

Republic of Tajikistan: Selected Issues and Statistical Appendix

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REPUBLIC OF TAJIKISTAN

Selected Issues and Statistical Appendix

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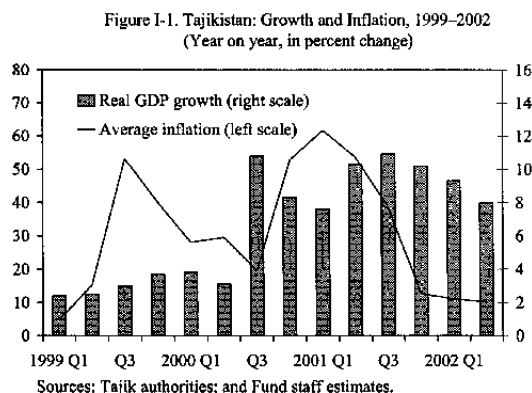
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I. RECENT DEVELOPMENTS

A. Overview

1. **Despite unfavorable external developments, Tajikistan's macroeconomic performance improved in recent years.** External shocks have included the Russia crisis, two consecutive years of drought and chronic regional instability. Nonetheless, Tajikistan was able to achieve strong growth—averaging about 7½ percent over the period 1999-2001—and to reduce inflation to 13 percent by end-2001 from about 60 percent at end-2000 (Figure I-1). This favorable performance continued in the first nine months of 2002.



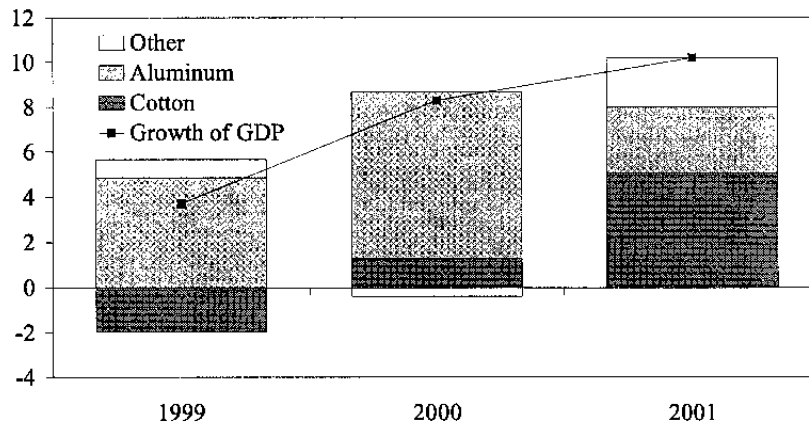
- The lessons that emerge from recent experience indicate that weak institutions have resulted in erratic implementation of structural reforms, which threaten the sustainability of the economy's improved macroeconomic stability.
- Reforms in a few key areas are needed in order to achieve sustainable growth and poverty reduction. These include enhancing central bank operations and independence, strengthening commercial banks in order to improve domestic resource mobilization, reducing quasi-fiscal deficits in the energy sector, improving fiscal operations, enhancing debt management capabilities, and accelerating reform in agriculture. Improving governance and strengthening institutions are themes that cut across each of these areas.
- These priorities are consistent with those described in the Poverty Reduction and Strategy Paper prepared by the authorities. This paper examines aspects of these issues. Chapter II examines banking sector developments, chapter III estimates quasi-fiscal activities in the energy sector, chapter IV provides an assessment of external sector trade and the need for further trade reform, and chapter V assesses developments in the agriculture sector.

B. Macroeconomic Performance

2. **In recent years growth was mainly driven by increased aluminum and cotton production, although it diversified somewhat in 2001.** Following a slump in cotton production in 1999, growth picked up in the last two years and became more broad-based (Figure I-2). Recently, growth was augmented by an increase in domestic demand, fueled by a significant inflow of remittances (estimated to be between 5 and 10 percent of GDP) and a rise in real wages as inflation slowed. This strong performance continued during the first nine

months of 2002 with 12-month inflation of 16 percent and GDP growth of 8 percent compared to the same period of a year earlier.

Figure I-2. Tajikistan: Sources of Growth, 1999–2001
Contribution to GDP Growth (Weighted Sector Growth Rates)
(In percent)



Sources: Tajik authorities; and Fund staff estimates.

3. **Improved inflation performance was assisted by better implementation of macroeconomic policies.** Prior to 2001, inflation performance was erratic due to external factors and uneven implementation of monetary policy. Higher revenues due to buoyant growth and improved tax collections, combined with expenditure restraint, led to a near-balanced budget in 2001 and a fiscal surplus in the first half of 2002. Monetary policy was well disciplined for most of 2001 and the first half of 2002, supported by strong fiscal performance. However, in the third quarter of 2002, a temporary monetary loosening combined with a trade-related shock led to accelerated inflation.

4. **Balance of payments developments, however, were not favorable and managing external debt is a major challenge for the future.** The current account deficit reached 7.1 percent of GDP in 2001, reflecting adverse terms of trade developments and increased domestic demand. In broad terms, external competitiveness appears to have declined recently, as wages increased relative to trading partners without offsetting increases in productivity. The external deficits have been financed mainly through borrowing from multilateral financial institutions and foreign direct investment has only provided a small part of financing. Without restructuring, external debt service will impose severe constraints on the budget and hinder spending in support of initiatives to reduce poverty.

C. Reform Challenges

5. **While macroeconomic performance has improved, implementation of structural reform was erratic.** Given the sizeable debt burden and need to increase poverty spending, it is essential that growth be made sustainable. This requires progress on strengthening fiscal

institutions; improving debt management; reducing quasi-fiscal deficits; and mobilizing domestic resources through the banking sector. Moreover, the government needs to reduce its involvement in the economy in order to encourage private sector activity, especially in agriculture.

6. **Reforms in the banking sector are needed to mobilize domestic resources.** The high level of external debt necessitates the mobilization of domestic resources. The banking sector, however, is weak and there is little financial intermediation of domestic resources. Further restructuring is needed of the largest banks and efforts need to be made to strengthen banking supervision in order to increase confidence in the sector (chapter II).

7. **Quasi-fiscal deficits are undermining fiscal consolidation efforts and distorting energy use.** While it appears that fiscal performance was strong, if quasi-fiscal activities were included in the budget, a very different picture of fiscal performance would emerge. It is estimated that the quasi-fiscal activities in the energy sector are 5½ percent of GDP (chapter III). In addition, directed credits by the National Bank of Tajikistan have been another source of quasi-fiscal activity that undermined fiscal and monetary performance and reflects the need to strengthen central bank independence.

8. **Further efforts to liberalize trade to reduce its vulnerability to external shocks are needed.** Tajikistan's trade lacks geographic and commodity diversity, reflecting in part non-tariff trade barriers and domestic market distortions. More transparent trade relations with its neighbors and opening regional markets would encourage trade (chapter IV).

9. **Reform in agriculture is needed to provide a strong basis for export-led growth.** Government intervention in the land reform process and in the operations of farms is hindering the growth of the sector. Preliminary evidence suggests that smaller scale farms could achieve greater productivity and employment growth than larger farms. As such this constitutes an important potential source of poverty reduction. Realizing this potential would require decreasing government intervention; improving farm privatization mechanisms; and resolving the debts of state-owned farms which are to be privatized (chapter V).

II. BANKING SECTOR DEVELOPMENT AND REFORM¹

A. Overview

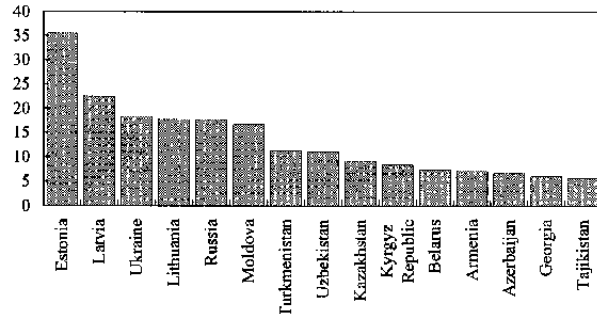
10. **Tajikistan's banking sector is fragile and underdeveloped, however, recently there have been signs of improved performance.** By most indicators, the sector is very small even in comparison to other CIS countries. While there is a primary market for treasury bills, there is no secondary market. Deposit mobilization is only about 4 percent of GDP, which is comparable to other low-income CIS countries but substantially lower than more

¹ Prepared by Sheila Bassett.

advanced transition countries.² Additionally, both the extent of monetization and the size of the money multiplier are low (Figure II-1).

- The banking system is divided between large, old-style banks that have undergone varying degrees of restructuring and a few small banks that operate effectively.
- About 85 percent of total bank assets are held by four large banks with the majority of these consisting of loans to cotton sector enterprises. Over the past few years, cotton sector lending has been financed through external borrowing rather than deposit mobilization.

Figure II-1. Degree of Monetization in Selected Countries, 2001
(Broad Money in Percent of GDP)



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

- In general, the banking system is weak—it is undercapitalized; bank supervision is inadequate; many prudential requirements are not met; and there is excessive credit risk due to a lack of banking skills and concentration of lending in the cotton sector.
- During the past year there has been some progress toward strengthening the banking sector. Legislation has been amended to reduce government intervention in bank operations and the quality of bank supervision is gradually improving. Nonetheless, further reforms are needed in order for the sector to contribute significantly to domestic resource mobilization: bank restructuring, strengthening of bank supervision, promoting a level playing field for banks, and improving the regulatory environment.

11. **Tajikistan's banking sector consists of the National Bank of Tajikistan (NBT) and 14 commercial banks.**³ The sector is highly concentrated, with the four largest banks—Agroinvestbank (AIB), Orienbank, Tajiksoderotbank (TVEB), and the Savings Bank (Amonatbank)—controlling about 85 percent of assets and 70 percent of household deposits. Three of these banks have been privatized, while Amonatbank remains state-owned. Amonatbank holds the largest share of household deposits and is the only bank that has a government guarantee on deposits. As successors to the soviet era banks, these four banks

² For example, deposit mobilization is about 9 percent of GDP in Armenia; 5 percent of GDP in the Kyrgyz Republic; 20 percent of GDP in Lithuania; and 40 percent of GDP in Hungary.

³ This excludes two banks which were converted to credit partnerships (Fonon and Dekhan) and one bank which was transformed into an investment bank (Central Asian Bank).

have a large number of nonperforming loans in their portfolios, about 94 percent (including cotton loans) of total loans as of mid-2002. Further, the four banks have tended to cling to their sector orientation with the result that there is little competition among them.

12. **Progress in restructuring the four largest banks has been mixed.** Two of them—Orientbank and TVEB—have made some progress with restructuring. However, the other two—Amonatbank and AIB—remain undercapitalized and perform few bank functions. IFIs played a key role in improving the operational capacity and loan quality of Orientbank and TVEB through technical assistance, credit lines (in the case of Orientbank) and new injections of capital (in the case of TVEB). In contrast, Amonatbank continues to function primarily as a fiscal agent for the government, e.g. paying pensions and other budgetary disbursements and accepting tax payments through its network of branches and agencies, while AIB increasingly serves as a conduit for external financing of the cotton sector (Box II-1).⁴

Box II-1. Agroinvestbank and Amonatbank

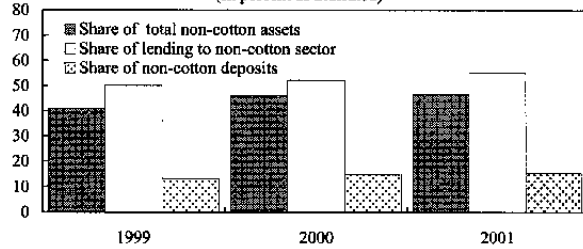
AIB is the largest commercial bank, accounting for more than 80 percent of all commercial bank lending, and serves mainly as a conduit for lending to cotton producers. As of June 2002, about 90 percent of AIB's loan portfolio (11 percent of GDP) was to cotton producers. A large part of these loans are classified as nonperforming, which led to a series of restructuring agreements (in 1997, 1998 and 2002) and waivers on the prudential requirement for loan loss provisions. One consequence of the restructuring agreements of 1997 and 1998 has been an aggressive deposit mobilization policy that has included paying interest on deposits, introducing debit cards, and attracting remittances from migrant workers to Russia. Despite these efforts, the viability of the commercial bank remains at risk.

The state-owned Amonatbank has the largest branch network in Tajikistan. Its main function is as a fiscal agent for the government. As part of the restructuring agreement in 1998, the bank's lending license was suspended because of persistently poor performance. Despite investments in NBT bills, reductions in staff and an effort to attract household deposits, the bank's capital is only SM 1.9 million as of October 1, 2002.

⁴ Assessing the size of AIB hinges on whether its cotton sector lending is included. In an audit by PriceWaterhouseCoopers completed in May 2001, cotton-related assets were treated as "off balance sheet" so that total loans were only SM 57 million as of December 31, 2000; while AIB's balance sheet as of end-2000 reported to the NBT showed loans totaling SM 190 million.

13. **Small private banks are of increasing importance in financial intermediation (Figure II-2).** These banks account for about 15 percent of total bank assets. They increased their share in total non-cotton assets from about 41 percent at end-1999 to about 47 percent at end-2001.⁵ The share of nonperforming loans in total loans is significantly lower than in the larger banks, i.e., 36 percent versus 94 percent as of mid-2002. They also increased their share of deposits from 13 percent in 1999 to 16 percent in 2001 and 20 percent in mid-2002. Despite their success in these areas, their small size makes it difficult for them to comply with the minimum capital requirements (see below).

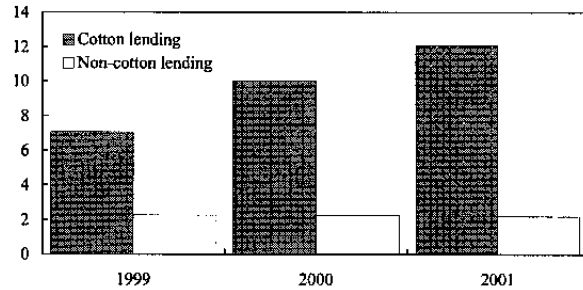
Figure II-2. Tajikistan: Indicators of Banking Activity for Small Banks, 1999-2001 (In percent as indicated)



Sources: National Bank of Tajikistan; and Fund staff estimates.
1/ Small banks exclude the four largest banks: AIB, Amonatbank, Orienbank, TVEB. Non-cotton assets exclude AIB.

14. **In terms of total lending, the banking system is oriented to cotton financing (Figure II-3).** Nearly all lending, which amounts to about 14 percent of GDP, is through the largest bank, AIB. Cotton lending has increased significantly as a share of GDP, reaching about 12 percent of GDP in 2001, compared to 7 percent in 1999. In contrast, only a small amount of credit, about 2 percent of GDP during the last three years, was available to finance the rest of the private sector.

Figure II-3. Tajikistan: Cotton Lending Versus Non-Cotton Lending, 1999-2001 (Share in GDP)



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

15. **As in other CIS countries, lending is hampered by lack of skills by banks in assessing risk and weaknesses in the legal framework concerning collateral.** Taxes and fees on pledging of collateral can add 3-5 percent to the cost of a loan. Moreover, the banking system does not have access to international capital markets. As a result, international financial institutions and donor agencies are an important source of funds for lending to the non-cotton private sector.⁶

⁵ For purposes of this paper, the small private banks are defined as all banks excluding the four largest banks. When referring to non-cotton assets and liabilities, AIB is excluded.

⁶ The EBRD has provided loans for small and medium-sized business loans, including US\$4 million to Orienbank as well as technical assistance. In addition, the enterprise support facility of the Aga Khan Foundation provides micro-finance credit to small businesses.

16. **Foreign investment accounts for about a quarter of the charter capital in the sector.** This is relatively low compared with more advanced transition countries, such as Hungary and Poland, where over half of the total assets of the banking system are foreign owned. Foreign investment is spread across five commercial banks (Table II-1).

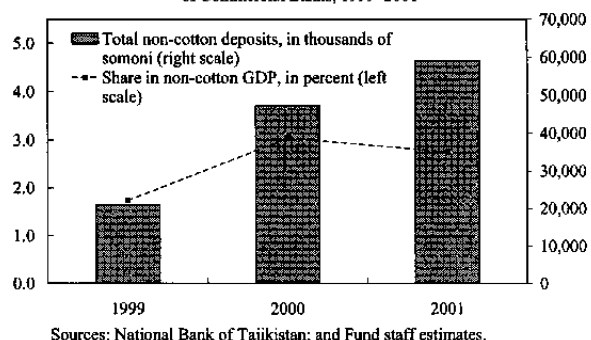
Table II-1. Tajikistan: Foreign Investment in the Banking System, end-2001

Bank	Foreign Investors
AIB	Paul Reinhart, Ltd. of Switzerland
TVEB	EBRD, IFC, Paul Reinhart, several Netherlands investors
Tajprombank	Several U.K. investors
East-credit Bank	Luxemburg (jointly owned)
Tijorat Bank	Branch of Iranian Bank

Source: National Bank of Tajikistan.

17. **Despite problems, there are signs of improved performance over the past 18 months.** Non-cotton deposits increased by about 25 percent in 2001 and as of mid-2002 were almost four times higher than at end-1999 (Figure II-4). In addition, household deposits increased substantially, growing about 85 percent in 2001 and a further 22 percent in the first quarter of 2002. At the same time, the share of local currency deposits in total household deposits increased, and now accounts for about a quarter of total household deposits, suggesting increased confidence in the local currency. As a result, some banks were able to increase their reliance on deposits as a source of liquidity, so that the share of deposits in total non-cotton liabilities rose to 60 percent at end-June 2002 from about 45 percent at end-1999. This compares favorably to other CIS countries such as Georgia where it is about 40 percent of liabilities and advanced countries where deposits are about two-thirds of total bank liabilities. Moreover, the increase in deposits was observed in most of the banks, suggesting that confidence in the system as a whole has improved.

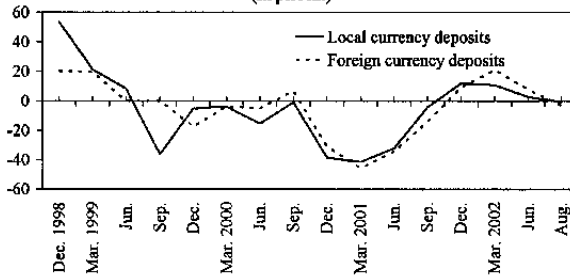
Figure II-4. Tajikistan: Trends in Non-Cotton Deposits of Commercial Banks, 1999-2001



18. **Increased deposits mainly reflected proactive measures by banks and positive real interest rates.** Banks began paying interest on more types of deposits and real interest rates on deposits were positive in 2001 for the first time in several years (Figures II-5 and II-6). Other factors include reforms in the banking sector that reduced government interference; growth of workers' remittances that are intermediated by the banking system because of the elimination in 2001 of the tax on transfers from abroad; and greater macroeconomic stability leading to some remonetization. While some of these factors, such

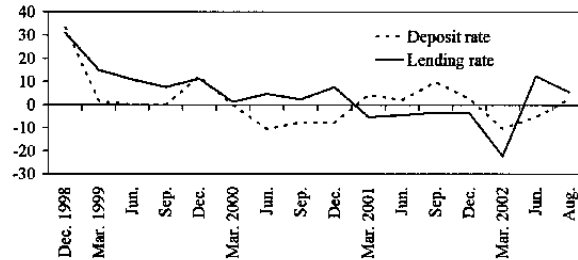
as the impact on deposits of sizeable inflows of worker's remittances may have only a temporary impact on the growth of deposits, the process of financial deepening associated with economic development, macroeconomic stability, and reforms in the banking sector would be expected to contribute to an increase in deposits and decline in velocity over a number of years.⁷

Figure II-5. Tajikistan: Real Interest Rates on Deposits, 1998–2002 1/ (In percent)



Sources: National Bank of Tajikistan; and Fund staff estimates.
1/ Real interest rate on 3–6 month deposits.

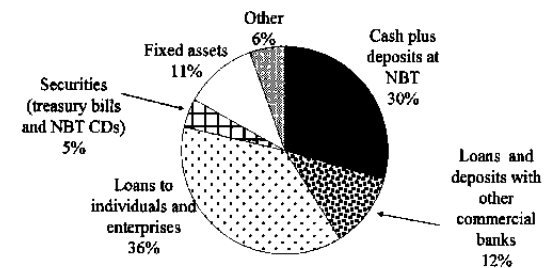
Figure II-6. Tajikistan: Spread on Short-Term Interest Rates, Local Currency Versus Foreign Currency, 1998–2002 1/ (In percent)



Source: National Bank of Tajikistan.
1/ Real interest rate on 3–6 month deposits.

19. **Lending to the non-cotton private sector increased but is constrained by liquidity requirements.** Lending to the non-cotton sector did not keep pace with deposit growth, increasing by about 80 percent since 1999. This reflects in part prudential standards on liquidity that require banks to hold 75 percent of their deposits in liquid assets.⁸ In addition, reserve requirements are relatively high at 20 percent, and there is a liquidity requirement on total assets of 25 percent. As a result,

Figure II-7. Tajikistan: Components of Non-Cotton Assets in the Banking Sector, 2001 (In percent)



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

⁷ See for instance, Bordo and Jonong (1987) for an investigation of the long-run behavior of velocity. Under their hypothesis, velocity follows a “U-shaped” pattern: the monetization process contributes to a rapid decline in velocity in the first segment, then after completion of the monetization process, the curve flattens out; and then rises as financial innovation reduces the demand for money.

⁸ As of January 1, 2000, the ratio was raised to 75 percent from 50 percent in line with recommendations from the IMF’s Monetary and Exchange Affairs Department. Liquid assets include cash, NBT correspondent accounts, receivables from other banks’ correspondent accounts, government treasury bills, and NBT certificates of deposit.

commercial banks' cash holdings and deposits with the NBT (excluding AIB) increased substantially during 2001 and were about four times greater than at end-1999 (Figure II-7).

20. **Smaller banks accounted for most of the increase in non-cotton lending in 2001.** Total non-cotton lending is estimated to have increased by over 30 percent during 2001, of which the smaller banks accounted for about two-thirds of the increase. This reflected their ability to compete with the larger banks for deposits (their share in total deposits increased by about 1 percentage point to 16 percent during 2001) and expand their loan portfolios (their share in non-cotton lending rose by 3 percentage points and accounts for over half of total non-cotton lending).

21. **Reflecting more efficient operations, smaller banks also accounted for increased profits during 2001 and the first half of 2002.** In the last two years, the smaller banks were more profitable than the four largest banks (Table II-2). This reflected mainly lower growth in expenditure (personnel and interest expenses). In the smaller banks, net interest earnings increased in the last two years, while that of the four largest banks declined. The larger banks increased their reliance on foreign exchange income, although this source of income can be expected to decline due to exchange rate stability and increased competition among banks. Moreover, stringent liquidity requirements and only partial remuneration on reserves held at the NBT are constraining banks' profitability.⁹

Table II-2. Tajikistan: Income of Commercial Banks, 1999-2002
(In millions of somoni)

	Four Largest Banks 1/				Other Banks				All Banks			
	1999	2000	2001	Jun-02	1999	2000	2001	Jun-02	1999	2000	2001	Jun-02
Revenue	15.8	28.4	36.6	20.7	6.6	14.0	17.5	10.2	22.4	42.4	54.1	30.9
Interest income	6.4	6.4	8.9	6.1	2.6	2.5	3.9	3.1	9.0	8.9	12.8	9.2
Fees commissions, foreign exchange transactions	9.4	22.0	27.7	14.6	4.0	11.6	13.6	7.1	13.4	33.6	41.3	21.7
Expenses	14.3	26.7	35.7	17.6	5.8	9.7	8.5	6.9	20.1	36.4	44.2	24.5
Interest on deposits	2.8	2.2	6.2	4.8	1.2	0.5	0.5	0.6	4.0	2.7	6.7	5.4
Personnel	2.9	3.3	5.3	2.9	0.9	1.0	1.0	0.6	3.8	4.3	6.3	3.5
Provisions	4.1	9.7	8.8	1.2	2.0	2.2	0.7	0.5	6.1	11.9	9.5	1.7
Profits	0.9	1.7	0.9	0.7	1.3	4.4	8.9	3.5	2.2	6.1	9.8	4.2
After tax profits	0.7	1.2	0.6	0.5	0.2	3.1	6.2	2.4	0.9	4.3	6.8	2.9

Source: National Bank of Tajikistan.

1/ Amonatbank, Agroinvestbank, Orienbank, TVEB.

⁹ As of April 2001, the NBT allowed banks to hold up to one-quarter of their required reserves in the form of treasury bills or NBT CDs. This has contributed to an increased share of securities in banks' portfolios, rising from about 2 percent in 2000 to 5 percent of total assets in 2001.

B. Regulatory Environment

22. **The banking system is governed by the Law on the National Bank of the Republic of Tajikistan and the Law on Banks and Banking Activities.** The central bank law establishes the independence of the NBT, which is accountable to parliament and is responsible for formulating and implementing monetary and exchange rate policies. The NBT is also responsible for supervising the operations of the banking system.

23. **The NBT has amended the legal framework to increase confidence in the banking sector and bank soundness.** In some cases, the civil code conflicted with banking law such that the banking sector was subject to corporate tax laws, which resulted in unfavorable tax measures for banks and was not consistent with international practice. Amendments to the tax code came into effect in May 2002 that changed the property tax base for commercial banks from net assets to fixed assets and allowed banks to deduct all loan loss provisions on categories of credit, except for provisions for standard loans. In addition, an amendment to the commercial bank law has been approved by parliament that would allow banks to hold their capital in foreign exchange.

24. **Measures have also been introduced to reduce government interference in the banking sector.** Amendments to the tax code limit tax officials' access to bank accounts when carrying out corporate tax examinations and to freezing clients' accounts without first obtaining a court order.

25. **Legal changes to the civil code were made to improve bank competition, but further measures are needed.** In January 2000, the second part of the Civil Code was passed, which permitted individuals and enterprises to have accounts with more than one bank. The NBT notified banks of the change and modified its regulations on local and foreign currency accounts in accordance with the new provisions.

26. **The NBT eliminated the 30 percent tax on transfers from abroad in September 2001, providing increased opportunities for bank intermediation.** During 2001, it is estimated the total remittances intermediated by the banking system were US\$4 million, which increased to over US\$3½ million in the first quarter of 2002.

27. **In addition, an asset liquidation agency (ALCO) under the umbrella of the NBT was recently set up to assist with the collection of bad loans.** These loans include directed credits to state-owned enterprises issued by the NBT to commercial banks. Bad loans in the amount of US\$80 million were transferred to ALCO during 2001.¹⁰ However, progress in collection of bad loans by ALCO has been only modest.

¹⁰ This includes US\$32 million transferred from the Ministry of Finance to ALCO in 2001.

C. Prudential Requirements and Risks to the Banking Sector

28. **Although the NBT has progressively raised the minimum capital requirement, progress in bank consolidation has been limited.** The minimum capital requirement for existing banks is now US\$1.5 million with effect from January 1, 2002, while that for newly established banks is US\$3.0 million.¹¹ As of July 1, 2002, only five banks met the minimum capital requirement; with two of the largest banks, Amonatbank and Agroinvestbank well below the stated minimum.¹² At the same time, the number of banks has been reduced to 14 from 19 at end-1998.

29. **Only a few banks meet all the minimum prudential requirements and numerous waivers have been granted to the largest banks (Tables II-3 and II-4).** As a result, there is not a level playing field among banks. As of July 1, 2002, only three banks met all prudential requirements, accounting for only about 12 percent of the assets of the banking system.¹³ However, all of these banks receive waivers on at least one of the prudential requirements, one receives a waiver on the liquidity requirement, although this is only to last a few more months; while the other two banks receive waivers on requirements for credit diversification, including exposure to a single borrower and connected lending, on grounds that the affected loans are to strategic sectors. Moreover, all the largest banks have waivers on prudential requirements and/or reserve requirements.¹⁴ These waivers allow large banks to have a competitive advantage over the smaller banks and weaken bank soundness.

30. **Some small private banks meet all the prudential requirements except the minimum capital requirement.** This poses difficulties for the banking supervision department of the NBT as it takes a significant amount of well-trained staff to determine which banks have long-term viability and which banks have no future prospects and need to be closed.

¹¹ The minimum capital requirement for existing banks is to be gradually increased by US\$500,000 per year, until it reaches US\$3 million.

