weakening transmission. Aligning issuance volumes with liquidity forecasts and conducting fixed-rate, full-allotment operations at the policy rate would help absorb excess liquidity and strengthen monetary control.

External Sector Assessment

The authorities agree that enhancing exchange rate flexibility is critical for managing large financial inflows and increasing resilience to external shocks. It would also reduce reliance on administrative measures and support broader financial market development. While the somoni remained broadly stable in 2024—appreciating by only 0.2 percent—it strengthened by about 9 percent against the US dollar between January and May 2025, driven by continued inflows. The NBT has taken several steps to modernize the FX market, including by ending ruble transfer auctions, improving public sector FX transaction mechanisms, introducing price-based FX auctions, and updating the calculation of official and remittance exchange rates to better reflect market conditions.

Moreover, the authorities broadly agreed with staff's recommendations to adjust the monetary stance if inflationary pressures emerge. They have already begun increasing liquidity absorption through NBT certificate of deposit auctions. The NBT supported the external sector assessment and reaffirmed its commitment to a market-determined exchange rate, while acknowledging challenges posed by a shallow FX market. They also highlighted recent reforms aimed at improving FX market functioning and expressed interest in further developing FX infrastructure to enhance price discovery and better align supply and demand.

Financial Sector

The banking sector has strengthened following the resolution of two troubled banks. However, risks remain due to volatile external conditions and the potential for reversals in financial inflows. Robust household lending, fueled by these inflows, underscores the need for close monitoring of credit standards and systemic risks. To safeguard financial stability, the NBT is gradually introducing macroprudential tools—such as borrower-based measures, a countercyclical capital buffer, and forward-looking stress tests.

Improving governance and transparency remains a key priority. The integration of beneficial ownership data into supervision (in April 2025) will enhance oversight of related-party risks. Meanwhile, the insurance sector is gaining momentum, supported by improved supervision. Continued alignment with international regulatory standards—including empowering the supervisory authority to issue its own directives—will help deepen the financial market. Strengthening consumer protection will also be key to building public trust in insurance products.

The authorities reaffirmed their commitment to strong supervision and macroprudential oversight, noting that while lending is growing rapidly, it remains modest relative to the size of the economy. They highlighted improvements in prudential indicators and emphasized the NBT's stricter definition of non-performing loans. The shift toward domestic currency lending was identified as a key risk-mitigation measure, given past vulnerabilities from foreign currency exposures. The NBT also acknowledged risks related to maturity mismatches and loan concentration, which will be addressed through upcoming stress testing. In addition, the authorities supported further development of the insurance sector, leveraging the NBT's supervisory experience.

Structural Policies

Tajikistan is advancing a broad structural reform agenda aimed at improving governance, public sector efficiency, and the investment climate. Key efforts include strengthening anti-corruption measures under the 2021–2030 National Anti-Corruption Strategy, enhancing transparency in corporate ownership, and aligning legal frameworks with international standards. The authorities are also working to streamline asset declarations, enforce public procurement rules, and strengthen oversight institutions. These reforms are intended to build trust in public institutions and support private sector-led growth.

State-owned enterprises (SOEs) remain a significant part of the economy, employing 25 percent of the workforce and accounting for 18 percent of GDP. The authorities are improving SOE oversight through expanded monitoring, transparent board appointments, and inclusion of more SOEs in fiscal risk assessments. However, further steps are needed to enforce financial reporting standards, digitize oversight processes, and address legacy issues in firms like Tajik Air. In parallel, the authorities are promoting transparency in the extractive sector and strengthening governance frameworks to support sustainable development and macro-financial stability.