¹² Amonatbank is not subject to the minimum capital requirement for the duration of the agreement, which is in effect until end-Dec 2001. Agroinvestbank is not subject to penalties since it now has negative capital.

¹³ Under the law, the NBT can impose penalties on banks of up to one percent of total capital of the bank. It appears that some banks that do not have waivers and are not meeting prudential requirements are paying penalties.

¹⁴ As noted above, Amonatbank is precluded from meeting all prudential requirements while it is under its agreement with the NBT, and Agroinvestbank is not subject to penalty as long as its capital is negative.

Table II-3. Tajikistan: Regulatory Framework for Commercial Banks as of July 1, 2002 1/

Type	Prudential Regulation
1. Prudential regulations	
Capital adequacy ratios 1/	
Capital relative to risk weighted assets 2/	12 percent
Capital relative to total assets	10 percent
Minimum capital requirements 3/	
For existing banks, total capital	US\$1.5 million
For newly established banks, charter capital	US\$3 million
Liquidity standards 4/	
Share of liquid assets relative to demand liabilities	75 percent
Liquid assets to total assets	25 percent
Limits on lending	
Credit diversification	
Lending to a single insider or group of related borrowers	Maximum of 25 percent of total capital
Large credit exposure	Limited to five times the total capital
Connected lending	
Loans to single shareholder	Maximum of 10 percent of capital
Loans to all shareholders	Maximum of 50 percent of bank's total capital
Single insider borrowing	Loans to a shareholder possessing more than 5 percent of total shares is limited to 2 percent of total capital
All insider borrowing	Loans to all insiders are limited to 3 percent of total capital
Investments in nonbank activity	20 percent of total capital
Foreign exchange exposure	
Net foreign open position, all currencies	
Long positions	Maximum 30 percent of total capital
Short positions	Maximum 10 percent of total capital
Soft currency	Maximum 10 percent of total capital
Net foreign open position, individual currency	Maximum of 24 percent on long positions in any one hard currency
2. Other requirements:	
Loan loss provisioning requirements (LLP)	There are 5 classifications for LLP: Satisfactory—2 percent, for collateralized loans overdue less than 30 days; under and un-collateralized loans prolonged no more than once. Special mention—5 percent for collateralized loans overdue 30-60 days; undercollateralized loans less than 30 days. Substandard—30 percent for collateralized loans overdue between 60-180 days; undercollateralized loans overdue 30-60 days; uncollateralized loans overdue less than 30 days. Doubtful—75 percent for undercollateralized loans overdue 60-180 days; uncollateralized loans overdue 30-60 days. Loss—100 percent for collateralized loans overdue more than 180 days; undercollateralized loans more than 180 days; and non-collateralized loans over 60 days due.
Required reserves on deposits	20 percent
Off-Site supervision and on-site supervision	Full inspection of all banks at least once in two years; verification of financial statements and topical issues are examined on a more frequent basis.
Limit on fixed assets	Maximum of 20 percent of capital; in each subsequent increase in capital it should not exceed 10 percent.
Limit on ownership by any one shareholder	Maximum of 65 percent of equity capital
Annual audits	Yes; largest banks are required to have an annual external audit; smaller banks can be audited domestically.
International accounting standards (IAS)	Banks are required to prepare parallel financial statements in accordance with IAS.
Deposit protection	No
Money laundering regulations	No
Sanctions	Up to 1 percent of minimum statutory capital

Source: National Bank of Tajikistan.

1/ Total capital includes Tier 1 capital (common share capital plus retained earnings plus the difference between the bank's stocks selling price and its nominal value) and secondary capital (50 percent of revalued fixed assets, if certified; foreign currency and precious metals revaluation reserves and subordinated loans).

2/ Risk weights are divided into 5 groups, from lowest to highest risk. The first group of assets have zero risk and comprise the reserve and correspondent accounts with the NBT, cash and government treasury bills and other debt instruments. The fourth and fifth group have the highest risk (from 50 to 100 percent). Assets in these groups include, funds due from other domestic banks and non-OECD countries excluding CIS countries; short-term securities with less than 6 months maturity.

3/ Since the minimum capital requirement is set in US dollars, but capital must be maintained in somoni, the calculation is based on the average official exchange rate of the previous year.

4/ Liquid assets include cash, correspondent accounts with the NBT, correspondent accounts with other banks, treasury bills, government bonds, NBT CDs.

Table II-4. Tajikistan: Prudential Requirements as of July 1, 2002 1/

	All Banks	Four Largest Banks	Smaller Banks
Capital adequacy			
Minimum capital, SM million	-5.1	-27.1	2.9
Capital adequacy ratio	63	11	82
Capital/total assets	36	3	48
Liquidity standards			
Liquid assets/demand liabilities	426	68	556
Liquid assets/total assets	45	40	46
Credit diversification			
Single borrower loans/ total capital	85	19	114
Large credit exposure/total capital	2	1	2
Connected lending			
Single shareholder borrowing/total capital	35	6	330
All shareholder borrowings/total capital	47	12	63
Single insider borrowing/total capital	1	1	2
All insider borrowing/total capital	2	3	2
Equity in nonbank enterprises/total capital	2	1	2
Foreign exchange exposure			
Net foreign open position/total capital (in percent)	48	31	55
Net open position in U.S. dollars/total capital (in percent)	48	30	55

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

1/ Simple average across banks.

31. Implementation of International Accounting Standards (IAS), which began in 1996, has not been fully realized for day-to-day operations. All banks are required to prepare parallel financial statements in accordance with IAS. However, full implementation in all financial reporting has not been achieved, and banks continue to encounter accounting-related problems. The largest banks are subject to international audit.

32. As indicated by the lack of compliance with prudential regulations and international accounting standards, the banking system is weak and vulnerable. Among the problems facing banks is credit risk, stemming from weak information on borrowers and inadequate credit risk management, as well as sizeable nonperforming loans. At the same time, loans have declined as a share of total assets, with the exception of AIB which has over

90 percent of its assets in loans.¹⁵ The banking system (excluding AIB) has reduced its share of lending in its portfolio to about 36 percent from about 46 percent in 1999, which compares with that of more advanced transition countries (Lithuania and Poland, 35 and 40 percent respectively) and is significantly lower than in the United States (about 60 percent).

33. **Among the larger banks, the size of the nonperforming loan portfolio and the extent of underprovisioning constitutes a major risk.** The banking supervision department of the NBT estimates the level of NPLs to be about 65 percent, including special cotton futures. Almost all these loans require 100 percent provisioning. However, only about half of them are provisioned. It is estimated that if proper provisions were made on the remaining part, this would reduce half of the total capital of the system.

34. **The system is also vulnerable to credit concentration and to liquidity risk.** Lack of enforcement of prudential requirements and waivers granted on the basis of strategic lending places the system at risk.¹⁶ There is also liquidity risk to the sector given the confidence-sensitive nature of banks' liabilities (demand deposits make up over 80 percent of total deposits), although most banks are subject to stringent prudential requirements on liquidity.¹⁷

D. Reforms to Strengthen and Develop the Banking System

35. **A key component of Tajikistan's reform program will be to strengthen the banking sector in order to allow greater mobilization of domestic savings.** This will involve bank restructuring; strengthening bank supervision; promoting a level playing field for banks; encouraging competition; and improving the regulatory environment for banks.

36. **The NBT should move quickly to finalize a restructuring plan for AIB and Amonatbank (Box II-2).** The restructuring of these banks could take place along functional lines in order to separate banking functions from nonbank functions. In the case of Amonatbank, the plan involves creating a separate department within the bank that would be responsible for administering the fiscal agency function. In addition, the plan allows for full remuneration for services provided to the government. In the case of AIB, two separate entities could be created—a non-bank institution responsible for cotton trading activities and a commercial bank. At the same time, the NBT should try to ensure that appropriate

¹⁵ Excluding cotton lending, lending amounts to 34 percent of AIB's non-cotton assets.

¹⁶ Seven banks do not comply with minimum requirements for credit diversification limits on single borrowers. Besides AIB, there are several other banks with high concentrations of lending in the cotton and aluminum sectors (about 25 percent of the banking system assets excluding AIB).

¹⁷ AIB does not meet the liquidity requirement.

regulation on the non-bank financial entity is in place.¹⁸ The restructuring plans would also need to address problem loans in the banks and assess the viability of the retail banking portion of the two banks. If viable, the retail bank portion could be merged with another bank or it could be liquidated. The total amount of household deposits of these banks is about SM 4 million, which would represent a potential risk to the budget, along with state-guaranteed loans.

Box II-2. Status of Restructuring of Agroinvestbank and Amonatbank

Restructuring of Amonatbank and Agroinvestbank has been ongoing since 1998. Progress has been slow and uneven. While these banks have been able to reduce their reliance on NBT financing and to increase collection of overdue loans, both banks are undercapitalized. Their net worth positions have not improved relative to end-1999. A more fundamental obstacle to their long-term viability as banks, is that their primary roles are not in commercial banking but rather as agencies, for cotton financing in the case of AIB and for fiscal payments in the case of Amonatbank. As a result, both banks contribute minimally to the development of the banking system.

As part of its restructuring agreement, AIB began to prepare a second balance sheet to monitor developments in the non-cotton portion of its business to determine its viability. Loans in the non-cotton component are only about 11 percent of AIB's total lending (although this includes trade financing for agriculture imports) at end-July 2002. The deposit base at end-July 2002 was SM 74 million, about 18 percent of its liabilities. This small deposit base is supported by 65 offices with approximately 1,130 employees. As part of its business plan, AIB began to seek deposits and it reissued plastic deposit cards (stopped in the aftermath of the Russian crisis). It also began to play a significant role in transferring workers' remittances from Russia. However, since AIB's ownership is dominated by interests in the cotton industry, it is unlikely that there will be a fundamental change in their business focus. Starting in April 2002, the NBT required AIB to begin provisioning for doubtful loans to the cotton sector placing the long-term viability of the bank in question. As a result of new provisioning requirements for cotton loans, AIB's capital position became significantly negative (negative SM 124 million as of August 1, 2002).

In the case of Amonatbank, performance has improved under new management, but the bank remains seriously undercapitalized. New management was put into place in 2001 which resulted in some improvement in the net worth position of the bank. In March 2001, the NBT withdrew its license for lending. An agreement was signed with the NBT through end-2002 with the aim of bringing the capital adequacy ratio to 12 percent, from 5.8 percent. By end-August 2002, the bank had achieved this. To improve the performance of the bank, and following suspension of its lending, the management sought to increase the share of assets in treasury bills and NBT CDs, while reducing nonperforming loans. In addition, employment was decreased and the number of agencies was reduced from 575 to 519 by end-June 2002. Household deposits amounted to about SM 3 million as of end-September 2002. However, the total capital of the bank, as of October 1, 2002 stood at only SM 1.9 million.

¹⁸ In the case of India, for instance, there is limited regulation of non-bank financial institutions which do not take deposits. They are required to comply with those prudential norms concerning income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts.

37. **Another important step will be to restructure or close banks that do not meet minimum capital requirements.** With technical assistance, the NBT should develop written guidelines which include a step-by-step process for bringing a bank up to the minimum requirement or closing a noncompliant bank, as well as a process for introducing a temporary administrator into a problem bank. Ensuring that banks meet the minimum capital requirement will require on-site examinations to assess the capital position of each bank. It will be important for the NBT to also include in its guidelines a clear set of rules for dealing with the small, but well-managed banks that do not meet the minimum capital requirement. This may include capital forbearance for several years with a business plan on how the bank's capital will be increased to the minimum requirement. It is important to note, however, that this will require additional resources to monitor the banks.

38. **Further steps are needed to improve the regulatory environment.** These include rationalizing liquidity requirements, increasing competition, and removing obstacles to collateralized lending. Although there is a need to ensure that banks have sufficient liquidity to accommodate a sudden withdrawal of deposits, there is also a need to give banks sufficient room to lend. Therefore, the NBT is seeking ways to rationalize the liquidity requirement on commercial banks. Efforts also need to be made to remove obstacles to collateralized lending through enforcement of loan contracts and providing for the use of farms as collateral.

39. **Additional steps need to be taken to improve corporate governance in the banking sector.** The NBT should continue to encourage implementation of IAS in commercial banks on a day-to-day basis. External audits of the commercial banks for 2002 should be selected through competitive bid to encourage an "arms length" relationship between the auditor and the banks and to try to reduce costs. In addition, the NBT should assist banks with efforts to obtain technical assistance and training for commercial bank personnel, as well as twinning arrangements with foreign banks. The government should also establish legislation governing non-bank financial institutions. The ADB is presently working with the NBT and non-bank credit institutions involved in microfinance to develop legislation governing these institutions.

III. QUASI-FISCAL ACTIVITIES IN THE ENERGY SECTOR¹⁹

A. Overview

40. **More than a decade after independence, the energy sector in Tajikistan remains characterized by low tariffs and collection rates that are financed by arrears and under-investment.** Little energy sector reform took place during the 1990s chiefly because of the civil war and weak institutional capacity (Box III-1). As well as adding to the public sector's unfunded liabilities, these quasi-fiscal activities (QFAs) distort resources allocation

¹⁹ Prepared by Zeljko Bogetic.

and create inefficiency. In the case of Tajikistan, a lack of maintenance and investment has led to shortages of energy supplies with some parts of the country having no access to heat or electricity for extended periods. At the same time, low tariffs and poor collection rates have led to over-consumption so that Tajikistan's energy intensity remains among the highest in the CIS countries (Figure III-1).

Box III-1. Tajikistan: Energy Sector Reform as of mid-2002

Institutional reform. The key provisions of the recently (2000) passed energy law called for commercialization of Barki Tajik (the state-owned electricity enterprise) and creation of a Ministry of Energy responsible for setting energy policy. The government also created the Anti-Monopoly Agency with the mandate of setting prices and tariffs for all utility services. In 2001, Tajikkommunservice, a conglomerate utility company, was dismantled and responsibility for production, trade and distribution of gas was assigned to a new state enterprise, Tajik Gas.

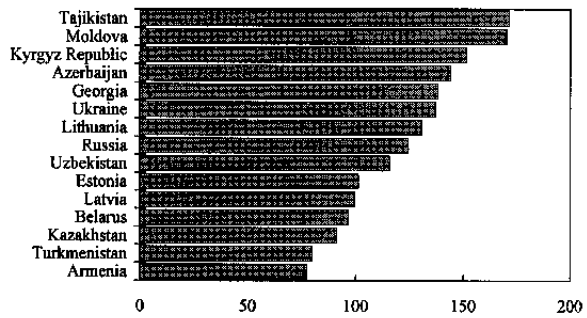
Corporatization. Only three of the seven energy sector enterprises—Barki Tajik, Nafrason (the state-owned oil enterprise), and Sangtuda (the power station)—were converted into joint stock companies while the remaining four continue operating as state enterprises. While there are no legal impediments to private sector participation in the joint stock companies, no shares have as yet been sold to domestic or foreign private investors.

Tariff policy and cost recovery. Tajikistan has the lowest electricity tariffs in the CIS countries. In 2001, tariffs for households and industry were US\$0.005 and US\$0.0078 per kwh, respectively, compared with the average of about US\$0.05 for CIS countries. Even with low tariffs, the overall collection rate is only about 70 percent. Assuming a per unit cost of supply of Tajik electricity of about US\$0.02 per kwh, the cost recovery remains below 40 percent. Gas tariffs are also low, on average about US\$40 per 1,000 cubic meters, while the import price is about US\$50, and the overall domestic collection rate is only about 37 percent. Cost recovery is only about 20 percent. In 2002, there was some progress with increases in tariffs and collection rates. Heating tariffs and collections are low, with almost no cost recovery.

Energy sector action plan. In collaboration with IFIs, the government has been implementing a comprehensive plan of measures designed to advance institutional reform, improve tariff policy, collection and cost recovery rates, and reduce arrears in the energy sector. In the electricity sector, an electricity pricing policy has been initiated that requires the government to develop a plan for adjusting electricity prices to achieve cost recovery levels, plus a six percent return on Barki Tajik's net assets. Under the agreement, an adjustable tariff structure will be introduced to allow for fluctuations in international prices and the exchange rate. With low household incomes, however, target dates for achieving full cost recovery for industry and residential consumers have been set to 2002 and 2005, respectively. To reach the target level, a quarterly tariff adjustment is to be made, but there have been delays. In April 2002, the government increased electricity tariffs for industry as of January 1, 2002 retroactively to \$0.0103 per kwh. Tariffs for households would be raised from US\$0.005 to US\$0.0075 per kwh on January 1, 2003. However, progress in other areas, such as installing meters and improving the collection of arrears has been slow due to the lack of internal funds. To protect the poor and vulnerable groups from the impact of tariff increases, the tariff structure includes a lifeline tariff for consumption up to 150 kwh/month.

- **Quasi-fiscal activities are defined in terms of the value of energy delivered to users less revenues.** Losses to the producer can be subdivided into those associated with low tariffs, low collection rates, and technical losses. In 2001, energy sector QFAs (in gas, electricity, and heating) from low tariffs and collections are estimated to be about 5½ percent of GDP.

Figure III-1. Tajikistan: Average Electricity Consumption/GDP, 1995–98 (Index, 1989=100)



Source: EBRD, Transition Report 2001: Energy in Transition.

- **Reducing QFAs will thus require raising tariffs and collection rates.** In the latter regard, this will also involve an improvement in payment discipline through the installation of meters in households and shutting off nonpaying customers. Over the medium term, to eliminate QFAs, the government should commercialize energy enterprises, encourage private and foreign participation, and then privatize selected enterprises. To maintain support for reform, the authorities will also need to devise a strategy to ensure that vulnerable households are protected from these reforms.

B. Petroleum

41. **Tajikistan imports oil from Uzbekistan, Kazakhstan, Turkmenistan, and Russia to meet about 80 percent of domestic demand.** The remainder is met with domestic production, which has only limited potential for expansion. In 2001, Tajikistan's oil imports totaled about 300,000-350,000 tons. The state company Naftason accounted for nearly half (45 percent) of imports, while private companies imported the rest.

42. **There are currently no significant QFAs in the oil sub-sector.** As in other CIS countries, most of the progress in energy reform was achieved by liberalizing pricing and marketing arrangements in the domestic market for oil and oil derivatives. Oil prices in Tajikistan fully reflect world market prices and all retail outlets are privately owned and operated. However, Naftason has arrears, the most significant of which are to foreign suppliers (chiefly in Russia), amounting to US\$17 million, about 31 percent of annual oil imports. Negotiations are taking place to resolve this debt. Additionally, arrears on accounts receivable total about SM 6 million (US\$2 million) which is owed chiefly by Tajik Rail. In an effort to eliminate arrears, the government has prohibited Naftason from accruing additional arrears. In response, Naftason has moved to cash-only deliveries and since then has not accumulated new arrears.

C. Gas

43. **Through a state-owned monopoly (Tajik Gas), Tajikistan imports the majority of its gas supplies (85 percent) from Uzbekistan and Turkmenistan.** Domestic tariffs

average about US\$40 per thousand cubic meters, while the price charged by Uzbekistan is about US\$50 per thousand cubic meters excluding domestic distribution costs. An anti-monopoly committee sets tariffs for all energy products except for oil and oil derivatives, with the objective of accommodating the enterprise and gas users. The resulting tariffs reflect a compromise position, despite an earlier decision by the government to automatically adjust gas tariffs for exchange rate changes.²⁰ The low tariffs have led to arrears of Tajik Gas to Tajik Rail which transports gas from Uzbekistan on behalf of Tajik Gas.

44. **Differential tariffs mandated by the government also contribute to the problem of QFAs in the gas sector.** During 1996-2000, privileged consumers received gas costing SM 19 million (0.7 percent of GDP) free of charge or at deeply discounted rates with the cost mainly borne by Tajik Gas. In 2001 and 2002, the budget provided for a third (about SM 1 million) of the funds needed to finance the subsidies for these consumers.²¹

45. **The sector also suffers losses due to low collection rates, mainly from households.** Low collection rates reflect low expenditure norms, a high incidence of theft and lack of metering. Less than 10 percent of households have meters.

46. **Total QFAs in the gas sector in 2001 are estimated to be about 1.9 percent of GDP (Table III-1).**²² This estimate is based on using SM 161 per 1,000 cubic meters as a benchmark tariff.²³ Low tariffs and low collection rates are about equally responsible for the

²⁰ Before 2002, the last such adjustment was in April 2000. The lack of adjustment for exchange rates has contributed to losses to Tajik Gas of about 1.0 percent of GDP. In mid-2002, an adjustment was made but less than required to compensate for exchange rate depreciation.

²¹ The budget uses an expenditure norm far below actual consumption to compensate Tajik Gas—the budget norm is 16 cubic meters per person per month, while consumption has averaged 40 and 24 cubic meters per person in winter and summer, respectively. Tajik Gas estimates the resulting cumulative loss as of January 2002 at about 1.4 percent of GDP.

²² Note that the QFAs are a flow concept. Therefore, the portion of the QFAs associated with low collection refers to the flow of noncollection (or arrears) during the year. By contrast, the *stock* of arrears refers to accumulated arrears up to the point in time.

²³ This price, based on the regional import price of gas, is equivalent to about US\$67 per thousand cubic meters and includes the cost of imports (about US\$50) and distribution and overhead costs of Tajik Gas. Estimates of QFAs are sensitive to the choice of benchmark price. Sensitivity analysis using a world market price of about US\$100 suggests that the estimated QFAs would increase by about 50 percent. However, given that there is a regional trading agreement, the regional price rather than the world market price is a more useful benchmark.

QFAs in this sector. Across users, most of the gas sector losses stem from households (85 percent), in comparison with industrial users where payment discipline and metering is more extensive.

Table III-1. Tajikistan: Estimated Quasi-Fiscal Subsidies for Gas, 2001

	2001	
	(In thousands of somoni)	(As percent of GDP)
Total quasi-fiscal subsidy (1+2)	46,995	1.87
1. Value of quasi-fiscal subsidy associated with low tariffs and losses (C-D)	26,440	1.05
A. Total cost of gas delivered (<i>unit cost x volume delivered</i>) 1/	51,681	2.06
B. Value of technical losses (<i>unit cost x volume of losses</i>) 2/	5,007	0.20
C. Total cost of gas supplied (A + B) 3/	56,688	2.26
D. Notional revenues (<i>nominal tariff x volume delivered</i>)	30,248	1.20
2. Value of quasi-fiscal subsidy associated with low collection rate (A-B)	20,555	0.82
A. Notional revenues (<i>nominal tariff x volume delivered</i>)	30,248	1.20
B. Actual revenues (<i>notional revenues x collection rate</i>)	9,693	0.39
<i>Memorandum items:</i>		
Unit cost (somon/1,000m3) 4/	161	
Volume delivered (in millions of cubic meters)	321	
Total volume supplied (in millions of cubic meters)	352	
Volume of losses (in millions of cubic meters)	31	
Nominal tariff (somon/1000m3)	94	
Collection rate	0.3	
GDP (in millions of somoni)	2,512	

Source: Fund staff estimates.

1/ The total cost of gas delivered consists of delivery of gas to households and industry. It is defined as the sum of the cost of imported gas and operating costs of Tajik Gas, including labor, capital and overhead costs.

2/ Value of technical losses are defined as losses due to leaks and theft.

3/ Total cost of gas supplied encompasses gas delivered to households and industry, and technical losses.

4/ Unit cost of gas delivered is defined as the total cost of gas delivered per volume delivered to households and industrial users.

47. **The gas sector QFAs have led to a substantial stock of arrears.** Tajik Gas estimates that arrears on its receivables from various consumers amounted to SM 93.2 million (3.6 percent of GDP) at end 2001—an increase of SM 25 million over 2000. These arrears are mirrored in arrears on payables by Tajik Gas, which at the end of 2001 were equal to SM 93.5 million (3.6 percent of GDP), most of which are owed to Tajik Rail and the budget.

48. **A combination of increased tariffs and collection rates could reduce the QFAs in the sector.**²⁴ An increase in the average gas tariff from its 2001 level of SM 94 to SM 170 per 1,000 cubic meters, combined with an increase in the collection ratio from 0.3 to 0.55, is estimated to reduce Tajik Gas' loss by half. An increase in the tariff to SM 200 per 1,000 cubic meters, combined with an increase in the collection ratio to 0.8 would nearly eliminate the deficit.

49. **Reforms in the gas sector will require better targeting of subsidies.** To achieve higher collection rates, efforts to increase metering must be accelerated, expenditure norms in the budget should be revised, and Tajik Gas should adopt a policy of shutting off nonpaying industrial users. With regard to tariffs, they should be increased toward cost-recovery levels and automatic tariff adjustments for exchange rate and import price changes should be made regularly. Subsidies extended via preferential tariffs to privileged categories of consumers will need to be eliminated and targeted instead on the poorest households. During 2002, some progress has been achieved as average tariffs were raised and collection rates improved. Also, the government is in the process of developing a proposal to better target subsidies and eliminate privileged categories of consumers.

D. Electricity

50. **Although Tajikistan has significant hydroelectric potential, it has not been realized.** A combination of difficult terrain and a lack of investment has resulted in the country being a net importer of electricity. Electricity is supplied by Barki Tajik that generates, transmits, and distributes electricity. It also engages in substantial trade with neighboring countries. Over 94 percent of Barki Tajik's electricity is generated by hydroelectric plants, with the remainder produced by the Dushanbe thermal station. Barki Tajik meets about 85 percent of demand, with the remainder being met with imports and power shortages or cuts.

51. **Tajikistan's power grid consists of three separate systems: the northern, the southern, and the Gorno Badakhshan electrical systems.** The mountains between the northern and southern regions prevent a direct link between them. The northern grid has limited capacity and typically faces excess demand during the winter, while the southern grid has excess capacity in the summer. As a result, the country imports electricity in the north from Uzbekistan, mostly during winter, and the south exports electricity in the summer (Box III-2). While additional capacity from the Ragun and Sanktuda hydro-power stations would resolve the seasonal shortages, they are still under construction and will require significant investment before becoming operational.

²⁴ Without increases in the collection rate, tariff increases would have to be very large to substantially reduce the quasi-fiscal subsidy.

52. **Barki Tajik provides electricity to domestic end-users at tariffs that are below cost recovery level.** In addition, preferential tariffs are also set for a wide range of users, such as the military, certain categories of disabled people, and pensioners. In 2001, about a quarter of total households received electricity either at a significant discount or free. The republican budget only covers a portion of the subsidies to these consumers. For the others, mainly military and members of the Ministry of Internal Affairs, the responsibility for payment is not specified and is effectively borne by Barki Tajik.

Box III-2. Tajikistan: Regional Agreements in the Gas and Electricity Sectors

There are several complex barter arrangements between Tajikistan and its neighbors, particularly Uzbekistan, that involve Tajikistan's gas and electricity sectors. The lack of transparency inherent in these arrangements makes it difficult to assess their economic costs and the extent of quasi-fiscal activities resulting from them.

Tajik Gas participates in a tripartite arrangement with Uzbekistan and Tajik Rail. According to an intergovernmental agreement between Tajikistan and Uzbekistan, natural gas is supplied by Uzbekistan in exchange for rail transportation services by Tajik Rail through Tajikistan, and the use of the transit gas pipeline through Tajik territory. In 2002, the gas is supplied at a rate of US\$50 per thousand cubic meters, which is about half the international price. The provision of services to Uzbekistan by Tajik Rail was previously not compensated for by the government. At present, the government allocates SM 12 million to Tajik Rail to pay for this service. In the past, Tajik Gas has been slow to pay Tajik Rail for its services, accumulating arrears on the order of SM 76 million by end-2001. During the first half of 2002, these arrears increased to about SM 92 million but then started to decline as increased tariffs and collection rates helped improve the financial position of Tajik Gas.

With regard to electricity, Tajikistan maintains complex trade arrangements with neighboring countries. One of these is an annual intergovernmental agreement involving seasonal electricity trade with Uzbekistan and the delivery of water for irrigation. Under the arrangement, the Kairakum hydropower plant (located in the north) meets the demand of Uzbekistan (and Kazakhstan) for irrigation water in summer. In effect, Uzbekistan agrees to pay an effective price for water denominated in kwh of electricity. On the other hand, during winter, Tajikistan has an electricity deficit of about 2.5 billion kwh. About half of this deficit is met by purchases of power from Uzbekistan, Kyrgyz Republic, Kazakhstan, and Turkmenistan, while the other half is met with power cuts. Based on the current intergovernmental agreement signed in February 2002, Tajikistan will import 350 million kwh from Uzbekistan at the price of 2 cents per kwh. At the same time, Tajikistan will export 525 million kwh to Uzbekistan at the price of 1.33 cents per kwh. If there is an imbalance at the end of the agreement period, the difference may be settled in goods or services, or can be carried forward into the next year's agreement.

Another important barter arrangement for electricity involves the aluminum smelter, TADAZ. TADAZ has an electricity import arrangement with Turkmenistan and Uzbekistan to offset the shortage of electricity in the winter. However, the tariff rate charged by these two partners is higher than that charged by Barki Tajik. As of early 2002, the tariff paid by TADAZ on imported electricity was 1.7 cents per kwh compared with 1.03 cents per kwh paid to Barki Tajik. The difference between the imported and domestic tariffs is *de facto* paid by Barki Tajik through an offsetting transaction against TADAZ's debt owed to Barki Tajik. TADAZ also participates in a trilateral arrangement to compensate for the shortfall of electricity supplied by Barki Tajik. This involves importing gas from Uzbekistan, which is then transferred to Dushanbe Thermal Station in return for electricity generated by the thermal station.

53. **Although tariffs are low, Barki Tajik still has difficulty with collections.** Farms account for about one quarter of total electricity consumption, but only 10 percent of farmers pay for electricity. Collection for electricity supplied to households is much higher at 50 percent largely because of extensive metering. In contrast, the collection rate from TADAZ, the state-owned aluminum enterprise is now close to 100 percent.²⁵

54. **The total QFAs in the electricity sector in 2001 are estimated to be about 3 percent of GDP (Table III-2).** Two thirds of the QFAs result from low tariffs and technical losses, while the remainder stems from noncollection. From a sectoral perspective, the agricultural sector accounts for about half of these losses, with the other half accounted for by households.

Table III-2. Tajikistan: Estimated Quasi-Fiscal Subsidies for Electricity, 2001

	2001	
	(In thousands of somoni)	(As percent of GDP)
Total quasi-fiscal subsidy (1+2)	75,028	3.0
1. Value of quasi-fiscal subsidy associated with low tariffs and losses (C-D)	48,062	1.9
A. Total cost of electricity delivered (unit cost x volume delivered x exchange rate) 1/ 2/	174,824	7.0
B. Value of technical losses (unit cost x volume of losses x exchange rate) 3/	35,684	1.4
C. Total cost of electricity supplied (A + B)	210,507	8.4
D. Notional revenues (nominal tariff x volume delivered x exchange rate)	162,445	6.5
2. Value of quasi-fiscal subsidy associated with low collection rate (A-B)	26,966	1.1
A. Notional revenues (nominal tariff x volume delivered x exchange rate)	162,445	6.5
B. Actual revenues (notional revenues x collection rate)	135,479	5.4
<i>Memorandum items:</i>		
Unit cost (dollars per kWh) 1/	0.0054	
Volume delivered (in thousands kWh)	13,620,000	
Total volume supplied (in thousands kWh)	16,400,000	
Volume of losses (in thousands kWh)	2,780,000	
Nominal tariff (dollars per kWh)	0.0050	
Collection rate	0.8	
Exchange rate (somon per US dollar; annual average)	2.38	
GDP (in millions of somoni)	2,512	

Source: Fund staff estimates.

1/ Defined as total cost of electricity delivered to households, industry, and irrigation purposes.

2/ The staff estimate used is 0.54 cents based on the authorities estimate adjusted by an implicit subsidy on inputs (gas, water).

3/ Technical losses are defined as losses in electricity from the point of generation to the point of use due to obsolete infrastructure, poor maintenance, and theft.

²⁵ TADAZ consumes about 35 percent of domestic electricity, households about 45 percent, with the remainder accounted for by farms.

55. **As a result of these QFAs, Barki Tajik has accumulated significant debt owed by customers.** As of January 1, 2002, total accumulated debt to Barki Tajik stood at SM 105.1 million (about 4 percent of GDP), up slightly from 12 months earlier. Of the total debt, TADAZ accounts for about 40 percent, significantly less than the year before, as it reduced its past arrears, partly by using mutual offsets. As of early 2002, TADAZ is current on its obligations to Barki Tajik. Other major debtors, however, such as households and the Ministry of Water (through its consumption of electricity to operate irrigation pumps), increased their arrears to Barki Tajik. The debt owed Barki Tajik by its clients is mirrored in Barki Tajik's debt on payables to third parties. As of end-2001, Barki Tajik's arrears on payables totaled SM 53.7 million (about 2.1 percent of GDP). The largest part was owed to the budget (about three-quarters)²⁶ and the rest to external suppliers of electricity, especially Uzbekistan.

56. **Policy reform aimed at eliminating QFAs should focus on increasing tariffs and collection rates.** Fund staff estimate that an increase in the tariff from the 2001 level of 0.5 cents to about 0.6 cents per kwh combined with an increase in the collection rate from about 80 percent to 90 percent, would reduce the losses to Barki Tajik by half. An increase of the average tariff to 0.7 cents and the collection rate to 93 percent would eliminate it completely. Barki Tajik should also enforce better payment discipline by cutting supplies to nonpaying customers, including budgetary agencies. To better target subsidies, the government should limit preferential tariffs to only the poorest segment of the population and eliminate the provision of free services. The government started developing a proposal to raise household tariffs and improve targeting of the poor, most likely via a lifeline tariff mechanism.

E. Heating

57. **Dushanbe thermal station (DTS) is the only thermal station in the country.** It has the capacity to supply modest amounts of electricity and heat, primarily for household use in the Dushanbe area. Another thermal station, Yavyanska, has been closed for over four years because of technological problems and lower demand for heating from industrial users. To produce electricity and heat, DTS must import gas as its primary input. TADAZ imports gas on behalf of DTS in return for the modest amount of electricity DTS can supply.

58. **DTS supplies heating to Dushanbe households at below cost prices with a collection rate of about 10 percent, resulting in a loss of about ½ percent of GDP (Table III-3).** While the cost of supply per unit of heating is about US\$15, DTS supplies heat

²⁶ As of January 1, 2002, Barki Tajik's tax arrears to the budget stood at SM 37.5 million. However, Barki Tajik reached an agreement with the Ministry of Finance on restructuring about three-quarters of these arrears (SM 28.5 million) in monthly cash installments by end-2004.

to household users at the price of only 4 cents per heating unit. To compensate for the extent of these losses, DTS needs to raise tariffs and improve metering.

Table III-3. Tajikistan: Estimated Quasi-Fiscal Subsidies for Heating, 2001

	2001	
	(In thousands of somoni)	(As percent of GDP)
Total quasi-fiscal subsidy (1+2)	11,407	0.45
1. Value of quasi-fiscal subsidy associated with low tariffs and losses (C-D)	11,379	0.45
A. Total cost of heating delivered (<i>unit cost x volume delivered x exchange rate</i>) 1/ 2/	11,410	0.45
B. Value of technical losses (<i>unit cost x volume of losses x exchange rate</i>) 3/	n.a.	n.a.
C. Total cost of heating supplied (A + B)	11,410	0.45
D. Notional revenues (<i>nominal tariff x volume delivered x exchange rate</i>)	31	0.00
2. Value of quasi-fiscal subsidy associated with low collection rate (A-B)	27	0.00
A. Notional revenues (<i>nominal tariff x volume delivered x exchange rate</i>)	31	0.00
B. Actual revenues (<i>notional revenues x collection rate</i>)	3	0.00
<i>Memorandum items:</i>		
Unit cost (dollars per gigacalory)	14.9600	
Volume delivered (in gigacalory)	320,855	
Nominal tariff (dollars per gigacalory)	0.0400	
Collection rate	0.1	
Exchange rate (somon per US dollar; annual average)	2.38	
GDP (in millions somoni)	2,512	

Source: Fund staff estimates.

1/ Defined as total cost of heating delivered to households and industry.

2/ Unit cost is an estimate provided by the Dushanbe Thermal Station.

3/ No reliable data on technical losses in heating are available.

F. Conclusions

59. **Based on this assessment of QFAs in the energy sector, the total QFAs are estimated to be about 5½ percent of GDP (Table III-4).** Low tariffs and technical losses are the largest source (about 65 percent of the QFA) while those associated with low-collection rates account for the rest. Over 90 percent of energy QFAs are concentrated in the electricity and gas sectors. As in many other CIS countries, there are no QFAs in the oil and oil derivatives sector, as this market had been liberalized with considerable private sector involvement, especially at the retail level.

Table III-4. Tajikistan: Summary of Quasi-Fiscal Subsidies in the Energy Sector, 2001
(As percent of GDP; unless otherwise indicated)

	Gas	Electricity	Heating	Total
Total Quasi-Fiscal Subsidy (thousands somoni) 1/	46,995	75,028	11,407	133,430
Total Quasi-Fiscal Subsidy	1.9	3.0	0.5	5.3
Value of quasi-fiscal subsidy associated with low tariffs and losses	1.1	1.9	0.5	3.4
Value of quasi-fiscal subsidy associated with low collection rate	0.8	1.1	0.0	1.9

Sources: Fund staff estimates.

60. **Going forward, reforms in the energy sector should focus on raising tariffs and collection rates, and ensuring that vulnerable households are protected.** While during 2002 some progress was achieved in raising tariffs and collection rates from the very low levels, further tariff and collection rate increases are needed towards cost recovery. This would involve installing meters in households, especially for gas users, and shutting off noncomplying customers, especially in industry, in order to enforce payment discipline. These measures would need to be undertaken in phases, as opposed to an ad hoc basis. There will also be a need to accommodate increased budgetary expenditures for higher utility bills, and improved targeting to poor households to ensure ongoing support for reform. Over the medium term, the government should aim to fully commercialize energy enterprises, encourage private and foreign participation, and to privatize selected enterprises.

IV. EXTERNAL SECTOR, INTERNATIONAL COMPETITIVENESS AND TRADE DEVELOPMENTS²⁷

A. Overview

61. **Tajikistan is particularly vulnerable to external shocks because of its reliance on a few commodity exports and the geographical concentration of its trade.** Over the period 1996-2001, Tajikistan suffered unfavorable terms of trade developments, the Russia crisis, and two consecutive droughts in 2000 and 2001.

- **International competitiveness deteriorated during 2001, mainly on account of the somoni's real appreciation vis-à-vis Uzbekistan.** Relative unit labor costs rose also, as wage growth outpaced that of Tajikistan's trading partners. Overall, however, a real effective appreciation and rise in unit labor costs is unlikely to negatively impact on exports in the near term, since the level of Tajikistan's labor costs remains low relative to its trading partners.
- **Further trade liberalization, by removing tariff and non-tariff barriers is needed to foster geographical and commodity diversification of trade.** Tajikistan's export potential could also be enhanced through efforts to improve regional trade links.

B. Major Characteristics of External Trade

62. **External developments have a significant impact on economic activity in Tajikistan.** Annual trade flows exceed 120 percent of GDP in 1997-2001 (Table IV-1 and Figure IV-1). Its economy is highly vulnerable to external shocks because of a narrow export base and high import dependency. The commodity composition of trade and the production structure of the economy have not changed significantly since independence (Tables IV-2

²⁷ Prepared by Natalia Koliadina.

and A-3) and reflect the slow progress of structural and economic reform. Indeed, exports of both cotton and aluminum continue to generate about half of annual GDP, about two-thirds of foreign currency proceeds and a quarter of tax revenues (Figure IV-2).

Table IV-1. Tajikistan: Basic External Trade Indicators, 1993–2001

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Openness of trade	(In percent of GDP)								
Exports 1/	...	48	65	54	50	32	38	47	45
Imports	...	85	145	78	82	58	68	90	78
Total trade flows	...	134	210	133	132	90	106	137	123
Direction of trade									
Exports	(In percent of exports of goods)								
CIS	38	25	34	43	36	33	46	45	39
Rest of world	62	75	66	57	64	67	54	55	61
Imports	(In percent of imports of goods)								
CIS	45	48	59	57	63	62	78	83	81
Rest of world	55	52	41	43	37	38	22	17	19
	(In percent)								
Customs revenue as a share of fiscal revenue	3.4	7.1	6.1	3.9	12.5	10.0	9.8	11.1	13.5
Sales (export) tax as a share of fiscal revenue	0.0	0.0	0.0	35.6	35.9	33.2	26.1	24.0	16.4

Sources: Tajik authorities; and Fund staff estimates.

1/ Exports of goods and services less alumina and electricity.

Table IV-2. Tajikistan: Commodity Structure of Foreign Trade, 1993–2001

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Exports:	(In percent of merchandise exports)								
Aluminum	50	56	50	34	34	40	43	54	61
Cotton	34	31	27	20	22	19	14	12	11
Electricity	7	5	16	23	21	18	26	23	12
Other	9	8	7	23	23	23	17	12	16
Imports:	(In percent of merchandise imports)								
Alumina	16	21	22	15	14	16	20	25	25
Petroleum & natural gas	15	23	18	13	12	16	14	12	13
Electricity	4	3	20	16	22	15	25	24	12
Grain and Flour	15	17	5	7	3	5	6	5	8
Other	49	37	35	50	49	48	35	34	42

Sources: Tajik authorities; and Fund staff estimates.

Figure IV-1. Tajikistan: External Trade and Economic Growth, 1995–2001

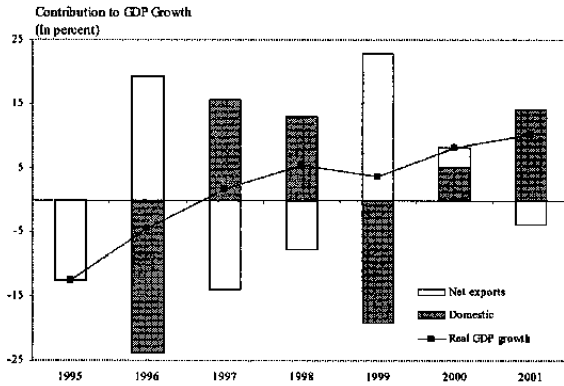
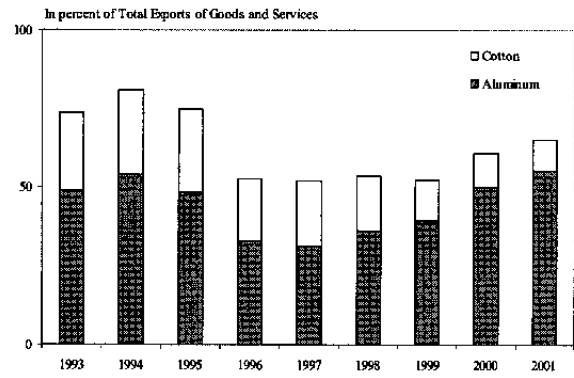
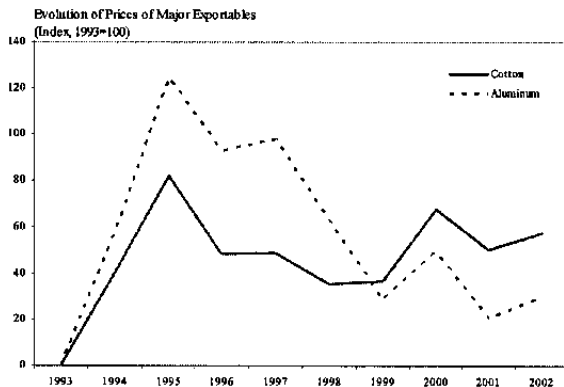
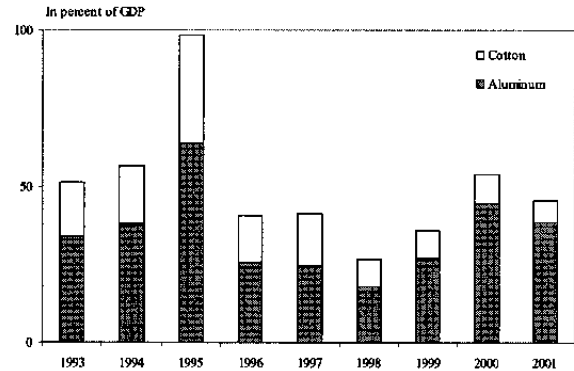


Figure IV-2. Tajikistan: Exports of Aluminum and Cotton, 1993–2001 (Units as indicated)



Source: Fund staff estimates.

Sources: Tajik authorities; and Fund staff estimates.

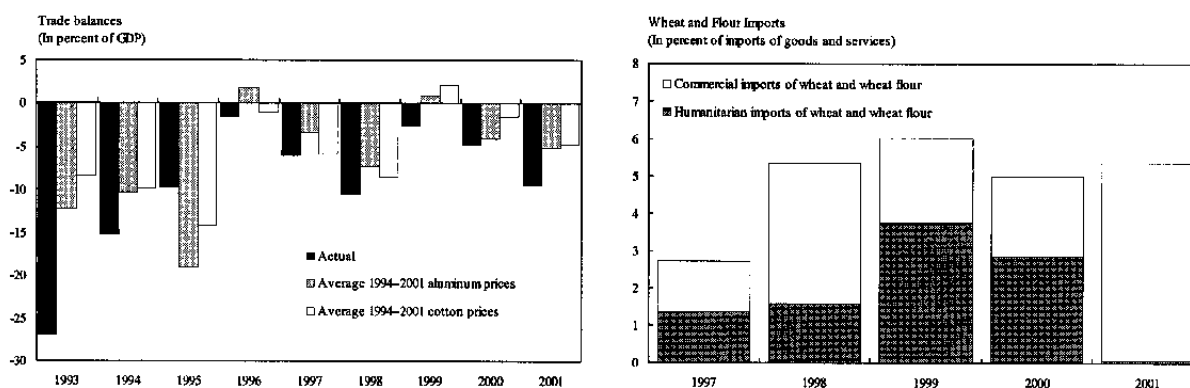
63. **The asymmetry between the origin of imports and the direction of exports has been rising.** The geographic location of Tajikistan and poor transportation links, combined with poor regional trade relations, influence the pattern of trade. Country specific factors also play a role, including intergovernmental agreements for petroleum products, natural gas and electricity which affect the flow of energy imports (with CIS partners), while financing arrangements for the production of aluminum and cotton affect the flow of these exports (to non-CIS countries).

C. Balance of Payments Developments

64. **Tajikistan's external current account deficit was 7.1 percent of GDP in 2001 compared with 3.4 percent two years earlier.** This increase reflected a number of developments that hampered Tajikistan's exports, in particular, a deterioration of the terms of trade, the Russian crisis and a drought in both 2000 and 2001.

65. **A decline in world prices of cotton and aluminum are important factors driving the trade deficit, which was 12 percent of GDP last year.** Staff estimates suggest that a 1 percent increase in aluminum or cotton prices would improve the trade balance by 0.2 percentage points, and 0.12 percentage points, respectively. Thus, if annual prices of aluminum and cotton had remained at their average level during 1994-2001, the recent deterioration in the trade balance would have been much less dramatic (Figure IV-3).²⁸ Significant inflows of humanitarian aid also played an important role in this regard. In 2001, such aid amounted to US\$82.7 million, about 8 percent of GDP.

Figure IV-3. Tajikistan: Commodity Prices and Humanitarian Aid, 1993-2001
(Units as indicated)



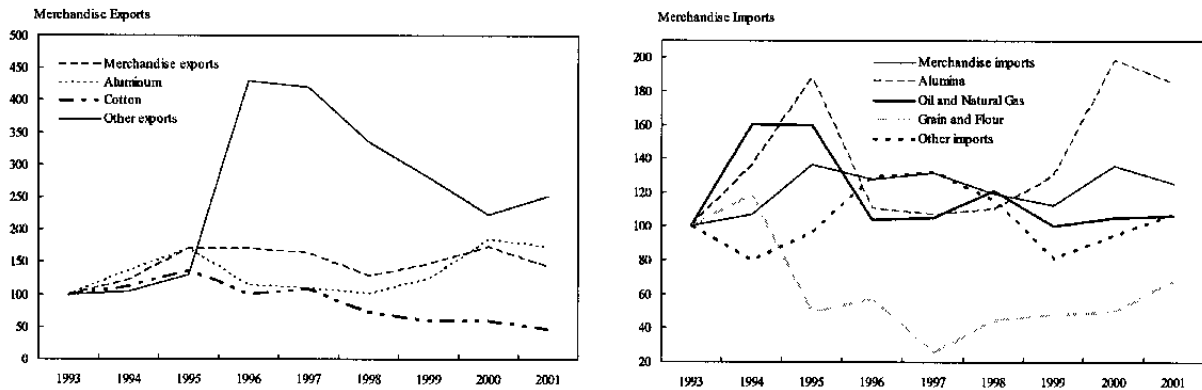
Source: Fund staff estimates.

66. **During the last six years, Tajikistan experienced only two years of strong merchandise export growth (1999 and 2000), mainly due to aluminum and electricity (Figure IV-4).**²⁹ Over the same period, the value of cotton fiber exports declined. Other exports (mainly agricultural products such as fruits and vegetables to neighboring countries and Russia) more than doubled in value in 1996, but declined significantly in subsequent years.

²⁸ Prices of other commodities have a much smaller impact on the trade balance. In particular petroleum products comprise an average of only 8 percent of imports of goods and services. Prices of natural gas are set by intergovernmental agreements.

²⁹ The share of aluminum in Tajikistan's merchandise exports increased to 61 percent in 2001, compared with 34 percent in 1996. Electricity trade is mostly a seasonal swap of electric power between Tajikistan and Uzbekistan, and has only modest implications for the trade balance.

Figure IV-4. Tajikistan: Trade Flows, 1993–2001
(Index, 1993=100)



Sources: Tajik authorities; and Fund staff estimates.

67. **The slowdown in the growth of imports was not sufficient to offset weaker export growth during the period 1996-2001.** The expansion of aluminum production and recent droughts led to an increase in electricity imports in 1999 and 2000. Other imports, which are about one-third of merchandise imports,³⁰ are estimated to have expanded in line with income growth.³¹ Domestic demand was augmented by increased workers' remittances in 2001, contributing to the demand for imported consumer goods.

68. **The services account has been significantly affected by transit services provided by Tajik Rail to Uzbekistan.** During 1997-2000, the services account was broadly in balance. In 2001, however, a deficit emerged (0.7 percent of GDP) as demand for transit services from Tajik Rail declined with the opening of a new rail line that bypasses Tajikistan altogether.

69. **The current account deficit is mainly financed by borrowing from multilateral financial institutions, with foreign direct investment (FDI) playing only a small role.** During 1996-2000, FDI averaged about 2 percent of GDP. It decreased by about half in 2001 (to US\$9 million) as a result of regional instability and the perception of limited investment prospects in Tajikistan.

³⁰ This includes shuttle trade, the informal trade in consumer goods between Tajikistan and neighboring countries.

³¹ These imports are estimated to be 3½ percent of GDP in 2001.

D. Indicators of International Competitiveness

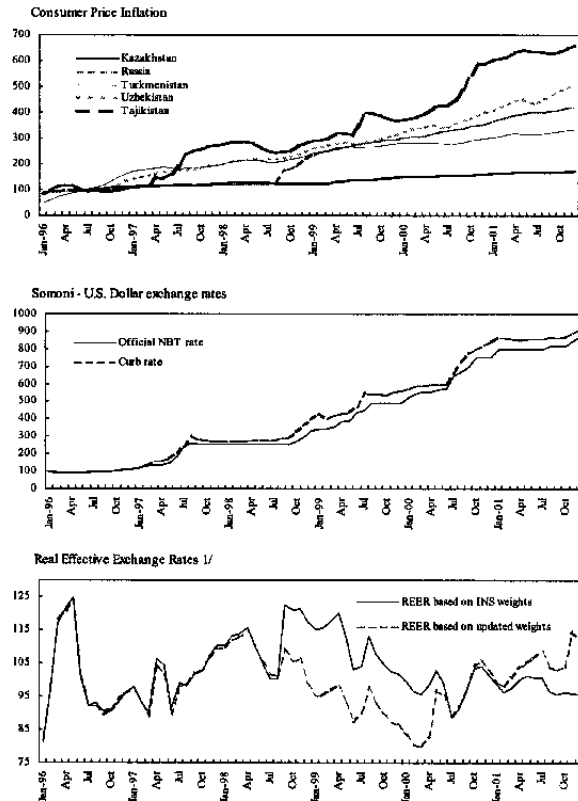
70. **Tajikistan’s international competitiveness can be assessed by examining developments in the real effective exchange rate (REER), key bilateral exchange rates, and labor costs.** Figure IV-5 provides estimates of the real effective exchange rate based on both existing weights used in the Fund’s Information Notice System (INS), and revised weights reflecting the present structure of trade (Table IV-3).³²

Table IV-3. Tajikistan: Trade Weights for the REER

	INS	Updated
Uzbekistan	0	24
Netherlands	1	20
Russia	46	15
Italy	10	3
United States	10	6
Germany	5	0
Denmark	4	0
United Kingdom	4	0
Poland	3	0
Turkey	2	8
Others	14	24
Total	100	100

Source: Fund staff estimates.

Figure IV-5. Tajikistan: Exchange Rates and Inflation, 1996–2001 (Index, 1996=100)



Sources: Tajik authorities; and Fund staff estimates.
1/ An increase is an appreciation.

71. **The REER based on updated trade weights suggests that Tajikistan’s international competitiveness has deteriorated.** This is largely the result of a nominal appreciation of the somoni relative to the Uzbek sum (Figure IV-6) and reflects some liberalization of the foreign exchange market in Uzbekistan.³³ In contrast, the REER based on INS weights shows little change in the past two years because of the higher trade weight for Russia. The former view of competitiveness is supported by unit labor cost data that show

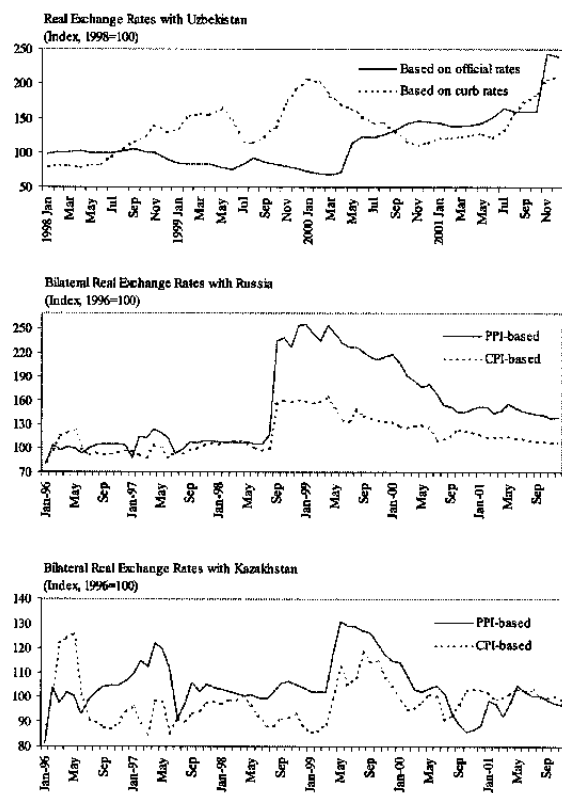
³² The INS weights overemphasize the importance of Russia as a trading partner, and do not take into account Uzbekistan, currently the major trading partner.

³³ In mid-2000, the Uzbek authorities administratively devalued the official exchange rate by 55 percent and in mid-2001, measures were taken to liberalize the foreign exchange market, such as abolishing the surrender requirement for small and medium-sized enterprises and eliminating the 5 percent tax on foreign exchange purchases.

some deterioration. However, since wage levels in Tajikistan are still only about one-third of those in Uzbekistan, Tajikistan's trade prospects are unlikely to be seriously affected by a short-term real appreciation, in particular, vis-à-vis Uzbekistan, as long as Tajikistan's productivity growth is in line with that of its competitors.

72. **Indicators of bilateral real exchange rates with Russia and Kazakhstan do not indicate any major changes in Tajikistan's competitiveness (Figure IV-6).** However, changes in Russia's labor costs suggest a competitive advantage for Tajik exporters. Even so, Tajikistan's trade deficit with Russia widened recently, indicating the importance of non-price factors in trade developments. With regard to non-CIS trading partners, there have been significant movements in real (bilateral) exchange rates, given Tajikistan's inflation performance. Since Tajikistan is a price taker in these markets (mainly Western Europe for both cotton and aluminum), real exchange rate appreciation would adversely affect exporters' profit margins, weakening incentives to export (Figures IV-7 and IV-8).

Figure IV-6. Tajikistan: Bilateral Real Exchange Rates with CIS Partners, 1998–2001



Source: Fund staff estimates.

E. Developments in the Trade Regime, 1996–2001

73. **According to the Fund's trade restrictiveness scale, Tajikistan has a liberal trade regime.** The government initiated trade reforms in late 1995 by pursuing price liberalization, eliminating state trading and import licensing (Table IV-4).³⁴ Trade liberalization was temporarily reversed in 1997, but was quickly re-established. Reforms were further bolstered in 1999 with the adoption of a new tariff schedule.

74. The Fund has been actively involved in supporting the authorities' commitment to trade liberalization and many measures addressing distortions in the trade and exchange rate regime have been carried out in the context of a Fund-supported program (Table IV-5). In

³⁴ Tajikistan inherited the USSR's external trade system biased against exports and characterized by significant non-price based protection, including widely spread nontariff barriers.

Figure IV-7. Tajikistan: Changes in Prices, Production and Export Volumes, 1993–2001 (Index, 1993=100)

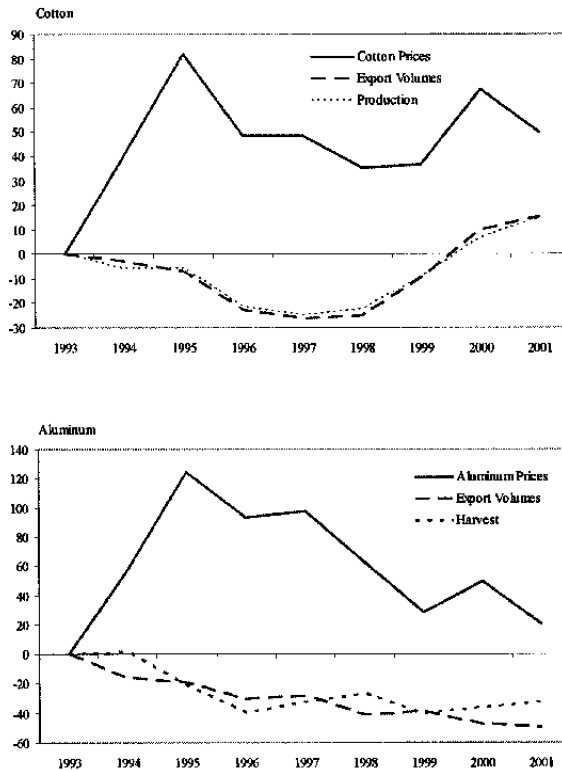
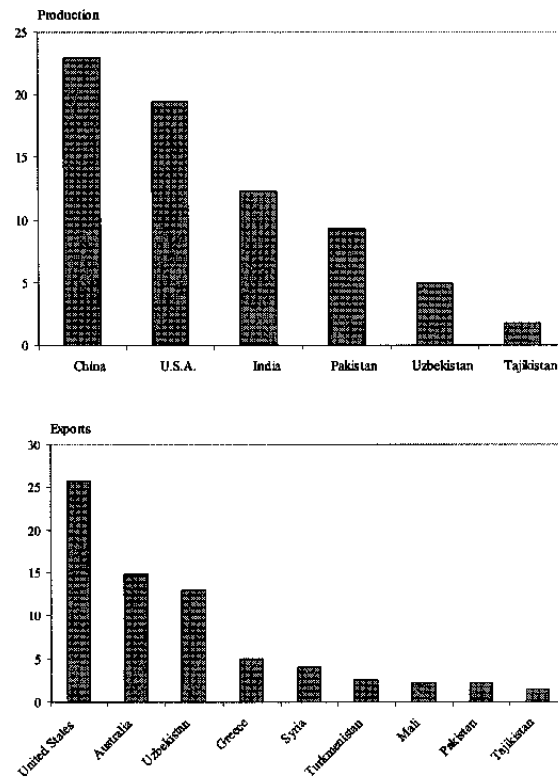


Figure IV-8. Cotton Production and Exports by Country (In percent of total production/exports)



these programs, trade-related conditionality mainly targeted nontariff barriers and exchange restrictions, and have been implemented in a timely fashion.

Tariff barriers

75. As of end-1995 import tariff restrictions were not significant but they were raised in October 1996 to augment tax revenues. The standard and maximum rates were set at 5 and 25 percent, respectively, with the latter raised to 50 percent in early 1997. The tariff rates were unified at 5 percent in 1998 but in 1999 Tajikistan began harmonizing its tariff schedule with other CIS Customs Union members. As a result, it replaced a uniform rate with six bands ranging from zero to 30 percent, with the simple average tariff rate rising to 8 percent. In addition, specific tariffs were introduced for imports of fruit and vegetable juices, mineral water, soda, beer, wine, alcohol, and tobacco products. Beginning from 2001, the import tariff on aluminum was assessed at 2 percent, compared with zero rate in the past. Imports of electricity and natural gas, amounting to 12 percent of GDP, remain zero-rated. The government maintains higher tariff protection for cotton fabrics, textiles and aluminum products, which are assessed at 20-25 percent rate. In addition, in 2002 the authorities doubled the specific tariff rate for some tobacco products for the period from April 1 to December 30, 2002. The list of tariff exemptions is defined in the tariff code, and is limited

Table IV-4. Tajikistan: Trade-Related Structural Conditionality in Fund Programs

Type of Arrangement	Period Covered by the Program	Amount (as a share of quota)	Trade Policy Objectives	Target Date	Type of Conditionality	Observance
SBA	05/08/96-12/07/96	25 percent	1. Eliminate government procurement at below market prices.	Prior to the Board's consideration (April 1996)	Prior Action	Met
			2. Prohibit new barter trade contracts and the renewal of expiring contracts, except for aluminum.	Same as above	Prior Action	Met
			3. Unify the exchange rate.	Same as above	Prior Action	Met
			4. Eliminate exchange surrender requirement; require full repatriation of export proceeds; and abolish all resolutions that established administrative allocation of foreign exchange.	Same as above	Prior Action	Met
			5. Eliminate all export taxes.	Same as above	Prior Action	Met
Emergency Post-Conflict Assistance	10/01/97-06/30/98	25 percent	1. Adopt a uniform import duty of 5 percent with exemptions only for alumina, grain, electricity, and associated gas.	01/01/98	Prior Action	Met
ESAF/PRGD	06/24/98-12/24/01	115.3 percent	1. Eliminate import and export licensing requirements for all commodities, except those of significant for national defense, health, and bio-diversity.	Prior to Board's consideration (06/23/98)	Prior Action	Met

Source: Fund staff.

Table IV-5. Tajikistan: Overview of the Trade System

Trade Policy Instrument	Status at End-1995	Status at End-1996	Status at End-2001
Ad valorem import tariff rates:			
Minimum	2 percent	10 percent	5 percent
Maximum	5 percent	25 percent	30 percent
The number of tariff bands	2	2	6
Goods subject to specific import tariffs		None.	Fruit and vegetable juices, mineral water, soda, beer, wine, spirits, tobacco products.
Import Duty exemptions	Associated gas, grain harvesters, alumina, electricity, and goods imported by diplomatic and accredited international organizations.	Eliminated.	Natural gas, alumina, electricity and grain combines.
Export taxes:			
Ad valorem	67 product categories were subject to export duties at the rates of 1-500 percent.	Abolished, effective March 1, 1996.	Sales tax on exports of aluminum and cotton. Export duty on goods produced by joint ventures. ^{1/}
Specific	Metallurgy products were charged US\$2-500 per ton.		
Excise taxes		For a number of products excise taxes were set at rates higher than for comparable domestic goods.	No differentiation by the origin of imports or a producer.
Goods subject to quantitative restrictions:			
Import quotas	None.	None.	Quotas on exports and imports of ethyl alcohol and alcohol products.
Export quotas	Cotton.	Abolished.	
State monopoly on external trade		The monopoly on cotton exports was lifted on February 24, 1996.	None.
State orders	70 percent of the targeted cotton crop.	Abolished.	None.
State trading companies	Tajik Oil, the Ministry of Bread, Somonion, the State Committee for Contracts and Trade.		
Goods subject to licensing:			
Exports	100 percent.	70 percent of the 1995 cotton crop	Exports and imports of tobacco products, ethyl alcohol and alcohol products.
Imports	None.	None.	
Price controls	The monitoring of export contracts by the Tajik Commodity Exchange.		The floor on the price of vodka and arak.
Barter trade	Most of the trade.	Prohibited with the exception of inputs for production included in the list approved by the government resolution #20 dated June 25, 1996.	Prohibited with some exceptions.
Prepayment requirements		Exports of the cotton fiber, aluminum, metal products, tobacco, leather, fertilizers, and other products are subject to 100 percent prepayment requirement.	For exports of cotton a 100 percent advance payment is required.
Import valuation			Valuation of imports is not compatible with WTO requirements.

Source: Tajik authorities.

^{1/} Export duties on goods produced by joint ventures registered prior to January 1, 1995 were eliminated, and a 2 percent duty was introduced on goods imported by these companies.

mostly to the imports of humanitarian aid, goods imported by international organizations, and individuals. In 2001, the President of Tajikistan issued a resolution introducing a tariff exemption for imports of goods related to selected construction projects.³⁵

Nontariff barriers

76. **State involvement in trade was reduced in 1996 when the state order system was abolished and prices were liberalized.** The government, however, continued to be indirectly involved in export controls through the Commodity Exchange and monitoring the price of contracts.

77. **The requirement to open a transaction passport for any export or import transaction may also be considered as a trade restriction, since it freezes the funds for the period of transaction.**³⁶ Transaction passports are also used to enforce a 100 percent prepayment requirement on exports of aluminum, cotton, and tobacco; this affects more than 60 percent of exports. Only the bank maintaining the exporter's accounts is authorized to open a transaction passport, which is valid for only one transaction.

78. **Sales taxes on exports of cotton and aluminum are effectively export taxes introduced by the government in 1996 at the rates of 25 percent and 5 percent, respectively.** The rate of the sales tax on cotton was reduced to 20 percent in September 2000, to 15 percent in September 2001, and to 10 percent in December 2001. The sales tax rate on aluminum was reduced to 2 percent in January 2001.

79. **Tajikistan maintains licensing with quotas on exports and imports of ethyl alcohol and alcohol products.** The quota is set by the government and allocated to the companies reporting to the government food agency. Since imports of alcohol account for less than a tenth of a percent of total imports the effect of the import quota is negligible. Exports and imports of tobacco and tobacco products are subject to a licensing requirement. Tajikistan maintains a ban on exports of scrap metal.

80. **Notwithstanding a formal prohibition, barter arrangements still constitute a significant share of merchandise trade,** 52 percent and 33 percent of exports and imports, respectively. Barter transactions are not transparent, and their enforcement is more difficult

³⁵ According to the Customs Administration officials the list of projects has not been identified.

³⁶ A transaction passport is a mechanism for monitoring the prepayment of cotton and aluminum exports, the timely (120 days) repatriation of foreign exchange proceeds, and also the delivery of imported goods. A transaction passport could be opened only by a company with a valid external trade license.

than that of cash transactions, both of which inhibit competition and make market entry difficult.

Services

81. **Tajikistan does not maintain any formal restrictions on trade in services.** However, it maintains price discrimination for auto transit services, with vehicles from the CIS countries assessed at rates that are 25-50 percent lower than those from non-CIS countries. The two special cases are Uzbekistan and the Kyrgyz Republic. Vehicles from Uzbekistan are subject to transit fees exceeding even those for non-CIS countries. No transit fees are levied on vehicles from the Kyrgyz Republic.

Developments in regional trade and multilateral trade negotiations

82. **Tajikistan's export potential is limited by poor regional trade relations and lack of openness in regional markets.** Uzbekistan maintains a restrictive trade regime, with a simple average tariff rate of 19 percent, and significant nontariff barriers. It also takes advantage of its monopolistic position by imposing restrictions on the transit of Tajik trains.³⁷ Trade relations with Russia and Kazakhstan are also frequently affected by transit disputes.

83. **As a member of the Eurasian Economic Association (formerly the CIS Customs Union) Tajikistan is a signatory to all its agreements.**³⁸ The revisions of the tariff code by Russia have reduced the number of harmonized tariff bands. Facing the risk of losing one-third of its tariff revenues, Tajikistan is the only Customs Union member who has not extended free trade to imports from other member-countries.

84. **Tajikistan is still in the early stages of accession to the WTO.** It has not yet submitted a Memorandum on the Foreign Trade Regime, and the WTO Working Party has not yet met.³⁹

F. Conclusions

85. **A combination of the narrow export base and the geographical concentration of trade flows make Tajikistan particularly vulnerable to external shocks.** Under these circumstances, maintaining international competitiveness through sustainable

³⁷ Uzbekistan is the only ground transportation link connecting Tajikistan with northern markets.

³⁸ The country joined the CIS Customs Union in 1999.

³⁹ Tajikistan sent a formal request for accession to the World Trade Organization (WTO) in May 2001, and the Working Party was established on July 18, 2001.

macroeconomic policies and structural reforms is a priority. In the longer run, structural reforms would facilitate diversification of Tajikistan's external trade. Price stability and wage increases driven by productivity changes are the necessary conditions for maintaining competitiveness. Poor transport infrastructure and the monopolistic position of Tajikistan's neighbors with respect to trade routes inflate the costs of external trade and adversely affect the competitiveness of Tajikistan's exports. The settlement of transport disputes with Tajikistan's neighbors and the improvement of transport infrastructure would be important for the development of regional trade and would facilitate Tajikistan's integration into the world economy.

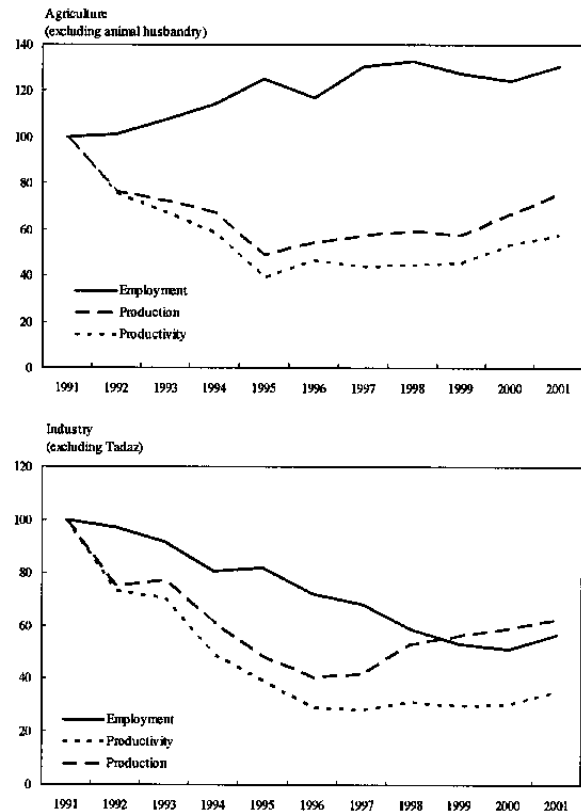
V. ADJUSTMENT AND REFORM IN THE AGRICULTURAL SECTOR⁴⁰

A. Overview

86. **Agriculture is a key component of Tajikistan's economy in terms of employment, exports and potential for reducing poverty (Figure V-1).** It accounts for 11 percent of export revenues and employs 64 percent of the labor force. Following the economic collapse of the early 1990s and during several years of civil war, the sector provided a social safety net for a large part of the population. Over the next 5-10 years, the potential for increased labor productivity in the sector offers the best prospect for sustainable growth and poverty reduction.

- Following independence in 1992 and during the civil war, much of Tajikistan's economy reverted to subsistence agriculture. Labor from other sectors moved to agriculture as food and labor markets collapsed. Although agricultural output declined along with other sectors, the decline in agriculture was less precipitous and shorter than in the industrial sector.

Figure V-1. Tajikistan: Agriculture in the Macro-Economy, 1991-2001



Source: State Statistical Committee.

⁴⁰ Prepared by Henri Lorie.

- Modest restructuring of state-owned farms along with liberalized agricultural markets have caused producers to become more responsive to prices. Continued government intervention and a deteriorated market infrastructure, however, have resulted in distorted prices for many commodities. As a result, there is no guarantee that production patterns coincide to those suggested by the country's apparent comparative advantage.
- Further reforms to reduce government intervention and improve the functioning of markets will encourage productivity growth in the agriculture sector and be a source of growth in the near term.

87. **The collapse in agricultural output in the early 1990s was slowed by a large influx of labor into agriculture.** During the general economic collapse between independence and 1995, agricultural output declined to 40 percent of its 1991 level (50 percent if animal husbandry is excluded), while industrial output declined to 35 percent of 1991 level (30 percent if aluminum production is excluded). The decline in agricultural output was moderated by the shift in labor from industry to agriculture. By 2001, about 64 percent of total employment (1.2 million people) was in agriculture compared with 45 percent (0.9 million people) in 1991. By 1995, labor productivity in agriculture had declined to 35 percent of its 1991 level (39 percent excluding animal husbandry), while in the industrial sector it declined to 50 percent of its 1991 level.⁴¹

88. **The migration of labor to agriculture was based on the need for means of subsistence.** Declining industrial production resulted in a loss of employment and the accumulation of wage arrears. Accompanying this decline in wages in the early 1990s was a collapse and fragmentation of markets, including those for food. During the civil war, government control of many areas was compromised with the result that trade over even short distances was hindered by insecurity. Since the government was unable to provide a social safety net, labor shifted into agriculture and concentrated on food production.

89. **Since 1996, agricultural output and productivity have recovered rapidly despite stable agricultural employment.** By 2001, agricultural output had risen to two-thirds of its

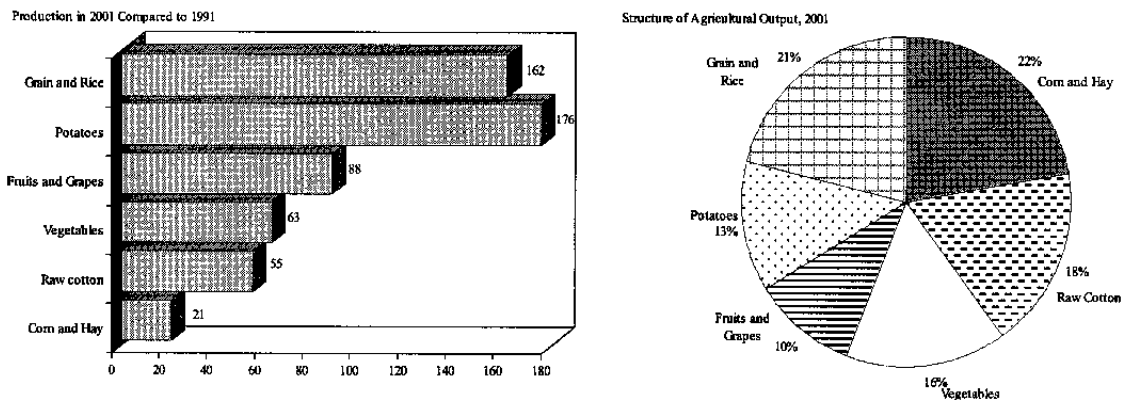
⁴¹ Both agriculture and industry experienced sharp declines in productivity as a result of a shift to production methods that used more labor and fewer material inputs. The scope for input substitution was, however, much more limited in industry. The decline in agricultural productivity is not indicative of profitability trends in farming. Soviet agriculture tended to achieve reasonably high yields through excessive use of material inputs. By some estimates, the use of inputs is now more in line with that in industrial countries, where productivity is significantly higher. By 1996, productivity in the construction and transport sectors, which accounted for about 10 percent of total employment, had fallen to less than 10 percent of its level in 1991.

level in 1991, while as of 2000 industrial output (excluding the aluminum industry) remained at 30 percent of its 1991 level.⁴² Despite little change in agricultural employment between 1995 and 2001, agricultural productivity rose by one-fifth, whereas only modest industrial productivity increases through 2001 were achieved even with further employment cuts in the non-aluminum industrial sector.

B. Restructuring in Agriculture

90. **During the 1990s there was a significant change in the structure of agricultural output that reflected** (a) price liberalization and the adjustment of production to market conditions; (b) the impact of relative price changes on households' incomes and consumption patterns; and (c) the virtual disappearance of traditional markets for Tajik agriculture, especially in Russia. In particular, the production of grain (mainly wheat) and potatoes in 2000-2001 was about 75 percent higher than in 1991. Further, while the production of fruits had by 2000 returned to the levels of 1991, cotton production was still only about 50 percent of its level of a decade ago (Figure V-2).

Figure V-2. Tajikistan: Evidence of Restructuring of Agricultural Output, 1991-2001



Source: State Statistical Committee.

91. **Recent changes in production patterns reflect a market response to prevailing prices.** Results of a survey of 100 (mainly small) farms, suggest that farmers were generally maximizing profits by increasing production of potatoes while resisting pressures to grow cotton (Table V-1). (At the time of the survey international cotton prices were about \$1,100 per ton of cotton fiber.) On the other hand, the gross margins do not seem to explain the large increase in wheat production since 1991.

⁴² Only in 2001 did industrial output (excluding TADAZ) begin to recover, growing by about 5 percent. Industrial employment increased by 3.5 percent in 2001.

Table V-1. Tajikistan: Average Gross Margins for Selected Crops, 2000
(In US\$ per hectare)

Crop	Gross Margin
Potatoes	1,756
Vegetables 1/	619
Corn and hay 2/	295
Grains and rice 3/	260
Fruits, including grapes	248
Cotton	169

Source: Asian Development Bank.

1/ Mainly onions.

2/ Mainly fodder.

3/ Mainly wheat.

92. **The framework of constraints and distortions facing producers is essential to understanding these production trends.** Such constraints and distortions can be classified in two broad categories, those reflecting the lack of a market infrastructure and those reflecting government intervention.

- Difficulties in securing wheat and flour through market channels may encourage farmers to produce wheat and ensure their subsistence, even at a lower level of profitability. This should be reflected in a price premium over international border prices.
- High transport costs, including the costs of insecurity and corruption, have fragmented domestic markets. Local producers often find that they must produce what consumers living in close proximity demand. Furthermore, access to international markets continues to be hampered by arbitrary and costly disruptions of trade flows at borders, especially with Uzbekistan, as well as by the lack of information and poor communication.
- Direct government intervention often determines the amount of cotton planted, thereby limiting the freedom even of private farmers. Planting choices have also been distorted by the sales tax on cotton. The latter has lowered the incentives to produce cotton and to invest in the sector, contributing to a reduction in cotton yields.
- In the absence of market prices for irrigation water, government policy on irrigation has greatly affected incentives. Administratively set tariffs, even if fully paid, are estimated to cover only about 10 percent of the costs of services and essential maintenance. Because these rates do not properly value water use, they distort production incentives. For example, rice production is viewed as more profitable than

cotton, but it uses three to six times as much water as cotton. This raises doubts about the relative profitability of rice under more rational pricing for water.⁴³

- Given the weakness of the domestic commercial banking system; the risks inherent to lending to the agricultural sector; the lack of proper collateral (in the absence of private ownership of land); and the lack of established external markets for cash crops other than cotton, little financing is available for any other agricultural productions. The micro-finance that has been made available, mainly through NGOs, covers less than one-tenth of rural households.

Because of these factors, current production patterns might not coincide with those predicted by comparative advantage.⁴⁴

93. **The main lesson to emerge from this experience is the need to remove as many constraints as soon as possible.** Partial reforms in the agricultural sector risk complicating the transition. Nonetheless, the fact that agriculture has recovered quickly, despite the distortions, suggests that the prospects for productivity growth in the sector are good provided the right policies are in place.

C. Land Reform

94. **Agricultural land is a scarce resource in Tajikistan.** Total agricultural land (including pastures) amounts to 9.2 million hectares or 7.7 hectares for each individual employed in agriculture. Arable land is even scarcer—totaling 0.7 million hectares or 0.6 hectares per individual. Irrigation is essential for most crops, especially cotton. The scarcity of agricultural land has contributed to the view in Tajikistan that land should remain under state ownership and to doubts about the feasibility of reform centered on small-scale, family farms.

95. **Since 1992, the land reform process has encouraged private cultivation, while retaining the constitutional ban on the private ownership of land.** Various laws and decrees have created cooperatives, joint stock companies, lease farms, and household mini-farms. The latter are an extension of household plots that existed prior to 1991 and were

⁴³ In general, however, the cotton sector appears to have been spared from the decline in irrigation services due to competition from other crops, as well as the lack of maintenance and investment. But this has mainly been achieved through administrative intervention, at the expense of the production of fruits and vegetables.

⁴⁴ According to one such measure of comparative advantage (the domestic resource cost coefficient) Tajikistan would have a clear comparative advantage in producing cotton rather than wheat.

facilitated by the distribution of 75,000 hectares of state land. In 1992, and again in 1996, the rights of workers of state and collective farms to receive land certificates and to form independent production units, or dekhan farms, were recognized. The legal status of dekhan farms was changed to allow life-long and inheritable land leases. Under these terms, about 10,000 small and medium size family farms (with land certificates) are currently operating, each with an average of about 13 hectares of arable land (Table V-2).

Table V-2. Tajikistan: Area Under Dekhan Farms, March 2002

	All Dekhan Farms	Of which from Restructuring of State Farms 2/	Small and Medium-Size Dekhan Farms
Number of farms	12,563 1/	2,685	9,878
Acreage:			
Agricultural land (in hectares)	3,698,063	1,036,009	2,662,054
As percent of total agricultural land 3/	40.30	11.3	29
Average hectarage per dekhan farm	294.4	385.9	269.5
Arable land	329,194	201,914	127,280
As percent of total arable land 4/	44.4	27.2	17.2
Average hectarage per dekhan farm	26.2	75.2	12.9

Source: Tajik authorities.

1/ Based on land use certificates issued only. If dekhan farms for which no certificates have been issued are included, the total number of dekhan farms is more than 15,000.

2/ Covers 284 state farms restructured into 1,330 dekhan farms by end-2001 and 120 state farms converted into 1,355 dekhan farms since the beginning of 2002.

3/ Estimated at 9,179,649 hectares.

4/ Estimated at 741,194 hectares.

96. **The process of restructuring state and collective farms began in earnest in 1998.** The approach has been mainly one of restructuring large state farms into large dekhan farms. Implementation of three Presidential Decrees (No. 244, No. 247, and No. 478) since mid-1998 resulted in the restructuring of 404 out of about 600 state farms as of end-2000. Approximately 2,700 large dekhan farms emerged from this process, with an average of 75 hectares of arable land. As of March 2002, the 12,563 dekhan farms⁴⁵ accounted for 40 percent and 44 percent of total agricultural land and arable land, respectively. Including the other forms of private farms, it is estimated that about 47 percent and 51 percent of total agricultural and arable land, respectively, was in private hands by the end of 2001.

⁴⁵ Based on land certificates issued.

97. **Efforts to create large dekhan farms mark a significant departure from earlier trends toward small, family operated dekhan farms.** This reflects the influence of vested interests (e.g., local authorities and former farm managers), especially when cotton is present. While the current approach has the advantage of accelerating the farm privatization process, it runs the risk of the process being inequitable and losing broader public support. It may also result in ownership changes that do not change the basic operations of the farm. For example, there are reservations about the freedom of farmers to make their own planting decisions or exit from these large dekhan farms to form individual farms. Concerns have also been raised about the voluntary nature of so-called “associations of dekhan farms.”

98. **Recent restructuring trends have raised concerns about the efficiency of farm restructuring and its effect on poverty reduction.** In order to realize the growth potential of the agricultural sector there needs to be a link between effort and its reward. The government’s commitment to a transparent, fair, and market-oriented land reform process will be tested by how it addresses concerns cited above. A major responsibility is to provide workers of state and collective farms with the necessary information and legal protection. By mid-2002, there were signs of improvements in this regard as reports emerged about a “second-round” process of breaking up large dekhan farms into smaller dekhan farms, mainly reflecting the wishes of families within the large dekhan farms to form individual family farms.

99. **Despite numerous problems, preliminary evidence suggests that dekhan farms are more productive than their predecessors.** The operations of dekhan farms are hindered by unsecured property rights; a lack of financing for key inputs and equipment; ongoing intervention by local authorities regarding production decisions (despite official prohibition of such interventions); a complicated and unfriendly tax environment; a crumbling irrigation system; and a general lack of basic agricultural extension services. Nonetheless, a comparison of productivity suggests that dekhan farms are performing better than state farms. For virtually all crops, productivity measured in terms of output per hectare is higher for dekhan farms (Table V-3). Since there is little reason to believe that more labor or material inputs are used in dekhan farms compared to state farms or that land quality is higher,⁴⁶ this performance would mainly reflect higher labor productivity.

D. Cotton Sector Reform

100. **As a source of foreign exchange, employment and fiscal revenue cotton has been a key ingredient in Tajikistan’s development for many years.** As such, the liberalization of cotton production and marketing has frequently encountered resistance from vested interests at various levels. At the same time, the prospects of liberalization combined

⁴⁶ Given the strength of vested interested in the most productive agricultural areas, the opposite is more likely.

with the large financing requirements of cotton production has led to substantial foreign investment and—for a variety of reasons—greater indebtedness of the sector. On balance, while there has been significant restructuring in some parts of the cotton sector, in other parts there has been little change.

Table V-3. Tajikistan: Productivity Comparison, State Versus Dekhan Farms, 2001 1/
(In tons per hectare)

	State Farms (1)	Dekhan Farms (2)	Difference (2) – (1)
Grain	0.7	1.1	0.4
Cotton	1.3	2.1	0.9
Potatoes	5.4	5.0	-0.4
Vegetables 2/	12.7	14.0	1.3
Melons 2/	11.9	12.3	0.4
Fruits	0.6	0.9	0.3
Grapes	1.1	1.5	0.4

Source: Ministry of Agriculture.

1/ Averages for Gonch, Pianj, Tursunzade, Istravshan, and Yavan rayons.

2/ Yavan rayon only, 2000.

Cotton production and marketing

101. **In 1996, the state trading monopoly was dismantled and the state trading company was split into several privately owned firms.** This started a process of increasing involvement of domestic and international investors in the export of cotton to Western European markets, which replaced the Russian market. Presently, cotton exporting firms freely negotiate contracts with international cotton buyers. The contracts are registered at the Dushanbe Cotton Exchange, an open joint stock company that provides information about world prices; certifies quality categories; finds buyers for residual production; performs some control function such as verifying the correctness of contract prices; and enforces the pre-payment of tax and debt obligations. In addition, the Ministry of Agriculture and local authorities register and enforce cotton financing and export commitments.

102. **The privatization of all 23 ginneries was successfully completed in late 2000.** Foreign investors—in particular international cotton trading companies—acquired eight ginneries. Despite some concerns about the transparency of the privatization process, initial results are encouraging: (i) investment for the renovation of ginneries increased; (ii) market access of new investors with links to specific ginneries was facilitated; and (iii) direct contracts between some private ginneries and financially sound farms emerged, providing financing in return for a share of the future cotton harvest. The introduction of greater competition between cotton financing agents is expected to increase the profitability of cotton production and to strengthen incentives for improving the financial viability of farms.

103. The production of raw cotton has undergone only modest restructuring.

In 2001, 77 percent of raw cotton was still produced by state and collective farms, compared to 89 percent in 2000. Local authorities, in particular, have resisted further farm privatization because of concern over losing the benefits of scale economies and tax revenues if private farmers turn to alternative crops. As a result, land reform has been slowest in those areas that are the most important cotton producing areas—particularly in the Khatlon oblast. However, even in those oblasts where farms have been privatized, intervention by local authorities remains substantial.

Cotton financing

104. Cotton production requires significant financing for soil preparation, cotton growing and harvesting over a nine month period—January to September.

During Soviet times, financing was largely a bookkeeping transaction that made working capital unnecessary for farms. Since independence, financing has been provided by the limited own resources of the Agroinvestbank (AIB); directed credits or credit auctions of the NBT; and more recently by foreign investors. However, repayment performance has been poor and both the AIB and the NBT have accumulated a large portfolio of non-performing cotton sector loans. Since directed credits by the NBT were often inflationary, they were largely eliminated in 1998, although every year there is political pressure on the NBT to finance cotton production.

105. In 1998, cotton sector financing shifted to international investors. For the 1998 crop, a loan agreement (for US\$80 million) was signed between the AIB and a consortium of foreign investors led by Credit Suisse First Boston (CSFB) and a Swiss cotton trading company. The loan, which was for the purchase of new equipment and inputs, was extended through the AIB for onlending to domestic cotton exporters and cotton farms. The new equipment and inputs were provided to farmers by cotton exporters and repaid in cotton fiber. The shipments of the cotton fiber to the Swiss cotton trading company enabled the domestic cotton exporting firms to settle their debt to AIB who, in turn, repaid the international investors. The government guaranteed the repayment to international investors. The government guarantee was only returned in late 2001, after a series of debt rescheduling agreements and the purchase of the debt to CSFB by the Swiss trading company.

106. Debt to international investors reached US\$135 million at end-September 2001 (about 13 percent of GDP) because of declining cotton prices and a lack of repayment discipline. Farm profitability has declined because of poor management and inadequate contractual arrangements with exporters. The decline in cotton prices since 1999—at times to levels below the breakeven price of US\$982 per ton (Table V-4)—further reduced farm profitability and required increased shipments to meet debt repayment obligations. In addition, the previous existence of a government guarantee and the reliance on state farms for cotton production reduced incentives for timely debt service. Except for the payment of the cotton sales tax, net export earnings of the exporters were not repatriated until recently.

Table V-4. Tajikistan: Profitability of Cotton Exports, 2001
(In US\$ per ton of cotton fiber)

	Costs and Price
Total costs	884
Growing 1/	450
Harvesting 2/	105
Ginning	150
Transport	125
Others	54
Sales tax 3/	98
Break-even export price	982

Source: Agroinvestbank.

1/ Based on \$300 per ha, yield of 2 tons of raw cotton per ha, and 1/3 conversion rate raw cotton into cotton fiber.

2/ Based on \$70 per ha.

3/ Based on sales tax rate of 10 percent of export price.

107. **Since the experience with the CSFB loan and with the privatization of ginneries, direct financing arrangements between farms, foreign cotton importers, and ginneries have multiplied.** Such arrangements, instead of bank credit are likely to dominate as long as the financial system remains underdeveloped. The lack of significant financing from the NBT, reflecting its tight credit policy and elimination of directed credit, has also encouraged these arrangements as well as greater self-financing. Increased competition among investors and strengthening of the market environment under which the financing and operations of the cotton sector take place are needed for efficiency and productivity improvements in the sector.

E. Conclusions

108. **Several conclusions emerge from an analysis of developments in Tajikistan's agricultural sector during 1992-2001.** First, agriculture has been the main source of economic recovery since 1996 in terms of output, employment opportunities and productivity gains. Second, there have been some changes in the production pattern that appear to reflect the prevailing market incentives. Nonetheless, it must be recognized that this shift in production patterns reflects many constraints not commonly found in a market environment and that further shifts can be expected once these impediments are removed. Given the productivity gains already achieved despite the difficult environment, the prospects for accelerating productivity growth in agriculture under a more enabling environment are good.

109. **The evidence of genuine reform in agriculture is mixed.** The ban on private ownership of land has likely hampered the development of private farming, especially because of the lack of clearly defined land property rights and the fact that land cannot in practice be used as collateral. The evidence suggests, however, that dekhkan farms have

realized some productivity gains from improved incentives. Also, the fact that almost half of arable land is, at least nominally, cultivated by the private sector is a significant accomplishment.

110. **The extent of reform in the cotton sector is particularly problematic.** The presence of vested interests has blocked reform at the production level but significant reform in processing and marketing has been achieved by liberalizing prices, eliminating the state trading monopoly, and privatizing ginneries. Additionally, market oriented crop financing arrangements are beginning to emerge, but are still fragile. Hence, it will be important to prevent private monopolists taking over these activities.

111. **The main directions for further reform in agriculture include:**

- Reducing government intervention in production and marketing decisions of producers;
- Removing the constraints and distortions that continue to hinder the performance of private farmers;
- Accelerating farm restructuring and privatization, including in cotton producing areas, while recognizing the need for a process that is transparent, inexpensive, and secures the legal rights of farmers, especially with regard to exiting from existing arrangements to form their individual farms;
- Writing-off or reducing the debt assumed by dekhani farms that emerge from the restructuring process. The cost of such assistance would likely need to be fully reflected in the budget; and
- Encouraging credit to private farms by creating an appropriate legal and regulatory environment, including for micro-finance institutions and mechanisms for the use of land rights as collateral.

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Table A-1a. Tajikistan: Basic Economic Data, 1996-2002

Physical and social indicators (2000)							
Area							143,100 km ²
Arable land							7,155 km ²
Population (in thousand)							6,376
Rate of population growth (in percent)							2.0
	1996	1997	1998	1999	2000	2001	Jan-Jun. 2002
Nominal GDP (in millions of somoni)	309	632	1,025	1,345	1,807	2,512	1,195
Real GDP growth (in percent)	-4.4	1.7	5.3	3.7	8.3	10.2	8.3
Inflation (in percent, end of period)	40.5	163.6	2.7	30.1	60.6	12.5	9.7
Inflation (in percent, average)	418.3	88.0	43.2	27.5	32.9	38.6	16.7
	(In percent of GDP; unless otherwise specified)						
Sectoral distribution of GDP							
Agriculture	36.0	27.1	24.9	25.4	27.0	26.7	...
Industry	25.7	19.7	20.1	21.7	23.9	22.6	...
Trade	14.6	10.2	22.1	19.7	18.3	19.3	...
Construction	2.6	2.1	3.9	5.4	3.4	4.1	...
Other	21.1	40.9	29.0	27.8	27.5	27.4	...
Balance of payments							
Current account balance	-7.3	-5.2	-8.3	-3.4	-6.5	-7.1	-7.0
Gross official reserves (in months of imports) 1/	0.3	0.6	1.5	1.7	2.1	1.9	2.3
Consolidated government finances							
Revenue	13.2	13.7	12.0	13.5	13.6	15.2	20.8
Expenditure 2/	19.0	17.0	15.8	16.6	14.2	15.3	19.7
Overall balance 2/	-5.8	-3.3	-3.8	-3.1	-0.6	-0.1	1.1
	(Percent change from previous period)						
Money and credit							
Somoni broad money	142.6	117.2	18.8	29.3	48.4	31.5	14.7
Credit to private sector 3/	...	...	...	-6.0	90.2	54.3	18.1
Interest rate (in percent) 4/	116.0	85.0	49.7	30.6	34.4	18.5	29.5

Sources: Tajik authorities; and Fund staff estimates.

1/ Imports of goods and services, excluding alumina and electricity which are traded on a barter basis.

2/ On a cash basis. Excludes externally-financed public investment program.

3/ Corrected for reclassifications due to regularization of relations between the NBT and the government.

4/ Lending rate for domestic currency denominated 3-6 months loans; end of year.

Table A-1b. Tajikistan: Basic Social Indicators, 1970-2001

	Tajikistan				Europe & Central Asia 3/	Low- income countries 3/
	1970-75	1980-85	1990-99	2000-01		
Population 1/						
Life expectancy at birth (in years)	64	66	69	69	69	59
Infant mortality (per thousand live births)	...	58	20	21	20	76
Birth rate, crude (per thousand people)	...	...	22	19	12	29
Death rate, crude (per thousand people)	...	...	5	5	11	11
Fertility rate (in births per woman)	6.3	5.6	3.3	3.1	1.6	3.6
Age dependency ratio (in percent)	...	0.9	0.8	0.8	0.5	0.7
Rural population (in percent of population)	64.5	66.0	72.5	72.0	35.0	68.0
Urban population (in percent of population)	35.5	34.0	27.5	28.0	65.0	32.0
Health indicators						
Child immunization: Measles (in percent of children under 12 months) 2/	...	...	79	...	93	57
Child immunization: DPT (in percent of children under 12 months) 2/	...	...	81	...	93	57
Physicians (per thousand people)	...	2.4	2.0	...	3.1	0.5
Hospital beds (per thousand people)	...	10.0	8.8	...	8.8	1.3
Education 1/						
Gross primary school enrollment rate (in percent of age group)	...	...	95	...	99	96
Gross secondary school enrollment rate (in percent of age group)	...	...	78	...	86	42

Source: World Development Indicators 2001 and 2002, World Bank.

1/ Data in the column labelled 1990-99 is the period average for 1993-1999.

2/ Data in the column labelled 1990-99 is the period average for 1995-1999.

3/ Latest data available.

Table A-2. Tajikistan: Nominal and Real GDP, 1996–2002

	Nominal GDP (In millions of somoni)	Real GDP (Index, 1992=100)	Percent change of real GDP
			(Over the previous year)
1996	308.5	60.4	-4.4
1997	632.0	61.4	1.7
1998	1,025.2	64.7	5.3
1999	1,345.0	67.1	3.7
2000	1,806.7	72.6	8.3
2001	2,512.1	80.0	10.2
			(Over same quarter of the previous year)
1996 Q1	55.1	34.4	-35.3
Q2	80.0	51.4	-11.2
Q3	88.0	89.8	34.6
Q4	85.4	68.5	5.6
1997 Q1	65.1	33.5	-2.7
Q2	101.8	51.2	-0.4
Q3	212.5	90.6	0.8
Q4	252.6	75.4	9.9
1998 Q1	156.2	35.4	5.5
Q2	217.4	54.0	5.5
Q3	286.0	95.0	4.8
Q4	365.6	79.3	5.3
1999 Q1	168.3	36.2	2.4
Q2	262.3	55.4	2.5
Q3	404.9	97.8	3.0
Q4	509.5	82.3	3.7
2000 Q1	242.9	37.6	3.8
Q2	306.1	56.8	2.6
Q3	555.8	117.5	20.2
Q4	701.9	85.1	3.4
2001 Q1	401.1	40.4	7.6
Q2	490.0	63.8	12.3
Q3	757.1	131.1	11.5
Q4	863.9	92.5	8.7
2002 Q1	508.4	44.2	9.3
Q2	686.2	68.6	7.5

Sources: State Statistical Committee; and Fund staff estimates.

Table A-3. Tajikistan: Nominal GDP by Sector of Origin, 1996–2001 1/
(In thousands of somoni; unless otherwise specified)

	1996		1997		1998		1999		2000		2001	
	Value	Share (in percent)	Value	Share (in percent)	Value	Share (in percent)	Value	Share (in percent)	Value	Share (in percent)	Value	Share (in percent)
Industry	79,285	25.7	124,501	19.7	206,067	20.1	291,522	21.7	431,661	23.9	566,822	22.6
Agriculture	111,135	36.0	171,268	27.1	255,364	24.9	341,477	25.4	487,959	27.0	670,027	26.7
Construction	7,934	2.6	13,272	2.1	39,537	3.9	72,948	5.4	61,059	3.4	103,682	4.1
Trade	45,109	14.6	64,462	10.2	226,429	22.1	265,322	19.7	330,016	18.3	483,936	19.3
Transport	12,388	4.0	8,848	1.4	42,642	4.2	99,029	7.4	88,270	4.9	112,588	4.5
Supplies	1,083	0.4	2,528	0.4	5,414	0.5	4,681	0.3	4,153	0.2	3,256	0.1
Procurement	925	0.3	1,896	0.3	2,006	0.2	...	...	...	...	...	...
Other material sectors 2/	3,086	1.0	35,391	5.6	10,243	1.0	4,838	0.4	5,784	0.3	7,450	0.3
Nonmaterial services 2/	24,135	7.8	116,285	18.4	159,692	15.6	167,132	12.4	248,183	13.7	334,034	13.3
Indirect taxes	23,390	7.6	93,534	14.8	77,817	7.6	97,974	7.3	149,681	8.3	230,305	9.2
GDP	308,470	100	631,984	100	1,025,211	100	1,344,923	100.0	1,806,766	100	2,512,100	100

Sources: State Statistical Committee; and Fund staff estimates.

1/ Calculated as value added plus an estimate for depreciation.

2/ Since 1998, these sectors include the State Statistical Committee estimate of the informal private sector.

Table A-4. Tajikistan: Agricultural Production, 1996–2002
(In thousands of somoni at constant 2000 prices)

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
Total production	616,049	600,935	606,140	615,299	693,242	770,958	145,699
Crop production	506,337	500,943	496,715	496,068	571,440	645,702	77,560
Animal husbandry	109,712	99,992	109,425	119,231	121,802	125,256	68,139

Source: State Statistical Committee.

Table A-5. Tajikistan: Production and Yields of Major Agricultural Crops, 1996–2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun. 1/
	(In thousands of tons)						
Production							
<i>Of which:</i>							
Raw cotton	318	353	383	313	335	453	...
Grain	548	559	500	482	550	494	93
Sweet corn	90	30	36	36	38	42	...
Feed corn	191	186	170	180	226	241	...
Rice	21	44	40	47	82	39	...
Potatoes	108	128	175	240	303	318	5
Vegetables	397	351	322	385	354	399	5
Fruits	126	113	97	78	169	152	13
Grapes	122	127	46	54	110	111	...
Hay	315	379	359	304	290	275	...
	(In kilograms per hectare)						
Yield							
<i>Of which:</i>							
Raw cotton	1,390	1,620	1,550	1,264	1,410	1,790	...
Grain	1,410	1,320	1,210	1,180	1,270	1,430	1,914
Sweet corn	3,530	2,750	2,980	2,810	2,700	2,950	...
Feed corn	8,500	11,700	11,200	9,700	10,250	11,750	...
Rice	1,720	2,710	2,450	2,480	3,790	2,610	...
Potatoes	10,200	10,000	10,500	11,700	11,870	12,960	11,836
Vegetables	16,100	14,200	11,600	11,100	11,370	11,780	13,408
Fruits	1,950	2,540	2,080	1,430	2,420	2,630	...
Grapes	3,870	4,070	1,480	1,650	3,270	3,310	...
Hay	1,620	1,080	1,090	1,030	1,714	1,810	1,059

Source: State Statistical Committee.

1/ January-June 2002 data include state sector and dekhon farms but exclude households' production.

Table A-6. Tajikistan: Animal Husbandry, 1996–2002
(In thousands)

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
Total production	3,508	3,339	3,303	3,288	3,357	3,432	953
<i>Of which:</i>							
Beef cattle	579	537	517	507	510	532	114
Milk cows	525	513	523	530	552	559	41
Pigs	2	1	1	1	1	1	...
Sheep	1,650	1,554	1,494	1,472	1,478	1,490	776
Goats	688	668	701	706	744	779	...
Horses	64	66	67	72	72	71	22

Source: State Statistical Committee.

1/ January-June 2002 data include state sector and dekhan farms but exclude households' production.

Table A-7. Tajikistan: Agricultural Production by Type of Farm, 1996–2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
	(In thousands of somoni at 2000 prices)						
Total for all types of farms	616,049	600,935	606,140	615,299	693,242	770,958	145,699
	(In percent)						
Total for all types of farms	100	100	100	100	100	100	100
<i>Of which:</i>							
Crop production	88.9	90.0	89.0	88.6	89.8	90.2	67.0
Animal husbandry	11.1	10.0	11.0	11.4	10.2	9.8	33.0
State and collective farms	45.0	47.8	48.0	39.9	36.2	34.5	22.1
<i>Of which:</i>							
Crop production	92.0	95.0	95.0	94.7	95.0	95.0	72.2
Animal husbandry	8.0	5.0	5.0	5.3	5.0	5.0	27.8
Personal lots	55.0	52.2	52.0	60.1	63.8	65.5	77.9
<i>Of which:</i>							
Crop production	86.0	88.6	84.0	84.7	85.0	87.7	65.5
Animal husbandry	14.0	11.4	16.0	15.3	15.0	12.3	34.5

Source: State Statistical Committee.

Table A-8. Tajikistan: Allocation of Agricultural Land in 2001

	Total	Collective and other farms 1/	Private farms and employees	Other 2/
(In hectares)				
Total crops	851,906	454,503	179,707	217,696
<i>Of which:</i>				
Irrigated land	591,682	347,858	130,753	113,071
Winter crops	215,954	76,904	32,262	106,788
<i>Of which:</i>				
Winter wheat	205,055	73,161	29,660	102,234
Rye	234	202	32	0
Spring crops	578,987	360,448	139,280	79,259
<i>Of which:</i>				
Wheat	121,307	54,204	32,561	34,542
Barley	19,024	10,233	5,815	2,976
Maize	9,003	3,734	972	4,297
Rice	14,225	6,630	2,292	5,303
Cotton	257,371	196,896	60,475	0
Linen	20,872	7,620	7,212	6,040
Tobacco	3,096	2,871	151	74
Potatoes	24,034	2,833	4,363	16,838
Fodder	109,516	75,795	23,630	10,091
(In percent of total)				
Total crops	100	53	21	26
<i>Of which:</i>				
Irrigated land	100	59	22	19
Winter crops	100	36	15	49
<i>Of which:</i>				
Winter wheat	100	36	14	50
Rye	100	86	14	0
Spring crops	100	62	24	14
<i>Of which:</i>				
Wheat	100	45	27	28
Barley	100	54	31	16
Maize	100	41	11	48
Rice	100	47	16	37
Cotton	100	77	23	0
Linen	100	37	35	29
Tobacco	100	93	5	2
Potatoes	100	12	18	70
Fodder	100	69	22	9

Source: State Statistical Committee.

1/ Includes collective farms (kolkhozes), state farms (sovkhoses), state farms in transformation to collective farms (mezhozes), and other farms.

2/ Personal lots, including 75,000 hectares of land distributed by presidential decree in 1997.

Table A-9. Tajikistan: Industrial Output by Sector at Constant Prices, 1996-2001

	1996	1997	1998	1999	2000	2001
(In millions of somoni at 1998 prices)						
Total industry	577,124	565,582	612,197	646,480	710,482	815,633
(In percent)						
Share in total industrial output						
<i>Of which:</i>						
Electric energy	16.7	11.5	6.9	8.7	7.2	6.6
Fuel, refinery	0.4	0.3	0.2	0.2	0.2	0.2
Nonferrous metallurgy	35.2	40.4	33.3	49.5	56.3	54.2
Chemical and petrochemical	4.1	3.2	1.8	1.6	1.7	1.2
Mechanical engineering and metal working	2.9	1.8	1.7	1.1	0.9	0.7
Wood and wood-working, paper	0.1	0.1	0.1	0.0	0.0	0.0
Glass	0.4	0.3	0.3	0.3	0.3	0.4
Construction material	1.2	1.0	0.9	1.2	0.8	0.7
Light industry	16.3	17.3	22.7	13.2	15.5	12.7
Food	10.7	13.3	17.2	16.1	10.7	16.9
Flour grinding	10.2	10.4	14.6	7.6	6.1	6.3
Unallocated	1.8	0.4	0.3	0.5	0.3	0.1
(Index 1990=100)						
Total industry	33.0	32.3	35.0	37.0	40.6	46.6
<i>Of which:</i>						
Electric energy	92.8	104.4	107.0	119.7	107.4	108.3
Fuel, refinery	8.8	8.8	7.0	7.5	7.9	8.7
Nonferrous metallurgy	38.1	39.6	42.9	50.1	59.4	66.2
Chemical and petrochemical	15.5	14.8	8.9	7.3	10.5	8.8
Mechanical engineering and metal working	16.4	13.7	14.0	13.4	14.7	16.8
Wood and wood-working, paper	4.4	4.7	4.5	5.6	5.1	7.6
Glass	22.7	22.0	24.1	22.6	26.5	42.5
Construction material	2.9	2.3	2.0	3.4	3.6	4.3
Light industry	37.2	32.0	33.3	33.9	35.2	37.6
Food	17.8	14.8	17.7	16.4	16.8	25.4
Flour grinding	33.4	38.2	45.9	37.9	34.4	37.8

Source: State Statistical Committee.

Table A-10. Tajikistan: Selected Indicators of Industrial Production, 1996-2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
High-capacity electrical transformers (in thousand kWh)	23.5	12.0	18.6	19.0	37.4	61.2	25.0
Aluminium (in thousand tons)	198.0	189.0	196.0	229.1	269.2	289.1	203.2
Cement (in thousand tons)	49.3	36.4	17.7	33.2	54.8	68.9	33.3
Prefabricated reinforced concrete construction elements (in thousand cubic meters)	24.9	11.7	12.2	20.5	12.5	9.1	7.6
Construction bricks (in million units)	39.0	27.4	33.0	33.3	29.9	26.0	13.8
Asbestos-roofing (in million sheets)	4.0	3.0	1.0	2.0	2.3	1.0	0.0
Lumber/Timber (in thousand cubic meters)	1.0	1.0	1.2	0.3	0.1	0.2	0.0
Roofing materials (in million square meters)	0.1	...	...	...	...	...	...
Caustic soda (in thousand tons)	0.3	0.5	0.6	0.7	3.7	3.0	1.6
Fertilizers (in thousand tons)	11.0	9.8	11.9	4.6	11.1	3.4	5.4
Detergents and soaps (in thousand tons)	1.6	1.0	1.0	0.7	0.8	0.1	0.2
Knitwear (in million items)	0.8	0.1	0.3	0.4	0.3	0.1	0.0
Cotton fabrics (in million square meters)	17.4	8.3	13.1	11.5	10.9	13.0	8.6
Woolen fabrics (in million square meters)	...	...	...	...	...	...	...
Silk fabrics (in million square meters)	3.9	0.4	0.6	0.4	0.3	0.2	0.1
Rugs, carpets (in million square meters)	0.6	1.0	1.1	1.0	0.3	0.5	0.1
Hosiery (in million pairs)	3.5	1.5	2.1	2.1	3.1	4.4	2.6
Shoes (in million pairs)	0.4	0.1	0.1	0.1	0.1	0.1	0.0
Refrigerators and freezers (in thousands)	0.9	1.5	0.9	1.6	1.7	1.7	1.2

Source: State Statistical Committee.

Table A-11. Tajikistan: Electricity Output, Trade and Consumption, 1996–2002
(In billions of kilowatt hours)

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
Output	15.0	14.0	14.4	15.8	14.3	14.4	7.2
<i>Of which:</i>							
Hydropower	14.9	13.7	14.1	15.6	14.1	14.2	7.1
Thermal power	0.1	0.3	0.3	0.2	0.2	0.2	0.1
Imports	2.9	4.0	3.6	3.6	4.3	5.4	2.4
Exports	3.8	3.9	3.3	3.8	3.9	4.0	1.7
Total internal consumption (by sector)	14.1	14.1	14.6	15.6	14.7	15.7	7.8
<i>Of which:</i>							
Industry	5.4	5.0	5.1	5.4	5.8	6.1	...
Construction	0.1	0.1	0.1	0.1	0.0	0.0	...
Agriculture	4.2	4.4	4.5	4.5	4.3	4.5	...
Transport	0.1	0.1	0.1	0.1	0.0	0.0	...
Other sectors	0.2	0.2	0.2	0.3	0.5	0.4	...
Households	2.1	2.4	2.6	3.0	2.8	2.5	...
Losses	2.0	2.0	2.1	2.2	2.2	2.2	...
Discrepancy	0.0	-0.1	-0.1	0.0	-0.9	0.0	...

Source: State Statistical Committee.

Table A-12. Tajikistan: Fuel Consumption, 1996-2001 1/
(Index 1991=100)

	Gasoline	Kerosene	Diesel	Household Fuel	Engine Fuel	Natural Gas	Liquefied Gas	Coal	Coke (dry)	Firewood
1996	3	0	25	3	1	17	34	1.0	14	10
1997	3	8	33	...	...	19	1	1.0	7	7
1998	3	6	35	1	...	20	0	1.0	5	9
1999	2	6	29	...	3	20	3	0.2	1	4
2000	2	6	21	...	...	19	2	0.1	2	2
2001	7	11	22	...	...	16	1	0.1	2	3

Sources: State Statistical Committee; and Fund staff estimates.

1/ The figures in this table overstate the decline in fuel consumption as they do not adequately cover private sector activity.

Table A-13. Tajikistan: Indices of Real GDP, Employment and Energy Consumption, 1996–2001
(Index 1991 = 100)

	1996	1997	1998	1999	2000	2001
Real GDP	32.6	33.2	34.9	36.2	39.2	43.2
Employment	87.8	90.9	91.1	88.1	88.5	92.8
Energy consumption						
<i>Of which:</i>						
Electricity 1/	73.5	71.3	73.1	76.5	71.5	81.2
Oil and oil products 2/ 3/	8.1	13.0	14.0	11.3	11.5	10.8
Coal 2/	1.0	1.0	1.0	0.2	0.1	0.1
Natural gas 2/ 4/	17.0	19.0	19.9	19.7	19.3	15.5

Source: State Statistical Committee.

1/ Total electricity consumption, excluding household consumption and losses.

2/ The figures in this table overstate the decline in fuel consumption as they do not adequately cover private sector activity.

3/ Sum of gasoline, diesel, crude oil, and engine fuel consumption.

4/ Includes household consumption.

Table A-14. Tajikistan: Labor Resources and Employment, 1996–2001

	1996	1997	1998	1999	2000	2001
	(In thousands of persons)					
Population 1/	5,769	5,876	6,001	6,127	6,250	6,376
<i>Of which:</i>						
Working age 2/	2,718	2,929	3,025	3,127	3,247	3,397
Nonworking age	3,051	2,947	2,976	3,000	3,003	2,979
Urban	1,548	1,566	1,594	1,625	1,660	1,691
Rural	4,221	4,310	4,407	4,502	4,590	4,685
Labor force participation rate 3/	65.4	62.9	61.3	57.3	55.3	55.1
Total labor resources 4/	2,840	2,909	3,038	3,125	3,186	3,301
<i>Of which:</i>						
Economically active population 4/ 5/	1,777	1,842	1,855	1,791	1,794	1,872
<i>Of which:</i>						
Total employment 4/	1,731	1,791	1,796	1,737	1,745	1,829
<i>Of which:</i>						
Government 6/	784	761	766	646	558	520
Collective farms	335	402	395	402	364	397
Cooperatives	14	16	12	8	1	1
Private farming	582	582	566	596	641	684
Clergy and other religious activity	1	1	1	1	1	1
Unallocated	15	29	56	84	180	227
Registered unemployment	46	51	59	54	49	43
Nonworking students 4/	205	192	245	301	343	357
Working age population at home 4/	857	875	938	1,033	1,049	1,072
	(In percent of total employment)					
Total labor resources	164.1	162.4	169.2	179.9	182.6	180.5
<i>Of which:</i>						
Economically active population 4/ 5/	102.7	102.8	103.3	103.1	102.8	102.4
<i>Of which:</i>						
Total employment	100	100	100	100	100	100
<i>Of which:</i>						
Government 6/	45.3	42.5	42.7	37.2	32.0	28.4
Collective farms	19.4	22.4	22.0	23.1	20.9	21.7
Cooperatives	0.8	0.9	0.7	0.5	0.0	0.0
Private farming	33.6	32.5	31.5	34.3	36.7	37.4
Clergy and other religious activity	0.1	0.1	0.1	0.1	0.1	0.1
Unallocated	0.9	1.6	3.1	4.8	10.3	12.4
Registered unemployment	2.7	2.9	3.3	3.1	2.8	2.4
Nonworking students	11.8	10.7	13.6	17.3	19.7	19.5
Working age population at home	49.5	48.9	52.2	59.5	60.1	58.6

Sources: State Statistical Committee; and Fund staff estimates.

1/ End of year.

2/ Men between 16 and 59; women between 16 and 54. From 1997 onward, data includes persons of 15 years old.

3/ Defined as the ratio of economically active over working age population.

4/ Annual averages.

5/ Equals total employment plus registered total unemployment.

6/ Includes central and local governments, state enterprises and state farms.

Table A-15. Tajikistan: Registered Unemployment, 1996–2002
(In thousands of people; end of period)

	1996		1997		1998		1999		2000		2001		2002	
	Total	Receiving Benefits	Total	Receiving Benefits	Total	Receiving Benefits	Total	Receiving Benefits	Total	Receiving Benefits	Total	Receiving Benefits	Total	Receiving Benefits
January	38.8	1.4	45.6	1.7	51.6	2.0	54.7	1.1	49.8	0.7	42.2	0.5	43.7	1.6
February	39.0	0.8	44.7	1.8	51.5	3.3	52.7	1.4	49.3	1.5	42.9	0.7	45.0	0.5
March	42.1	4.0	46.0	1.9	53.8	4.9	54.1	5.0	49.2	4.1	41.7	2.9	46.2	4.9
April	46.9	3.3	46.0	2.0	55.7	4.3	54.2	1.6	49.9	2.6	42.4	2.0	47.0	1.7
May	50.1	4.4	49.2	7.1	58.4	4.3	54.3	2.0	50.4	2.5	43.3	2.1	47.9	2.4
June	52.3	8.0	21.6	7.5	61.2	8.6	54.2	4.8	50.2	3.9	43.5	2.2	48.8	2.2
July	53.7	7.4	52.3	4.2	62.6	5.2	54.2	2.1	50.3	1.3	44.0	1.7	48.8	1.5
August	54.3	7.6	53.6	7.1	63.5	4.4	54.3	2.3	50.4	2.2	43.9	1.8	...	...
September	54.3	6.1	54.9	9.3	64.8	7.4	54.5	2.4	50.0	4.1	44.4	1.7	...	...
October	53.1	3.3	53.5	7.1	64.8	2.5	54.0	1.6	49.7	1.6	44.7	1.6	...	...
November	53.2	3.4	52.8	4.1	63.1	3.3	53.3	2.2	49.7	1.0	44.2	1.7	...	...
December	45.7	5.7	51.1	11.0	54.1	4.4	49.7	7.0	43.2	2.3	42.9	2.3	...	...

Source: State Statistical Committee.

Table A-16. Tajikistan: Employment by Sector of Economy, 1996–2001

	1996	1997	1998	1999	2000	2001
(In thousands of persons; annual average)						
Total employment	1,731	1,791	1,796	1,737	1,745	1,829
Material sphere	1,410	1,461	1,472	1,427	1,416	1,512
<i>Of which:</i>						
Agriculture	1,026	1,145	1,090	1,118	1,135	1,167
Industry	181	164	148	133	121	131
Construction	68	52	52	43	36	31
Transport and communication	58	44	53	44	42	43
Trade, supply and other	77	56	129	89	81	140
Nonmaterial sphere	321	330	324	310	329	317
<i>Of which:</i>						
Government	26	22	20	22	27	26
Education, culture and art	183	191	188	178	179	178
Medical care, physical training and social security	84	85	84	75	82	72
Scientific research	7	5	5	5	5	5
Communal services	21	21	18	24	27	29
Other	0	6	9	6	9	7
(In percent of total employment)						
Total employment	100	100	100	100	100	100
Material sphere	81.5	81.6	82.0	82.2	81.1	82.7
<i>Of which:</i>						
Agriculture	59.3	63.9	60.7	64.4	65.0	63.8
Industry	10.5	9.2	8.2	7.7	6.9	7.2
Construction	3.9	2.9	2.9	2.5	2.1	1.7
Transport and communication	3.4	2.5	3.0	2.5	2.4	2.4
Trade, supply and other	4.4	3.1	7.2	5.1	4.6	7.7
Nonmaterial sphere	18.5	18.4	18.0	17.8	18.9	17.3
<i>Of which:</i>						
Government	1.5	1.2	1.1	1.3	1.5	1.4
Education, culture and art	10.6	10.7	10.5	10.2	10.3	9.7
Medical care, physical training and social security	4.9	4.7	4.7	4.3	4.7	3.9
Scientific research	0.4	0.3	0.3	0.3	0.3	0.3
Communal services	1.2	1.2	1.0	1.4	1.5	1.6
Other	0.0	0.3	0.5	0.3	0.5	0.4

Sources: Tajik authorities; and Fund staff estimates.

Table A-17. Tajikistan: Sectoral Output, Employment and Productivity, 1996–2001
(Index 1991 = 100)

	1996	1997	1998	1999	2000	2001
Industry						
Output	33.0	32.3	35.0	37.0	40.6	46.6
Employment	69.8	63.2	57.1	51.3	46.7	50.5
Productivity	56.4	62.9	75.5	83.6	99.8	115.5
Agriculture						
Output	58.7	57.3	57.8	58.6	66.1	73.5
Employment	116.4	129.9	123.7	126.8	128.8	132.4
Productivity	36.8	34.2	38.5	38.6	44.4	48.0
Transport						
Output	7.9	6.3	6.8	...	...	...
Employment 1/	89.0	67.5	81.3	67.5	64.4	66.0
Productivity	12.7	13.3	11.9	...	...	...
Construction						
Output	3.1	2.4	2.3	...	...	...
Employment	46.0	35.2	35.2	29.1	24.4	21.0
Productivity	6.7	6.9	6.6	...	...	...

Sources: Tajik authorities; and Fund staff estimates.

1/ Includes transport and communications.

Table A-18. Tajikistan: Consumer Price Index, 1999-2002

	Overall CPI	Foodstuff	Nonfood	Services
(Monthly percent change)				
1999 January	3.2	3.3	2.5	3.2
February	0.7	0.6	0.9	2.7
March	2.6	3.1	-1.2	-1.8
April	7.3	8.8	0.0	3.7
May	-0.1	-0.6	-1.3	7.4
June	-1.6	-2.8	1.3	4.9
July	9.5	11.2	3.9	2.1
August	16.0	18.8	4.5	6.3
September	-1.4	-2.1	1.5	2.5
October	-2.0	-2.7	0.6	1.3
November	-3.4	-4.8	2.2	1.9
December	-2.4	-3.9	0.6	5.8
2000 January	1.6	1.5	2.2	1.5
February	0.8	0.9	0.8	0.2
March	2.4	2.9	1.0	0.3
April	3.3	4.1	0.1	1.6
May	5.9	6.8	2.9	2.0
June	1.7	2.1	0.3	0.2
July	0.2	0.0	1.2	0.9
August	5.9	6.8	2.6	1.3
September	7.5	8.0	7.0	0.7
October	12.4	14.2	6.7	1.1
November	7.7	6.7	11.7	14.6
December	-0.3	-1.0	1.3	6.0
2001 January	2.4	2.8	1.5	0.6
February	1.2	1.8	-0.9	0.3
March	1.3	1.5	1.0	0.1
April	2.1	2.8	-0.4	0.1
May	2.0	2.4	0.3	0.4
June	-0.8	-1.2	0.8	0.1
July	-0.2	-0.3	0.1	0.2
August	-0.9	-1.8	2.9	0.3
September	-0.3	-0.6	0.5	0.4
October	1.0	0.9	1.8	0.3
November	1.8	2.1	1.1	0.1
December	2.3	2.7	1.3	0.3
2002 January	1.6	2.0	0.7	0.5
February	0.9	1.1	0.7	0.2
March	0.4	0.4	0.1	1.3
April	3.1	4.2	0.0	0.1
May	0.4	0.4	0.3	0.1
June	-0.7	-1.4	0.9	2.0
July	0.8	0.9	0.1	1.3
August	0.5	0.5	0.3	1.7
September	2.9	3.7	0.4	0.7
(Quarterly percent change, end-of-period)				
1999 Q1	6.6	7.1	2.2	4.1
Q2	5.5	5.1	0.0	16.8
Q3	25.2	29.3	10.2	11.2
Q4	-7.6	-11.0	3.4	9.2
2000 Q1	4.9	5.4	4.0	2.0
Q2	11.3	13.5	3.3	3.8
Q3	14.1	15.3	11.1	2.9
Q4	20.7	20.6	20.7	22.8
2001 Q1	5.0	6.2	1.6	1.0
Q2	3.3	4.0	0.7	0.6
Q3	-1.4	-2.7	3.5	0.9
Q4	5.2	5.8	4.3	0.7
2002 Q1	2.9	3.5	1.5	2.0
Q2	2.8	3.1	1.2	2.2
Q3	4.2	5.2	0.8	3.7
(Annual percent change, end-of-period)				
1999	30.1	29.7	16.5	47.7
2000	60.6	66.4	44.2	33.9
2001	12.5	13.7	10.4	3.2

Sources: State Statistical Committee; and Food staff estimates.

Table A-19. Tajikistan: Wholesale Price Index, 1999-2002

	Overall WPI	Foodstuff	Fuel	Light Industry
(Monthly percent change)				
1999 January	2.8	3.0	-2.3	0.0
February	-1.2	-2.0	12.7	0.8
March	-0.4	-0.1	16.0	0.3
April	13.6	7.9	0.1	1.0
May	4.8	7.0	8.5	0.0
June	6.4	3.1	14.9	1.1
July	8.5	0.0	4.9	1.2
August	8.5	22.4	-4.9	1.6
September	4.2	0.2	1.7	0.0
October	1.5	1.3	-2.8	-0.9
November	0.6	-2.2	-2.1	-0.6
December	2.2	0.7	-3.4	0.8
2000 January	3.5	-6.3	3.1	0.0
February	1.4	0.3	29.5	-0.2
March	-1.2	0.1	3.1	0.8
April	-1.5	0.4	-2.1	3.7
May	-0.2	0.3	1.1	0.0
June	5.8	21.1	-0.1	2.7
July	5.2	-0.3	0.0	0.7
August	1.0	-12.6	-0.5	4.9
September	3.0	0.7	7.6	5.4
October	4.5	25.2	-0.4	1.5
November	4.8	15.4	0.8	2.5
December	3.6	1.8	2.1	-0.3
2001 January	5.4	0.0	7.8	0.1
February	3.7	7.4	1.4	0.0
March	-3.9	0.0	-1.4	0.7
April	1.9	0.4	-4.6	-0.1
May	6.8	25.1	7.1	-0.2
June	-1.6	1.4	3.9	0.1
July	-2.0	0.3	1.5	0.0
August	-1.1	0.4	21.2	-0.2
September	-0.5	0.1	-0.1	-1.0
October	-1.3	-0.1	-13.4	0.2
November	-0.8	0.0	-2.4	0.2
December	3.0	0.0	4.1	-5.8
2002 January	1.2	-2.6	8.2	0.1
February	0.8	-4.3	0.0	1.9
March	3.3	0.0	0.0	1.2
April	3.6	-3.2	-6.7	0.4
May	-0.4	-0.6	3.3	0.0
June	0.7	0.1	14.1	-0.7
July	0.5	1.0	0.0	0.6
August	0.9	0.1	0.0	0.1
(Quarterly percent change; end-of-period)				
1999 Q1	1.2	0.8	27.7	1.1
Q2	26.7	19.0	24.8	2.1
Q3	22.7	22.6	1.5	2.8
Q4	4.4	-0.2	-8.1	-0.7
2000 Q1	3.7	-5.9	37.7	0.6
Q2	4.0	21.9	-1.1	6.5
Q3	9.4	-12.3	7.1	11.3
Q4	13.5	47.1	2.5	3.7
2001 Q1	5.0	7.4	7.8	0.8
Q2	7.1	27.4	6.2	-0.2
Q3	-3.6	0.8	22.9	-1.2
Q4	0.8	-0.1	-12.0	-5.4
2002 Q1	5.4	-6.8	8.2	3.2
Q2	3.9	-3.7	10.0	-0.3
(Annual percent change; end-of-period)				
1999	64.0	46.8	48.6	5.4
2000	33.9	48.1	49.4	23.7
2001	9.4	37.7	23.7	-6.0

Sources: State Statistical Committee; and Fund staff estimates.

Table A-20. Tajikistan: Monthly Wages, 1998-2002 1/
(in somoni; unless otherwise specified)

	Average monthly wage					Minimum wage	Real wage total 2/	Percent change in CPI
	Total	Industry	Agriculture	Construction	Services			
1998								
January	7.20	23.54	2.08	11.32	4.77	0.32	155.6	0.5
February	7.06	22.60	2.31	12.53	4.43	0.32	148.4	2.8
March	7.64	24.81	2.91	14.81	5.38	0.32	159.7	0.6
April	7.61	25.14	3.13	14.39	5.91	1.00	156.3	1.7
May	7.63	25.27	3.18	17.23	6.43	1.00	163.0	-3.8
June	8.68	25.81	3.50	19.66	8.42	1.00	194.6	-4.8
July	8.80	26.12	3.74	25.35	8.07	1.00	208.1	-5.1
August	8.93	26.57	3.97	26.26	8.08	1.00	216.1	-2.3
September	10.51	27.57	6.43	28.03	7.90	1.00	250.1	1.7
October	9.41	26.82	5.63	21.25	7.60	1.00	222.1	0.8
November	9.78	28.31	5.64	23.56	7.86	1.00	212.7	8.5
December	11.74	30.55	8.01	26.58	8.56	1.00	248.2	2.9
1999								
January	10.69	29.69	3.27	20.76	7.85	1.00	218.9	3.2
February	11.10	27.66	3.81	32.12	8.51	1.00	225.8	0.7
March	11.55	31.50	4.28	30.10	9.38	1.00	229.0	2.6
April	11.10	32.03	4.12	29.38	8.78	1.00	205.2	7.3
May	10.84	33.72	4.20	32.71	8.93	1.00	200.4	-0.1
June	11.32	33.96	4.85	38.60	9.52	1.00	212.8	-1.6
July	11.80	33.82	4.65	45.40	10.20	1.00	202.6	9.5
August	12.40	34.42	4.94	47.42	11.22	1.00	183.5	16.0
September	14.23	37.54	9.51	37.96	10.84	1.00	213.6	-1.4
October	13.95	37.38	8.82	44.17	10.50	1.00	213.6	-2.0
November	13.88	38.81	7.73	43.23	10.78	1.00	220.0	-3.4
December	15.92	41.90	9.80	46.16	11.69	1.00	258.6	-2.4
2000								
January	14.03	39.46	4.73	30.65	10.12	1.00	224.2	1.6
February	14.06	41.64	4.46	29.29	10.28	1.00	223.0	0.8
March	15.95	50.14	5.01	39.15	11.95	1.00	247.0	2.4
April	14.42	42.85	4.84	34.30	12.19	1.00	216.3	3.3
May	14.61	43.16	5.24	39.25	12.69	1.00	206.8	5.9
June	14.96	42.99	6.10	40.15	13.75	1.00	208.2	1.7
July	14.56	43.07	5.54	40.98	13.54	1.00	202.2	0.2
August	15.14	45.03	6.90	44.04	13.81	1.00	198.6	5.9
September	19.43	50.90	14.09	47.75	13.68	1.00	237.1	7.5
October	18.19	49.37	12.26	44.41	13.64	1.00	197.5	12.4
November	16.44	51.71	7.83	39.67	13.60	1.00	165.7	7.7
December	22.47	63.14	12.80	55.17	16.67	1.00	227.2	-0.3
2001								
January	19.48	57.93	5.57	45.30	13.92	3.00	192.4	2.4
February	20.50	63.86	6.66	46.13	14.06	3.00	200.0	1.2
March	21.07	63.64	8.68	48.96	15.57	3.00	203.0	1.3
April	19.66	62.92	7.29	44.47	16.49	3.00	185.5	2.1
May	21.35	66.06	9.03	54.55	17.83	3.00	197.5	2.0
June	23.68	72.61	10.91	71.47	21.38	3.00	220.8	-0.8
July	23.04	70.49	10.64	73.56	20.04	3.00	215.3	-0.2
August	23.56	72.75	12.61	72.61	18.96	3.00	222.1	-0.9
September	33.34	78.53	30.86	73.74	19.24	3.00	315.3	-0.3
October	27.57	75.81	20.97	63.46	18.87	3.00	258.1	1.0
November	27.27	84.23	17.02	56.38	19.67	3.00	250.8	1.8
December	32.27	88.87	20.07	74.07	23.05	3.00	290.1	2.3
2002								
January	26.52	79.50	8.50	56.47	22.02	4.00	234.7	1.6
February	29.52	80.45	11.24	54.69	23.74	4.00	258.9	0.9
March	31.64	92.01	11.88	61.80	28.50	4.00	276.4	0.4
April	28.70	83.00	10.82	73.60	25.60	4.00	243.1	3.1
May	29.70	85.36	13.28	69.52	27.69	4.00	250.7	0.4
June	31.41	84.42	15.70	80.85	29.80	4.00	267.0	-0.7
July	30.73	86.49	15.35	73.48	27.92	4.00	259.1	0.8

Sources: State Statistical Committee; and Fund staff estimates.

1/ Data are based on preliminary monthly figures on wages and employment, while average annual wages reported in Table 21 are final and reconciled annual data. As a result, annual averages in Table 21 may differ from data reported in Table 20.

2/ Index deflated by the CPI (July 1995=100).

Table A-21. Tajikistan: Average Monthly Wages by Sector, 1996–2002 1/

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
	(In somoni)						
Total economy	3.0	5.0	9.2	11.6	15.6	25.1	28.4
<i>Of which:</i>							
Agriculture	1.8	3.1	5.3	5.4	7.8	15.0	11.2
Industry	8.4	14.4	28.3	35.8	47.1	69.8	82.6
Forestry	0.9	1.7	4.4	5.8	5.3	6.3	9.7
Transportation	4.5	8.5	16.1	23.2	31.0	50.3	62.6
Communication	5.6	10.2	19.4	28.7	38.4	58.7	86.1
Construction	4.8	9.5	22.2	37.0	38.9	58.8	61.5
Trade and supplies	2.6	4.6	8.3	11.9	16.9	19.8	27.3
Housing and municipal services	3.4	5.7	12.4	17.0	18.3	26.2	31.7
Health care	1.2	2.1	3.1	4.5	6.7	8.8	11.8
Education	1.6	2.7	6.4	7.6	11.6	16.5	25.1
Arts and culture	1.8	2.6	5.4	8.3	11.5	15.2	22.5
Sciences	2.3	5.3	9.5	16.4	16.4	23.6	28.5
Banking and insurance	7.3	17.0	20.3	48.9	76.7	88.4	100.4
Management of state and other public bodies	4.9	8.1	16.1	22.8	23.9	31.5	43.1
	(Percent change)						
Total economy	220.0	68.1	84.9	26.6	34.1	61.0	...
<i>Of which:</i>							
Agriculture	117.3	74.4	71.3	2.3	44.6	93.3	...
Industry	425.7	71.8	96.4	26.4	31.5	48.2	...
Forestry	115.2	94.9	163.8	32.8	-8.7	17.9	...
Transportation	262.6	90.2	90.1	44.0	33.3	62.6	...
Communication	404.9	81.4	89.9	48.1	34.1	52.8	...
Construction	277.9	97.1	133.6	66.5	5.0	51.1	...
Trade and supplies	292.7	74.4	79.8	43.7	42.1	17.6	...
Housing and municipal services	254.3	65.3	119.4	36.7	8.1	42.8	...
Health care	143.7	70.7	44.3	46.0	50.5	31.4	...
Education	188.2	75.0	135.2	18.3	51.7	42.8	...
Arts and culture	152.9	50.0	102.5	54.2	39.5	32.1	...
Sciences	197.8	132.5	80.6	72.3	0.0	43.9	...
Banking and insurance	241.0	133.4	19.7	140.5	56.8	15.3	...
Management of state and other public bodies	470.5	66.6	98.6	41.3	4.7	32.0	...

Sources: Tajik authorities; and Fund staff estimates.

1/ Data are based on final and reconciled annual data on wages and employment, while average annual wages reported in Table 20 are preliminary monthly figures. As a result, annual averages in Table 21 may differ from data reported in Table 20.

Table A-22. Tajikistan: State Budget by Economic Classification of Revenues and Expenditures, 1996-2002 1/

	1996	1997	1998	1999	2000	2001	2002
							Jan.-Jun.
	(In thousands of somoni)						
Total revenue	37,335	76,720	115,201	168,303	218,803	342,316	222,203
Tax revenue	35,953	74,452	111,264	158,244	205,409	313,491	201,663
Individual income tax	3,434	7,465	10,312	14,412	22,255	32,842	17,747
Enterprise profits tax	6,742	7,157	10,900	17,158	11,008	14,300	12,282
Value-added tax	5,303	9,485	19,765	30,561	44,466	86,041	72,540
Excise taxes	1,891	3,075	1,490	8,002	9,010	15,521	13,210
Customs revenue	1,598	10,856	12,365	17,873	27,351	51,566	28,272
Taxes on aluminum and cotton	14,535	51,133	40,974	47,408	58,934	62,797	27,050
Other taxes	2,450	5,281	15,458	22,830	32,385	50,424	30,562
<i>Of which: Land tax</i>	1,871	3,866	6,164	7,250	7,876	9,537	4,354
Non-tax revenue	1,382	2,268	3,937	6,477	11,706	28,825	20,432
Grants	...	...	...	3,582	1,688	0	108
Expenditure	55,173	97,833	142,557	200,379	228,015	338,418	212,618
Current	52,066	92,570	117,036	154,082	178,814	262,342	179,771
Wages and salaries	8,249	20,962	36,935	47,821	66,527	82,443	54,771
Goods and services	32,751	54,677	60,659	85,685	81,603	139,557	90,360
Subsidies	2,301	6,846	6,241	10,445	8,194	5,588	3,251
Social safety net	5,125	2,279	5,886	2,192	15,972	20,934	17,824
Interest payments	3,640	7,806	7,315	7,939	6,518	13,820	13,565
Capital	2,275	3,764	29,011	46,204	47,802	73,624	32,062
Net lending	832	1,499	-3,490	93	1,399	2,452	785
Balance on a cash basis (deficit -)	-17,838	-21,113	-27,356	-32,076	-9,212	3,898	9,585
Financing	17,838	21,113	27,356	32,076	9,212	-3,898	-9,585
External	10,230	6,940	16,948	33,063	46,702	21,036	-4,344
Domestic	6,980	10,198	5,208	-11,792	-54,968	-32,347	-15,559
Privatization proceeds	628	3,895	5,200	10,805	17,478	7,413	10,318
	(In percent of GDP; unless otherwise specified)						
Total revenue	12.1	12.1	11.2	12.5	12.1	13.6	18.6
Tax revenue	11.7	11.8	10.9	11.8	11.4	12.5	16.9
Individual income tax	1.1	1.2	1.0	1.1	1.2	1.3	1.5
Enterprise profits tax	2.2	1.1	1.1	1.3	0.6	0.6	1.0
Value-added tax	1.7	1.5	1.9	2.3	2.5	3.4	6.1
Excise taxes	0.6	0.5	0.1	0.6	0.5	0.6	1.1
Customs revenue	0.5	1.7	1.2	1.3	1.5	2.1	2.4
Taxes on aluminum and cotton	4.7	4.9	4.0	3.5	3.3	2.5	2.3
Other taxes	0.8	0.8	1.5	1.7	1.8	2.0	2.6
<i>Of which: Land tax</i>	0.6	1.1	0.6	0.5	0.4	0.4	0.4
Non-tax revenue	0.4	0.4	0.4	0.5	0.6	1.1	1.7
Grants	...	...	...	0.3	0.1	0.0	0.0
Expenditure	17.9	15.5	13.9	14.9	12.6	13.5	17.8
Current	16.9	14.6	11.4	11.5	9.9	10.4	15.0
Wages and salaries	2.7	3.3	3.6	3.6	3.7	3.3	4.6
Goods and services	10.6	8.7	5.9	6.4	4.5	5.6	7.6
Subsidies	0.7	1.1	0.6	0.8	0.5	0.2	0.3
Social safety net	1.7	0.4	0.6	0.2	0.9	0.8	1.5
Interest payments	1.2	1.2	0.7	0.6	0.4	0.6	1.1
Capital	0.7	0.6	2.8	3.4	2.6	2.9	2.7
Net lending	0.3	0.2	-0.3	0.0	0.1	0.1	0.1
Balance on a cash basis (deficit -)	-5.8	-3.3	-2.7	-2.4	-0.5	0.2	0.8
Financing	5.8	3.3	2.7	2.4	0.5	-0.2	-0.8
External	3.3	1.1	1.7	2.5	2.6	0.8	-0.4
Domestic	2.3	1.6	0.5	-0.9	-3.0	-1.3	-1.3
Privatization proceeds	0.2	0.6	0.5	0.8	1.0	0.3	0.9
<i>Memorandum items:</i>							
Nominal GDP (in millions of somoni)	309	632	1,025	1,345	1,807	2,512	1,195

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes central government and local government budgets.

Table A-23. Tajikistan: State Budget by National Classification of Revenues and Expenditures, 1996–2002
(In thousands of somoni; unless otherwise specified)

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
Revenue	37,335	76,720	115,201	168,303	218,803	342,316	222,203
Individual income tax	3,434	7,465	10,312	14,412	22,255	32,842	17,747
Enterprise profits tax	6,742	7,157	10,900	17,158	11,008	14,300	12,282
Revaluation of inventories	177	118	...	...	...	...	...
Value-added tax	5,303	9,485	19,765	30,561	44,466	86,041	72,540
Excise taxes	1,891	3,075	1,490	8,002	9,010	15,521	13,210
Tax on vehicles	26	157	418	610	890	1,225	792
Tax on casinos and videos	1	48	11	...	...	...	...
Customs revenue	1,599	10,856	12,365	17,873	27,351	51,566	28,271
Export tax	156	104	0	...	...	...	...
Import tariff	1,409	10,663	11,915	...	...	...	...
Fees	34	89	450	...	...	...	...
Taxes on aluminum and cotton	14,535	31,133	40,974	47,408	58,934	62,797	27,051
Forestry tax	1	2	...	...	...	...	...
Land tax	1,871	3,866	6,164	7,250	7,876	9,537	4,354
Prospection tax	129	480	738	1,134	1,930	3,251	1,096
State duties and local taxes	242	610	8,127	13,836	21,690	36,411	8,427
Nontax revenue	1,384	2,268	3,937	10,059	13,393	28,825	20,540
Industrial water charges	19	32	44	...	...	...	...
Rent fees and other local revenue	1,340	2,179	3,658	5,660	3,662	...	...
Other 1/	25	57	235	4,399	9,731	...	...
Expenditure	55,173	97,833	142,557	200,379	228,015	338,418	212,618
National economy	11,376	21,360	35,012	47,518	37,220	58,815	26,516
Socio-cultural activities	11,698	25,562	40,157	49,905	69,286	106,586	65,865
Education	6,516	13,166	22,091	28,363	40,851	63,967	40,420
Culture	872	2,783	4,319	5,149	9,393	15,317	8,279
Health	4,011	8,259	11,733	13,893	16,600	24,595	14,045
Social security	299	1,354	2,014	2,500	2,442	2,706	3,121
Allowances to population	5,125	1,748	4,382	1,579	4,996	9,476	1,821
Science	252	638	990	1,508	...	...	988
Defense	3,977	10,713	13,562	18,723	21,496	29,577	21,059
State bodies and administration	2,678	7,904	18,781	20,417	49,957	66,743	29,588
Law enforcement and judicial bodies	7,547	13,260	12,813	22,060	21,993	13,821	16,249
Interest: foreign debt	3,640	7,806	7,315	4,439	6,078	12,702	8,246
Interest: domestic debt	0	0	0	3,500	440	1,119	5,319
Other 2/	8,880	8,842	9,545	30,730	16,549	39,580	36,967
<i>Memorandum item:</i>							
Nominal GDP (in millions of somoni)	309	632	1,025	1,345	1,807	2,512	1,195

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes license fees, charges, and other revenues.

2/ Includes expenditures for refugees, transfers to CIS budgets, and other expenditures.

Table A-24. Tajikistan: State Budget by National Classification of Revenues and Expenditures, 1996-2002
(In percent of GDP; unless otherwise specified)

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
Revenue	12.1	12.1	11.2	12.5	12.1	13.6	18.6
Individual income tax	1.1	1.2	1.0	1.1	1.2	1.3	1.5
Enterprise profits tax	2.2	1.1	1.1	1.3	0.6	0.6	1.0
Revaluation of inventories	0.1	0.0	...	...	...	...	...
Value-added tax	1.7	1.5	1.9	2.3	2.5	3.4	6.1
Excise taxes	0.6	0.5	0.1	0.6	0.5	0.6	1.1
Tax on vehicles	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Tax on casinos and videos	0.0	0.0	0.0	...	...	...	...
Customs revenue	0.5	1.7	1.2	1.3	1.5	2.1	2.4
Export tax	0.1	0.0	0.0	...	...	...	...
Import tariff	0.5	1.7	1.2	...	...	...	...
Fees	0.0	0.0	0.0	...	...	...	...
Taxes on aluminum and cotton	4.7	4.9	4.0	3.5	3.3	2.5	2.3
Forestry tax	0.0	0.0	...	...	...	...	...
Land tax	0.6	0.6	0.6	0.5	0.4	0.4	0.4
Prospection tax	0.0	0.1	0.1	0.1	0.1	0.1	0.1
State duties and local taxes	0.1	0.1	0.8	1.0	1.2	1.4	0.7
Nontax revenue	0.4	0.4	0.4	0.7	0.7	1.1	1.7
Industrial water charges	0.0	0.0	0.0	...	...	...	...
Rent fees and other local revenue	0.4	0.3	0.4	0.4	0.2	...	...
Other 1/	0.0	0.0	0.0	0.3	0.5	...	...
Expenditure	17.9	15.5	13.9	14.9	12.6	13.5	17.8
National economy	3.7	3.4	3.4	3.5	2.1	2.3	2.2
Socio-cultural activities	3.8	4.0	3.9	3.7	3.8	4.2	5.5
Education	2.1	2.1	2.2	2.1	2.3	2.5	3.4
Culture	0.3	0.4	0.4	0.4	0.5	0.6	0.7
Health	1.3	1.3	1.1	1.0	0.9	1.0	1.2
Social security	0.1	0.2	0.2	0.2	0.1	0.1	0.3
Allowances to population	1.7	0.3	0.4	0.1	0.3	0.4	0.2
Science	0.1	0.1	0.1	0.1	...	...	0.1
Defense	1.3	1.7	1.3	1.4	1.2	1.2	1.8
State bodies and administration	0.9	1.3	1.8	1.5	2.8	2.7	2.5
Law enforcement and judicial bodies	2.4	2.1	1.2	1.6	1.2	0.6	1.4
Interest: foreign debt	1.2	1.2	0.7	0.3	0.3	0.5	0.7
Interest: domestic debt	0.0	0.0	0.0	0.3	0.0	0.0	0.4
Other 2/	2.9	1.4	0.9	2.3	0.9	1.6	3.1
<i>Memorandum item:</i>							
Nominal GDP (in millions of somoni)	309	632	1,025	1,345	1,807	2,512	1,195

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes license fees, charges, and others.

2/ Includes expenditures for refugees, transfers to CIS budgets, and others.

Table A-25: Tajikistan: Consolidated General Government Budget by Economic Classification, Quarterly, 2000-2002
(In thousands of somoni)

	2000					2001					2002	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
Overall revenues and grants	43,793	52,357	60,818	88,775	245,743	88,371	91,608	94,062	107,874	381,915	113,364	134,778
Tax revenues	41,979	49,379	55,197	85,795	232,350	84,728	83,429	85,884	99,049	353,090	106,820	120,782
Income and profit tax	5,781	9,121	8,558	9,804	33,263	10,746	11,695	11,606	13,096	47,142	14,638	15,391
Payroll taxes	6,117	5,271	7,351	10,132	28,871	8,106	11,638	12,151	12,876	44,772	12,741	15,373
Property taxes	1,772	2,980	3,298	3,444	11,494	2,630	3,252	4,624	4,289	14,796	3,570	4,344
Internal taxes on goods and services	12,355	14,291	18,287	25,470	70,404	26,361	31,420	35,090	35,674	128,545	45,784	58,491
Of which:												
Value added tax	7,704	7,591	11,056	18,115	44,466	18,206	19,730	24,504	23,601	86,041	31,328	41,212
Excises	1,245	2,572	2,710	2,483	9,010	2,804	4,830	3,339	4,549	15,521	6,015	7,195
International trade and operations tax	15,492	17,256	17,192	36,345	86,284	36,037	24,497	21,648	32,181	114,363	29,123	26,199
Of which:												
Total sales taxes	10,682	11,109	11,024	26,120	58,934	23,865	13,671	8,875	16,386	62,797	14,989	12,062
Import duties	4,810	6,147	6,168	10,226	27,351	12,172	10,826	12,773	15,795	51,566	14,134	14,137
Other taxes	462	460	512	599	2,033	847	927	765	933	3,472	964	984
Non-tax duties	1,814	2,979	3,933	2,980	11,706	3,643	8,179	8,178	8,825	28,825	6,544	13,888
Grants	0	0	1,688	0	1,688	0	0	0	0	0	0	108
Total expenditures and loans minus repayments ^{1/}	38,464	59,624	68,894	90,101	257,084	66,208	109,102	96,469	112,214	383,993	98,347	136,663
Current expenditures	31,979	51,042	55,420	69,442	207,883	54,903	88,035	73,910	91,069	307,917	84,345	117,817
Expenditures on goods and services	22,945	36,357	40,604	48,223	148,130	40,393	65,793	53,315	62,498	222,000	62,745	82,385
Of which:												
Wages and salaries	14,484	17,728	16,984	17,331	66,527	17,910	19,712	23,651	21,169	82,443	24,927	29,844
Other	8,461	18,629	23,620	30,892	81,603	22,482	46,081	29,665	41,329	139,557	37,818	52,542
Interest payments	911	1,511	804	3,292	6,518	1,003	3,650	2,050	7,117	13,820	4,333	9,233
Transfers to households	7,336	9,420	10,243	12,978	39,977	10,862	15,835	16,372	16,873	59,942	14,371	20,791
Subsidies and other current transfers	787	3,753	3,770	4,948	13,258	2,645	2,757	2,172	4,581	12,155	2,896	5,408
Capital expenditures	5,808	7,853	13,419	20,723	47,802	11,108	20,096	21,828	20,591	73,624	13,705	18,357
Lending minus repayments	678	730	55	-63	1,399	197	971	731	554	2,452	296	489
Overall balance	5,329	-7,267	-8,076	-1,326	-11,340	22,163	-17,494	-2,407	-4,340	-2,078	15,017	-1,885
Total financing	-5,329	7,267	8,076	1,326	11,340	-22,163	17,494	2,407	4,340	2,078	-15,017	1,885
Net external	-628	-213	-139	47,682	46,702	-28,575	-1,674	57,834	-6,549	21,036	-2,417	-1,926
Disbursements	0	0	0	49,060	49,060	0	0	59,544	0	59,544	0	0
Amortization	-628	-213	-139	-1,378	-2,358	-28,575	-1,674	-1,710	-6,549	-38,508	-2,417	-1,926
Net domestic	-4,701	7,480	8,215	-46,356	-33,362	6,412	19,168	-55,427	10,889	-18,958	-12,600	3,811
NBT	-1,967	1,317	8,348	-46,107	-38,409	8,422	11,810	-53,068	10,700	-22,136	-8,088	-2,516
Commercial banks	-944	153	-3,890	-1,714	-6,395	-6,112	5,898	2,918	1,058	3,762	-6,665	3,856
Repayment to Tajik rail	-5,388	-2,380	-500	0	-8,268	0	0	-6,292	-1,705	-7,997	-3,108	-2,586
Gross proceeds from privatization	3,388	8,357	4,126	1,607	17,478	4,102	1,460	1,015	836	7,413	5,261	5,057
Other non-banking sector	210	33	131	-142	232	0	0	0	0	0	0	0

Sources: Ministry of Finance; and Fund staff estimates.

^{1/} Externally-financed public investment programs are not included.

Table A-26. Tajikistan: Operations of the Consolidated General Government, 1996-2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
	(In thousands of somoni)						
Revenue	40,791	86,601	123,515	181,686	245,743	381,915	248,142
State budget	37,335	76,720	115,201	168,303	218,803	342,316	222,203
Tax revenue	35,953	74,452	111,264	158,244	205,409	313,491	201,663
Nontax revenue	1,382	2,268	3,937	10,059	13,394	28,825	20,540
Social Security Fund	3,456	9,881	8,314	13,383	26,940	39,599	25,939
Expenditure	58,629	107,632	162,168	223,625	257,084	383,993	235,010
State budget 1/	55,173	97,833	142,557	200,379	228,015	338,418	212,618
Social Security Fund	3,456	9,799	19,611	23,246	29,069	45,575	22,392
Overall balance (deficit -)	-17,838	-21,031	-38,653	-41,939	-11,341	-2,078	13,132
Financing	17,838	21,031	38,653	41,939	11,341	2,078	-13,132
External	10,230	6,940	15,391	40,990	46,703	21,036	-4,344
Domestic 2/	6,980	10,196	18,062	-9,856	-52,840	-26,371	-19,106
Privatization proceeds	628	3,895	5,200	10,805	17,478	7,413	10,318
	(In percent of GDP; unless otherwise specified)						
Revenue	13.2	13.7	12.0	13.5	13.6	15.2	20.8
State budget	12.1	12.1	11.2	12.5	12.1	13.6	18.6
Social security funds	1.1	1.6	0.8	1.0	1.5	1.6	2.2
Expenditure	19.0	17.0	15.8	16.6	14.2	15.3	19.7
State budget 1/	17.9	15.5	13.9	14.9	12.6	13.5	17.8
Social security funds	1.1	1.6	1.9	1.7	1.6	1.8	1.9
Overall balance (deficit -)	-5.8	-3.3	-3.8	-3.1	-0.6	-0.1	1.1
Financing:	5.8	3.3	3.8	3.1	0.6	0.1	-1.1
External	3.3	1.1	1.5	3.0	2.6	0.8	-0.4
Domestic 2/	2.3	1.6	1.8	-0.7	-2.9	-1.0	-1.6
Privatization proceeds	0.2	0.6	0.5	0.8	1.0	0.3	0.9
<i>Memorandum item:</i>							
Nominal GDP (in millions of somoni)	309	632	1,025	1,345	1,807	2,512	1,195

Sources: Ministry of Finance; Social Protection Fund; and Fund staff estimates.

1/ Externally-financed public investment programs are not included.

2/ Gross proceeds from privatization are excluded.

Table A-27. Tajikistan: Consolidated General Government Expenditures by Functional Classification, 1998-2002

	1998	1999	2000 1/	2001 1/	2002 Jan.-Jun. 1/
	(In thousands of somoni)				
General public services	18,781	20,417	49,957	66,743	30,576
Law enforcement	26,375	40,783	42,753	58,326	37,308
Defense	...	18,723	21,496	29,577	21,059
Law and order	...	22,060	21,257	28,749	16,249
Social services	60,013	91,345	114,269	175,294	100,887
Education	22,091	29,871	40,851	63,967	40,420
Health	11,733	13,893	16,600	24,595	14,045
Social protection	26,007	25,746	31,511	48,281	27,334
Housing	0	15,557	16,452	23,134	10,739
Other social services 2/	182	6,278	8,855	15,317	8,349
Economic services	35,012	47,518	37,220	58,815	28,349
Fuel and energy	...	3,049	3,988	7,521	1,294
Agriculture, forestry, fishing and hunting	...	8,347	8,294	9,802	7,726
Mining and processing	...	954	3,916	1,972	4,164
Transport and communication	...	20,950	19,542	33,346	13,333
Other economic services 3/	...	14,218	1,481	6,174	1,832
Interest payments	7,315	7,939	6,518	13,820	13,565
Other services	14,672	15,623	6,366	10,995	24,325
Total expenditure and net lending 4/	162,168	223,625	257,084	383,993	235,010
	(In percent of GDP; unless otherwise specified)				
General public services	1.8	1.5	2.8	2.7	2.6
Law enforcement	2.6	3.0	2.4	2.3	3.1
Defense	...	1.4	1.2	1.2	1.8
Law and order	...	1.6	1.2	1.1	1.4
Social services	5.9	6.8	6.3	7.0	8.4
Education	2.2	2.2	2.3	2.5	3.4
Health	1.1	1.0	0.9	1.0	1.2
Social protection	2.5	1.9	1.7	1.9	2.3
Housing	0.0	1.2	0.9	0.9	0.9
Other social services 2/	0.0	0.5	0.5	0.6	0.7
Economic services	3.4	3.5	2.1	2.3	2.4
Fuel and energy	...	0.2	0.2	0.3	0.1
Agriculture, forestry, fishing and hunting	...	0.6	0.5	0.4	0.6
Mining and processing	...	0.1	0.2	0.1	0.3
Transport and communication	...	1.6	1.1	1.3	1.1
Other economic services 3/	...	1.1	0.1	0.2	0.2
Interest payments	0.7	0.6	0.4	0.6	1.1
Other services	1.4	1.2	0.4	0.4	2.0
Total expenditure and net lending 4/	15.8	16.6	14.2	15.3	19.7
<i>Memorandum item:</i>					
Nominal GDP (in millions of somoni)	1,025	1,345	1,807	2,512	1,195

Sources: Ministry of Finance; and Fund staff estimates.

1/ Due to changes in classifications, functional categories regarding expenditure on general services and economic services are not fully comparable with those in 1998 and 1999.

2/ Includes recreational and cultural services.

3/ Includes capital investment in local budgets.

4/ Externally-financed public investment programs are not included.

Table A-28. Tajikistan: Accounts of the National Bank of Tajikistan, 1999-2002
(End-of-period stock, unless otherwise specified) 1/

	1999				2000				2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
	(In millions of U.S. dollars)														
Net international reserves	-50.3	-65.4	-63.0	-42.8	-52.3	-53.2	-46.0	-23.8	-25.1	-25.2	-11.4	-14.5	-8.5	-8.8	-3.3
Gross assets	51.7	33.6	40.7	58.1	61.6	56.8	59.1	87.2	79.1	81.4	104.6	95.7	99.3	91.7	88.4
Gross liabilities	101.9	99.1	103.7	100.8	113.9	110.0	105.1	111.0	104.3	106.6	115.9	110.2	107.8	100.5	91.7
Official exchange rate (somon per U.S. dollar)	1,033	1,270	1,436	1,436	1,631	1,700	2,050	2.20	2.35	2.35	2.40	2.55	2.68	2.70	2.92
	(In thousands of somoni)														
Net foreign assets	-51,918	-83,104	-90,471	-61,394	-85,291	-90,458	-94,207	-52,403	-59,035	-59,258	-27,244	-37,017	-22,784	-23,800	-9,537
Gross assets	53,384	42,705	58,496	81,370	100,476	96,554	121,190	191,867	185,963	191,344	250,968	243,994	266,163	248,061	258,660
Gross liabilities	105,301	125,809	148,966	144,764	185,767	187,012	215,398	244,270	244,998	250,603	278,212	281,010	288,947	271,861	268,197
Net domestic assets	115,089	152,037	167,476	140,108	165,243	178,560	202,891	171,542	175,062	185,383	158,463	190,537	171,236	173,748	182,928
Net credit to general government 2/	88,402	107,069	98,571	85,258	95,269	100,963	127,255	46,750	48,392	60,203	-35,655	-31,058	20,102	16,691	1,499
Of which:															
Somon credits	38,748	39,890	35,518	31,420	31,877	31,877	31,877	131,752	133,725	130,725	89,741	89,741	89,741	89,741	89,741
Longterm bonds	0	0	0	0	0	0	0	0	0	0	0	0	64,348	64,348	64,348
Foreign exchange credits	69,463	82,687	91,650	90,613	104,790	109,805	132,392	0	0	0	0	0	0	0	0
Treasury bills	0	0	0	0	39	13	63	167	142	3,215	3,195	3,016	2,841	3,000	3,000
Deposits (-)	-9,982	-9,664	-6,814	-10,710	-17,573	-16,268	-14,751	-18,600	-39,350	-28,956	-26,747	-30,929	-45,842	-43,182	-47,172
Counterpart deposits	-9,827	-8,548	-19,613	-16,741	-14,114	-12,089	-14,087	-59,130	-34,585	-31,782	-90,330	-85,831	-86,392	-88,437	-93,197
Of which:															
EU	-3,923	-4,536	-4,909	-4,909	-5,346	-5,500	-6,285	-4,932	-7,227	-7,168	-7,463	-21,406	-19,889	-21,354	-23,450
World Bank	-754	-925	-14,607	-11,735	-8,657	-6,473	-7,662	-33,907	-5,684	-2,939	-60,612	-47,226	-48,427	-48,863	-50,080
AsDB	-5,151	-86	-98	-98	-111	-116	-140	-20,291	-21,674	-21,674	-22,135	-17,072	-17,942	-18,104	-19,582
Privatization fund (-)	0	-295	-2,170	-8,324	-9,749	-12,375	-8,239	-7,438	-11,540	-13,000	-11,514	-7,054	-4,594	-8,780	-15,221
Credit to the private sector 2/	58,911	76,448	101,524	88,447	100,765	105,442	113,150	149,619	141,223	141,260	224,072	253,291	192,114	189,592	202,381
Of which:															
Claims on banks	31,575	41,684	64,778	48,781	59,648	62,597	63,522	148,655	36,025	34,923	37,391	37,581	33,915	34,047	36,120
Claims on private sector	27,336	34,764	36,746	39,666	41,117	42,845	49,628	963	1,006	1,087	1,349	12,364	8,221	3,886	4,732
ALCO	0	0	0	0	0	0	0	0	104,191	105,251	185,333	203,345	149,979	151,659	161,528
Other items, net	-32,224	-31,480	-32,620	-34,597	-30,792	-27,845	-37,514	-24,827	-14,553	-16,080	-29,955	-31,696	-40,980	-32,535	-20,952
Of which:															
NBT bills	0	0	0	0	0	0	0	0	-2,002	-2,647	-1,381	-157	-3,476	-5,780	-6,787
Reserve money	63,172	68,931	77,005	78,713	79,952	88,103	108,683	119,140	116,027	126,125	131,219	153,520	148,452	149,948	173,391
Currency in circulation	47,890	52,034	56,680	63,996	61,917	65,953	81,846	96,211	90,082	92,465	90,847	110,802	116,142	122,802	146,275
Bank reserves	10,324	9,088	12,373	12,757	15,972	19,892	23,149	18,581	20,454	27,247	31,374	32,486	25,792	23,378	19,344
Of which:															
Required reserves	3,848	3,718	3,242	3,261	4,089	6,008	6,894	9,853	10,534	10,414	9,295	8,761	8,654	10,299	10,904
Somon	3,296	3,067	2,559	2,665	3,195	4,811	4,891	7,632	7,799	7,664	7,002	6,955	6,034	6,756	6,689
Foreign exchange	552	651	683	596	894	1,197	2,003	2,221	2,735	2,750	2,293	1,806	2,620	3,543	4,216
Other deposits	4,958	7,811	7,951	1,960	2,063	2,259	3,689	4,348	5,491	6,413	8,998	10,232	6,518	3,769	7,771
Somon	1,254	1,081	698	304	837	659	1,365	2,095	1,431	966	1,127	1,550	2,416	357	1,775
Foreign exchange	3,704	6,730	7,253	1,656	1,226	1,599	2,324	2,253	4,060	5,447	7,872	8,682	4,102	3,412	5,996
Memorandum items:															
Gross international reserves in months of imports 3/	1.3	0.8	1.1	1.7	1.7	1.5	1.5	2.1	2.0	2.2	3.0	1.9	2.7	2.3	2.0
Gross international reserves/Reserve money (in percent)	84.5	62.0	76.0	105.9	125.7	109.6	111.5	161.0	160.3	151.7	191.3	158.9	179.3	165.4	149.2

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

1/ Data are based on official exchange rates.

2/ In October 2000, the National Bank of Tajikistan (NBT) wrote off Sm23.2 million in credit to the government in line with the agreement between the government and the NBT on the regularization of their financial relations.

In July 2001, Sm41 million in assets were reclassified from net credit into government into ALCO. In February 2002, Sm64.348 million were reclassified from the NBT's loan collection agent (ALCO) into long term government bonds as specified in the agreement between the NBT and the government.

3/ Imports of goods and services excluding alumina and electricity.

Table A-29. Tajikistan: Monetary Survey, 1999-2002
(In thousands of somoni; end-of-period stock unless otherwise specified) 1/

	1999				2000				2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Net foreign assets	-126,310	-154,591	-166,351	-120,881	-145,282	-138,151	-171,267	-192,347	-247,411	-296,902	-300,232	-251,049	-331,563	-318,997	-244,252
<i>Of which:</i>															
National Bank of Tajikistan	-51,918	-83,104	-90,471	-61,394	-85,291	-90,458	-94,207	-52,403	-59,035	-59,258	-27,244	-37,017	-22,784	-23,800	-9,537
Commercial banks	-74,392	-71,487	-75,880	-59,487	-59,992	-47,694	-77,060	-139,944	-188,376	-237,644	-273,008	-214,032	-308,779	-295,197	-234,715
Net domestic assets	193,379	232,680	250,250	211,729	236,109	237,032	293,604	341,757	393,805	450,732	463,739	450,411	542,486	549,833	508,503
Net credit to general government 2/	84,497	103,035	94,464	83,521	91,590	96,952	119,355	37,136	32,666	50,376	-42,564	-36,909	7,586	8,031	-7,353
<i>Of which:</i>															
Sm credits	38,748	39,890	35,518	31,420	32,964	32,852	32,819	132,555	134,501	131,472	90,482	90,365	90,292	90,220	90,042
Longterm bonds	0	0	0	0	0	0	0	0	0	0	0	0	64,348	64,348	64,348
Foreign exchange credits	69,463	82,687	91,650	90,613	104,790	109,805	132,392	0	0	0	0	0	0	0	0
Treasury bills	1,108	82	937	1,073	482	433	526	656	968	4,380	4,627	5,505	4,729	4,773	4,611
Deposits (-)	-14,995	-13,781	-11,859	-14,519	-22,782	-21,674	-24,056	-29,507	-56,678	-40,695	-35,829	-39,893	-60,797	-54,094	-57,935
Counterpart deposits	-9,827	-5,548	-19,613	-16,741	-14,114	-12,089	-14,087	-59,130	-34,585	-31,782	-90,330	-85,831	-86,392	-88,437	-93,197
Privatization fund (-)	0	-295	-2,170	-8,324	-9,749	-12,375	-8,239	-7,438	-11,540	-13,000	-11,514	-7,054	-4,594	-8,780	-15,221
Credit to the private sector 2/	147,095	186,287	218,781	182,010	204,458	196,114	249,519	346,235	418,233	454,178	592,549	575,240	627,166	615,164	587,140
Other items net	-38,213	-56,642	-62,995	-53,802	-59,939	-56,034	-75,271	-41,614	-57,094	-53,821	-86,246	-87,920	-92,265	-73,362	-71,285
Broad money	67,069	78,089	83,899	90,848	90,826	98,881	122,337	149,410	146,395	153,829	163,487	199,363	210,923	230,836	264,251
Somoni broad money	53,474	57,919	61,369	71,983	66,887	72,748	88,083	106,789	97,682	108,541	113,490	140,473	150,896	161,151	185,152
<i>Of which:</i>															
Currency outside banks	44,533	49,026	52,876	62,032	57,877	61,832	77,063	86,773	76,767	80,931	79,748	103,631	108,948	112,230	137,310
Deposits	8,941	8,893	8,492	9,952	9,010	10,917	11,020	20,016	20,915	27,610	33,742	36,841	41,949	48,921	47,842
Foreign currency deposits	13,596	20,170	22,530	18,864	23,939	26,132	34,254	42,621	48,713	45,288	49,997	58,890	60,027	69,686	79,099
<i>Memorandum items:</i>															
Official exchange rate (Sm/US\$)	1,033	1,270	1,436	1,436	1,631	1,700	2,050	2,20	2,35	2,35	2,40	2,55	2,68	2,70	2,92
Quarterly velocity (end of period) 3/	2.51	3.36	4.83	5.61	2.67	3.10	4.54	4.70	2.74	3.19	4.63	4.33	2.41	2.97	...
Four quarter average of quarterly velocity	4.25	4.04	4.02	4.08	4.12	4.05	3.98	3.75	3.77	3.79	3.81	3.72	3.64	3.59	...
Money multiplier 4/	1.06	1.13	1.09	1.15	1.14	1.12	1.13	1.25	1.26	1.22	1.25	1.30	1.42	1.54	1.52
Somoni broad money (12-month percent change)	26.8	25.3	17.4	29.3	25.1	25.6	43.5	48.4	46.0	49.2	28.8	31.5	54.5	48.5	63.1
Forex deposits/broad money (percent)	20.3	25.8	26.9	20.8	26.4	26.4	28.0	28.5	33.3	29.4	30.6	29.5	28.5	30.2	29.9
Quarterly GDP (millions of somoni)	168	262	405	510	243	306	556	702	401	490	757	864	508	686	...

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

1/ Data are based on official exchange rates.

2/ In October 2000, the NBT wrote off Sm23.2 million in credit to the government in line with the agreement between the government and NBT on the regularization of their financial relations. In July 2001, Sm41 million in assets were reclassified from net credit to government into ALCO. In February 2002, Sm64,348 million were reclassified from ALCO into long term government bonds as specified in the agreement between the NBT and the government.

3/ Quarterly GDP divided by end-period broad money for the quarter.

4/ Total broad money divided by reserve money.

Table A-30. Tajikistan: Sources of Broad Money Growth, 1999–2002 1/
(Change since the beginning of the year in percent of broad money at the beginning of the year)

	1999				2000				2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Net foreign assets	-23.3	-64.9	-82.2	-15.3	-26.9	-19.0	-55.5	-78.7	-36.9	-70.0	-72.2	-39.3	-40.4	-34.1	3.4
<i>Of which:</i>															
National Bank of Tajikistan	-24.8	-70.6	-81.4	-38.7	-26.3	-32.0	-36.1	9.9	-4.4	-4.6	16.8	10.3	7.1	6.6	13.8
Commercial banks	1.4	5.7	-0.7	23.4	-0.6	13.0	-19.3	-88.6	-32.4	-65.4	-89.1	-49.6	-47.5	-40.7	-10.4
Net domestic assets	21.9	79.7	105.5	48.9	26.8	27.9	90.1	143.1	34.8	72.9	81.6	72.7	46.2	49.9	29.1
Net credit to general government	8.3	35.6	23.0	6.9	8.9	14.8	39.4	-51.1	-3.0	8.9	-53.3	-49.6	22.3	22.5	14.8
<i>Of which:</i>															
Somoni credits	14.6	16.3	9.9	3.9	1.7	1.6	1.5	111.3	1.3	-0.7	-28.2	-28.2	0.0	-0.1	-0.2
Longterm bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.3	32.3	32.3
Foreign exchange credits	9.3	28.7	41.9	40.4	15.6	21.1	46.0	-99.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury bills	0.0	-1.5	-0.2	0.0	-0.7	-0.7	-0.6	-0.5	0.2	2.5	2.7	3.2	-0.4	-0.4	-0.4
Deposits	-6.1	-4.3	-1.5	-5.4	-9.1	-7.9	-10.5	-16.5	-18.2	-7.5	-4.2	-7.0	-10.5	-7.1	-9.0
Counterpart funds	-5.3	1.0	-19.7	-15.5	2.9	5.1	2.9	-46.7	16.4	18.3	-20.9	-17.9	-0.3	-1.3	-3.7
Privatization fund (-)	0.0	-0.4	-3.2	-12.2	-1.6	-4.5	0.1	1.0	-2.7	-3.7	-2.7	0.3	1.2	-0.9	-4.1
Credit to the private sector	14.6	72.2	119.9	65.9	24.7	15.5	74.3	180.8	48.2	72.2	164.9	153.3	26.0	20.0	6.0
Other items net	-1.0	-28.1	-37.4	-23.9	-6.8	-2.5	-23.6	13.4	-10.4	-8.2	-29.9	-31.0	-2.2	7.3	8.3
Broad money	-1.4	14.8	23.3	33.5	0.0	8.8	34.7	64.5	-2.0	3.0	9.4	33.4	5.8	15.8	32.5
Somoni broad money	-3.3	3.3	8.3	23.9	-5.6	0.8	17.7	38.3	-6.1	1.2	4.5	22.5	5.2	10.4	22.4
<i>Of which:</i>															
Currency outside banks	-3.1	3.5	9.2	22.7	-4.6	-0.2	16.5	27.2	-6.7	-3.9	-4.7	11.3	2.7	4.3	16.9
Deposits	-0.2	-0.3	-0.8	1.3	-1.0	1.1	1.2	11.1	0.6	5.1	9.2	11.3	2.6	6.1	5.5
Foreign currency deposits	1.8	11.5	15.0	9.6	5.6	8.0	16.9	26.1	4.1	1.8	4.9	10.9	0.6	5.4	10.1

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

1/ Data are based on official exchange rates.

Table A-31. Tajikistan: Credit to the Economy from Commercial Banks, 1998–2002
(In thousands of somoni; end of period)

	1998	1999	2000			2001				2002		
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
Total credit to the economy	192,405	156,014	173,249	176,902	225,772	245,666	313,916	349,016	404,106	390,440	...	...
From operating banks	102,841	129,190	148,912	149,480	194,297	237,005	284,311	323,780	373,882	359,232	438,270	429,268
Of which:												
Agroinvestbank	80,764	96,637	109,597	104,538	142,043	190,115	236,438	280,837	326,813	303,464	363,857	352,035
Orionbank	8,307	9,065	10,688	10,961	12,059	11,855	5,849	5,976	8,274	9,983	8,977	10,166
Tajiksodirobank	2,956	3,857	5,151	7,128	8,207	7,361	6,637	6,768	8,033	8,035	12,273	15,484
Khojentbank	576	728	757	902	1,258	2,858	3,638	4,065	4,704	5,074	4,929	4,803
Somonbank	539	1,513	3,110	4,557	4,548	4,876	4,876	4,689	4,766	4,895	5,064	5,452
Amonatbank	2,110	3,193	3,761	4,439	5,214	6,687	11,987	11,486	10,832	8,207	6,040	5,555
Ganjina	313	248	282	308	355	378	452	415	368	489	499	530
Fonon	33	30	78	50	124	131	123	106	84	72	72	68
Dehkon 1/	...	...	...	...	...	...	...	1,627	1,605	1,602	1,589	1,608
Eskhata	195	182	72	235	208	248	144	522	634	670	667	825
Ayom	117	723	745	745	741	737	...	...	...	...	...	...
Tajprombank	2,255	2,822	3,497	3,301	3,481	1,067	363	...	...	...	14,697	15,885
East-Credit Bank	2,182	5,293	5,495	6,212	8,760	3,200	3,793	264	376	1,815	3,762	227
Kafolatbank	623	1,361	2,288	2,614	3,305	3,307	4,117	4,227	4,593	4,996	5,088	5,170
Sokhibkorbank	...	...	...	...	...	...	2,686	2,798	2,602	8,577	8,753	8,970
Olimp Bank	...	...	...	...	...	...	...	...	198	387	985	1,227
Dushanbe	643	637	658	664	697	705	...	...	...	...	...	...

Source: National Bank of Tajikistan.

1/ Dehkon bank was transformed into a credit association on March 28, 2001.

Table A-32. Tajikistan: Treasury Bill Auctions, 2000–2002
(In thousands of somoni; unless otherwise specified)

Auction date	2000			2001												2002				
	20-Dec	24-Jan	7-Feb	21-Feb	7-Mar	4-Apr	18-Apr	2-May	18-May	20-Jun	25-Jul	8-Aug	22-Aug	5-Sep	24-Oct	19-Dec	26-Dec	26-Mar	27-Jun	25-Sep
Term (days to maturity)	182	182	182	182	182	182	182	182	182	182	182	182	182	182	182	182	182	91	91	91
Amount offered (in millions of somoni)	100	200	200	200	200	200	200	270	200	200	300	500	300	300	70	60	3	3	6	3
Volume sold (cash in millions of somoni)	44	166	179	174	174	9	57	234	164	48	171	145	282	197	63	60	1	3	3	3
Successful range (in percent)	40–40	40–40	36–42	30–30	28–30	20.0	20–25	25.0	23–28	25–26	22–25	22–24	22–24	22–24	21–21	18–21	17–19	19.0	16.6	16.6
Weighted average successful yield (in percent)	40.0	40.0	36.4	30.0	30.0	20.0	25.0	27.1	26.8	25.7	24.4	22.3	23.4	22.7	21.0	19.0	18.1	19.0	16.6	16.6
Number of bids submitted	7	12	12	7	4	1	2	3	6	3	11	8	7	3	4	8	1	1	1	1
Number of bids accepted	7	12	9	7	4	1	2	2	5	3	11	8	7	3	2	8	1	1	1	1
Number of auction participants	7	12	12	7	4	1	2	2	6	3	11	8	7	3	2	3	1	1	1	1
Number of successful auction participants	7	12	9	7	4	1	2	2	5	3	11	8	7	3	2	8	1	1	1	1
Number of non-bank bidders	4	0	3	0	0	0	0	1	0	2	3	1	1	2	0	2	0	0	0	0

Source: National Bank of Tajikistan.

Table A-33. Tajikistan: Average Annual Interest Rates, 1998–2002
(In percent; end of period)

	1998	1999	2000			2001			2002			
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
Interest rate on domestic currency loans												
National Bank of Tajikistan												
To banks	36.4	20.1	20.2	21.6	18.4	20.6	20.6	20.0	20.0	20.0	20.0	20.0
Commercial banks												
From 1 – 3 months	45.5	23.2	41.3	32.6	19.9	18.6	19.6	24.6	18.1	21.3	12.4	12.3
From 3 – 6 months	49.7	30.6	26.4	25.8	28.1	34.4	20.2	20.1	19.7	18.5	26.8	29.5
From 6 – 12 months	51.9	19.9	22.5	22.7	26.3	24.3	23.6	24.1	22.8	23.1	26.6	27.1
Interest rates on domestic currency deposits												
Demand deposits	2.0	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.1	0.1
From 1 – 3 months	15.7	11.4	35.0	34.5	41.3	41.3	41.6	22.6	27.8	25.5	13.0	12.0
From 3 – 6 months	56.4	25.0	24.1	19.6	22.0	22.0	19.4	17.2	24.9	24.3	21.0	12.5
From 6 – 12 months	40.1	36.0	24.9	24.1	19.6	19.6	11.5	15.9	17.1	24.4	12.9	14.7
Interest rate on foreign currency loans												
National Bank of Tajikistan												
To banks	36.4	20.1	20.2	21.6	18.4	20.6	20.6	20.0	20.0	20.0	20.0	20.0
Commercial banks												
From 1 – 3 months	23.1	15.0	15.8	14.9	45.8	19.5	22.6	27.0	29.4	29.1	24.6	33.2
From 3 – 6 months	18.7	19.3	25.1	21.0	25.6	26.7	25.4	24.5	23.0	22.0	49.0	17.0
From 6 – 12 months	15.0	31.4	22.3	26.1	20.4	20.2	21.1	19.1	21.5	23.4	36.0	25.0
Interest rates on foreign currency deposits												
Demand deposits	2.0	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.2	0.1	0.0	0.0
From 1 – 3 months	18.1	15.8	22.1	24.1	24.2	23.9	23.0	22.1	21.2	16.3	15.0	12.8
From 3 – 6 months	22.9	12.8	24.2	30.1	29.6	29.6	15.0	15.0	15.0	21.6	31.3	17.7
From 6 – 12 months	25.5	25.0	13.4	9.6	13.1	13.2	14.4	13.3	13.7	14.5	18.5	17.9

Source: National Bank of Tajikistan.

Table A-34. Tajikistan: Foreign Currency Auctions, 1999-2002 1/

Period	Number of auctions	Amount sold (in thousands of U.S. dollars)	Average monthly exchange rate (Sm per U.S. dollar)
1999 December	14	6,011	1.44
Total for the year	142	70,356	1.24
2000 January	20	6,595	1.50
February	25	3,548	1.57
March	27	6,564	1.62
April	29	5,252	1.63
May	29	4,467	1.66
June	1	3,017	1.70
July	6	912	1.86
August	16	4,185	1.94
September	10	4,386	1.99
October	14	6,785	2.09
November	24	3,564	2.20
December	15	5,584	2.20
Total for the year	216	54,859	1.83
2001 January	11	4,824	2.33
February	19	2,690	2.35
March	13	5,471	2.35
April	16	1,551	2.35
May	31	3,189	2.36
June	22	2,123	2.37
July	15	1,728	2.39
August	24	2,953	2.40
September	8	325	2.40
October	19	2,067	2.40
November	7	4,932	2.49
December	5	2,833	2.55
Total for the year	190	34,685	2.40
2002 January	4	2,919	2.55
February	17	10,500	2.61
March	14	3,291	2.68
April	18	2,960	2.68
May	16	5,308	2.70
June	15	7,927	2.70
July	16	6,248	2.71
August	17	2,382	2.79
September	18	7,756	2.88

Source: National Bank of Tajikistan.

1/ For the period to end-June 2000 data are from the Tajik Interbank Currency Exchange (TICEX); while subsequent data are from the interbank foreign exchange market.

Table A-35. Tajikistan: Commercial Banks in Operation, end-September 2002

Name of Bank	Number of Branches	Major Holders of Bank Equity
1. Agroinvestbank (JSC)	63	a) State Property Committee of the Republic of Tajikistan b) Huroson Co. c) Collective farm Communism, Bochtarskiy rayon d) Collective farm after Safarzoda Ghoib, Voseyskiy rayon e) Paul Reinhart Ltd, Switzerland f) Other shareholders
2. Orionbank (JSC)	29	a) Ministry of Finance b) Tajik Airlines c) Energy & Electricity Corporation (Barki Tajik) d) Alkon-Dushanbe Joint Stock Company (JSC) e) Stroitel-K (JSC) f) Orionbank g) Other shareholders
3. Tajiksodirobank (JSC)	6	a) Ministry of Finance b) Mukhtor & C Co. c) Surayyo Foreign Production & Commerce Co. d) Employees of Tajiksodirobank JSC e) Paul Reinhart Ltd, Switzerland f) European Bank of Reconstruction and Development g) Nikosia Co., Holland h) Til Co., Holland i) Other shareholders
4. Khojentbank (OJSC)	0	a) Collective farm Rasulov b) Collective farm Kushatov c) Collective farm Hojabakirgon d) JSC after Urunkhodjaev e) JSC Tajikistan f) OJSC Khojent g) OJSC after Jumaev h) JSC after Aziziov i) Other shareholders
5. Somonbank	4	a) Energy & Electricity Corporation (Barki Tajik) b) Tajik State Taxation Law Institute c) JSC after Ali Hamadoni d) Other shareholders
6. Amonatbank	69	State owned
7. Ganjina (JSC)	0	a) Tavhid Holding Company b) Kolinhoe Khujand JSC c) Nigor Production Company Ltd. d) Ehio JSC e) Other shareholders
8. Eshkhat (JSC)	0	a) Javoni JV b) Nasirov H.D. - Private Individual c) Nasirov A.D. - Private Individual d) Nasirov D.M. - Private Individual e) Jabbarov A. - Private Individual d) Other shareholders

Table A-35. Tajikistan: Commercial Banks in Operation, end-September 2002 (concluded)

Name of Bank	Number of Branches	Major Holders of Bank Equity
9. Tajprombank (JSC)	7	a) Foreign Trade Comany Aziz & Co Ltd. b) Employees of Tajikprombank c) Tropicant Invest Ltd d) Elsun Invest Co. e) Philip Stern, a UK Citizen f) Ziayev J.A. - Private Individual g) Other shareholders
10. East-Credit Bank (Joint Luxembourg-Tajikistan)	0	a) Independent Financial Holding S.A. b) Capital Invest Ltd. c) IFK Commercial Ltd.
11. Kafolatbank (JSC)	2	a) Zamin-Textil Co, Ltd. b) Zamin-Trade Trade Company c) Hisain Fermer Farm Ltd. d) Rusta&M Co, Ltd. e) Other shareholders
12. Sohibkorbank (JSC)	1	a) Kasimov - Private Individual b) Kavmidinov K.K. - Private Individual c) Other shareholders
13. Bank Olimp (JSC) 1/	1	a) Mirzoi Rakhmon Co., Ltd b) Entertainment complex Jomi Jamshed
14. Branch of Tijorat Bank	1	State owned in Iran

Source: National Bank of Tajikistan.

1/ Gulsara Bank was transformed into Bank Olimp on March 15, 2001.

Table A-36. Tajikistan: Consolidated Balance Sheet of the Four Largest Banks, 1999-2002 1/
(In thousands of somoni)

	Agroinvestbank				Amonatbank				Orionbank				Tajiksodirobank				Consolidated 2/			
	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
Assets	107,042	197,523	322,423	394,696	12,618	21,265	21,321	24,994	16,582	23,419	34,793	39,953	10,111	18,701	22,471	28,388	146,353	260,908	401,008	488,031
Cash	258	1,722	2,335	13,982	440	3,835	1,308	2,203	1,179	1,773	1,389	2,459	606	1,518	1,059	1,590	2,483	8,848	6,091	20,234
Deposits with NBT	1,989	4,751	6,091	2,327	2,923	5,381	6,055	6,460	2,217	7,371	5,789	7,388	638	2,991	6,397	5,424	7,767	20,494	24,332	21,599
Deposits with other commercial banks	...	...	...	2,107	...	...	...	1,913	...	4,794	...	7,647	...	2,890	...	1,694	...	...	...	13,361
Loans and advances to commercial banks	890	4,521	1,478	0	3,375	996	793	599	3,932	4,193	6,813	743	1,572	4,479	2,408	891	9,769	14,189	11,492	2,233
Of which:																				
Before loan loss provisions	890	4,521	1,478	0	3,375	666	631	599	3,932	4,193	908	743	1,572	4,479	2,408	891	9,769	13,859	5,425	2,233
Loan loss provisions	0	0	0	0	0	330	0	0	0	0	5,905	0	0	0	0	0	0	330	5,905	0
Loans and advances to non-bank customers	95,050	181,245	303,463	352,035	3,022	6,499	7,576	4,956	7,088	6,825	9,076	9,422	5,218	6,325	8,035	14,594	110,378	200,894	328,150	381,007
Before loan loss provisions	96,637	190,114	317,981	366,449	3,189	6,687	9,192	6,313	9,065	11,855	14,936	15,863	5,646	7,363	9,314	15,785	114,537	216,019	351,423	404,410
Of which:																				
Special cotton financing	...	159,828	251,951	324,837	0	0	0	0	0	0	0	0	0	0	0	0	...	159,828	251,951	324,837
Loan loss provisions	-1,587	-8,869	-14,518	-14,414	-167	-188	-1,616	-1,357	-1,977	-5,030	-5,860	-6,441	-428	-1,038	-1,279	-1,191	-4,159	-15,125	-23,273	-23,403
Equity investments	0	0	0	0	1,013	14	12	12	0	13	7	7	13	13	14	56	1,026	40	33	75
Bonds and treasury bills	22	83	472	688	55	1,141	2,264	5,105	0	80	2,760	2,139	343	1,422	1,146	297	420	2,726	6,642	8,229
Tangible fixed assets	6,591	4,122	5,709	6,738	1,412	1,781	2,416	2,277	1,748	2,141	6,792	7,976	973	1,394	3,238	3,646	10,724	9,438	18,155	20,637
Other assets	2,242	1,079	2,875	16,819	378	1,618	897	1,469	418	1,023	2,167	2,172	748	559	174	196	3,786	4,279	6,113	20,656
Liabilities	99,763	191,615	315,250	387,044	11,143	19,797	21,173	23,636	12,877	20,832	30,015	35,512	7,752	15,304	17,450	22,103	131,535	247,548	383,888	468,295
Amounts owed to commercial banks	54,375	50,468	93,212	0	0	0	0	0	1,476	1,160	2,481	2,090	26	27	146	28	55,877	51,655	95,839	2,118
Deposits from non-bank customers	8,038	21,475	42,867	64,002	8,880	16,757	17,237	19,847	6,780	13,823	21,793	25,345	2,426	9,707	10,894	16,699	26,124	61,762	92,791	125,893
Amounts owed to the NBT	32,883	28,004	19,267	20,393	413	1,168	1,229	319	1,888	1,866	2,864	2,133	365	333	100	100	35,549	31,371	23,460	22,945
Credit from the Ministry of Finance, including deposits	0	0	0	0	771	117	216	239	0	0	0	0	0	0	0	0	771	117	216	239
Other liabilities	4,467	91,668	159,904	302,649	1,079	1,755	2,491	3,211	2,733	3,983	2,877	5,944	4,935	5,237	6,310	5,276	13,214	102,643	171,582	317,100
Of which:																				
Special cotton financing	...	159,967	275,500	283,375	0	0	0	0	0	0	0	0	0	0	0	0	...	159,967	275,500	283,375
Shareholders' funds (Net worth)	7,279	5,908	7,173	7,653	1,475	1,468	148	1,358	3,705	2,587	4,778	4,441	2,359	3,397	5,021	6,285	14,818	13,360	17,120	19,737

Source: National Bank of Tajikistan.

1/ Based on the diagnostic studies prepared by international accounting firms.

2/ Consolidated balance sheet for the Agroinvestbank, Amonatbank, Orionbank, and Tajiksodirobank.

Table A-37. Tajikistan: Estimated Loan Loss Provision on Consolidated Basis for the Four Largest Banks, 1999-2002
(In thousands of somoni; unless otherwise specified)

	Agroinvestbank 1/				Amonatbank				Orionbank				Tajiksodirobank				Total 2/				
	Dec 1999	Dec 2000	Dec 2001	Jun 2002	Dec 1999	Dec 2000	Dec 2001	Jun 2002	Dec 1999	Dec 2000	Dec 2001	Jun 2002	Dec 1999	Dec 2000	Dec 2001	Jun 2002	Dec 1999	Dec 2000	Dec 2001	Jun 2002	
Total outstanding loans to non-bank customers	24,119	30,147	42,481	83,074	3,189	6,687	9,192	6,313	9,065	11,855	14,936	15,863	5,646	7,363	9,314	15,785	42,019	56,052	75,923	121,035	
Risk class (in percent):	Provision:																				
Satisfactory	2%	4	21	11	4	30	69	51	46	50	37	47	35	68	71	82	91	25	37	32	22
Special Mention	5%	17	5	16	5	14	12	17	19	25	5	5	3	11	0	0	0	18	5	12	5
Substandard	30%	59	21	22	4	47	2	16	17	9	6	7	20	11	0	5	5	40	13	16	7
Doubtful	75%	9	3	17	2	6	13	6	7	15	1	0	3	6	6	7	1	10	4	11	2
Loss	100%	10	50	34	85	3	4	10	11	1	51	41	39	4	23	6	3	7	41	29	64
Total (in percent)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	

Source: National Bank of Tajikistan.

1/ Data for Agroinvestbank until December 2001 exclude special cotton loans. From June 2002 onward, cotton sector loans are included.

2/ Consolidated data for Amonatbank, Agroinvestbank, Orionbank, and Tajiksodirobank.

Table A-38. Tajikistan: Capital Asset and Liquid Asset Ratios of Commercial Banks, 1999-2002

Banks	Capital (in somoni, unless otherwise specified)				Capital Asset Ratio 1/ (In percent)				Liquid Asset Ratio 2/ (In percent)			
	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002	Dec. 1999	Dec. 2000	Dec. 2001	Jun. 2002
Prudential Requirement	US\$750,000	US\$1,000,000	US\$1,500,000	US\$1,500,000	No less than 9 percent	No less than 9 percent	No less than 12 percent	No less than 12 percent	No less than 50 percent	No less than 75 percent	No less than 75 percent	No less than 75 percent
Amonatbank	1,404,901	1,466,000	-177,183	1,185,357	17	10	-2	11	35	68	42	71
Tajiksodirotbank	2,065,662	2,619,531	4,916,027	6,295,484	22	16	40	33	110	89	112	88
Orionbank	3,328,771	3,123,506	5,613,190	5,656,803	31	22	34	34	84	87	58	70
Agroinvestbank	3,681,261	7,780,000	4,104,979	-121,437,926	14	24	25	-7	88	97	85	43
Somonbank	492,184	687,856	509,559	561,713	42	17	10	10	117	764	36	166
Tajprombank	1,440,697	1,574,351	10,510,032	12,025,102	43	50	183	58	62	303	526	137
Khojent	514,939	1,014,211	4,328,912	4,380,942	63	64	82	83	68	60	65	163
Ganjina	454,381	1,071,397	1,004,435	865,491	169	186	120	127	755	542	690	473
Eskhata	769,352	1,624,484	2,857,326	2,855,901	150	108	114	99	354	105	231	149
Kafolat	466,690	906,424	1,338,986	1,207,024	49	37	24	21	147	54	91	106
East-Credit Bank	5,682,762	7,477,407	4,401,056	4,166,053	132	94	174	313	1,585	987	677	1,189
Sokhibkorbank	...	40,693	1,809,407	1,699,638	...	335	21	11	...	183	77	85
Tijorat Bank Branch	492,289	367,310	374,388	435,145	123	123	111	22	133	216	145	114
Bank Olimp	33,471	...	846,972	1,615,154	26	...	141	111	2	...	738	2,413

Source: National Bank of Tajikistan.

1/ The ratio of total capital to risk weighted assets.

2/ The ratio of liquid assets to demand liabilities.

Table A-39. Tajikistan: Balance of Payments, 1996–2002
(In millions of U.S. dollars; unless otherwise specified)

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
Current account	-75	-61	-120	-36	-62	-74	-32
Trade balance	-16	-61	-139	-27	-46	-121	-74
Exports	770	746	586	666	788	652	327
Aluminum	263	252	234	284	424	398	192
Cotton fiber	157	167	112	93	92	71	55
Electricity 1/	175	155	103	175	181	79	31
Other	176	172	137	115	91	103	48
Imports	786	806	725	693	834	773	400
Alumina	111	107	110	130	199	185	93
Petroleum and natural gas	98	99	114	94	99	100	43
Electricity	133	180	117	179	203	98	44
Grain and flour	53	24	41	44	45	62	24
Other	391	397	344	246	288	327	196
Services, income and transfers (net)	-60	-1	19	-9	-16	47	42
Services	-20	-1	19	11	4	-7	-8
Income	-69	-40	-57	-55	-57	-29	-15
Transfers	30	40	57	35	37	84	65
Capital and financial account	-99	31	103	42	63	64	21
Capital account	0	0	0	0	5	13	2
Public sector (net)	-90	-17	-1	0	17	-19	-12
Public sector disbursements	36	23	21	10	36	22	11
Public sector amortization	125	40	23	9	19	41	23
World Bank	0	0	20	23	13	25	0
AsDB	0	0	0	10	9	0	0
FDI	18	18	25	21	24	9	4
Commercial banks' NFA (- increase)	7	7	84	-35	24	20	25
Other capital 2/	-34	22	-24	23	-28	16	2
Change in gross reserves (- increase)	-10	-16	-36	7	-29	-8	4
Financing items	184	46	53	-13	28	18	7
IMF	22	10	65	4	16	3	-13
Purchases	22	10	65	9	26	15	0
Repurchases	0	0	0	5	10	12	13
Other reserve liabilities	0	15	-17	0	2	0	0
Debt service account (- increase)	-12	3	9	0	0	0	0
Arrears (+ increase)	-39	-27	-8	-18	11	-41	20
Rescheduling	213	46	3	1	0	55	0
<i>Memorandum items:</i>							
Gross reserves							
(in millions of U.S. dollars)	14	30	65	58	87	96	92
(in months of imports) 3/	0.3	0.6	1.5	1.7	2.1	1.9	2.3
Current account (in percent of GDP)	-7.3	-5.2	-8.3	-3.4	-6.5	-7.1	-7.0

Sources: Tajik authorities; and Fund staff estimates.

1/ The reduction in electricity trade reflects the revision in prices in line with the intergovernmental agreement for 2001.

2/ Includes errors and omissions.

3/ Imports of goods and services excluding alumina and electricity.

Table A-40. Tajikistan: Exports by Product, 1996-2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
(In millions of U.S. dollars)							
Total exports, f.o.b	770	746	586	666	788	652	327
Aluminum	263	252	234	284	424	398	192
Cotton fiber	157	167	112	93	92	72	55
Electricity	175	155	103	175	181	79	31
Other	176	172	137	115	91	103	48
(Percent change)							
Total exports, f.o.b	-1	-3	-21	14	18	-17	...
Aluminum	-32	-4	-7	21	49	-6	...
Cotton fiber	-26	6	-33	-17	-1	-22	...
Electricity	42	-11	-34	69	3	-57	...
Other	229	-2	-20	-17	-20	13	...
(Volumes, in units indicated)							
Aluminum (thousand tons)	191	183	187	224	274	287	146
Cotton fiber (thousand tons)	104	108	88	92	79	75	68
Electricity (billion kWh)	3.8	3.9	3.3	3.8	3.9	4.0	1.7
(Percent change)							
Aluminum	-17	-4	2	20	22	5	...
Cotton fiber	-14	4	-18	4	-14	-5	...
Electricity	41	2	-14	14	2	4	...

Sources: Tajik authorities; and Fund staff estimates.

Table A-41. Tajikistan: Imports by Product, 1996–2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
(In millions of U.S. dollars)							
Total imports, c.i.f.	811	834	756	714	861	801	415
Alumina	120	115	118	139	212	198	100
Natural gas	37	39	39	34	36	27	13
Petroleum products	66	65	81	64	67	78	33
Electricity	133	180	117	179	203	98	44
Grain and flour	53	24	41	44	45	63	26
Other	403	412	361	253	297	337	200
(Percent change)							
Total imports, c.i.f.	-6	3	-9	-6	21	-7	...
Alumina	-41	-4	3	18	52	-7	...
Natural gas	-47	5	0	-12	6	-26	...
Petroleum products	-24	-2	25	-21	5	17	...
Electricity	-19	35	-35	53	14	-52	...
Grain and flour	15	-55	71	8	2	39	...
Other	35	2	-12	-30	17	14	...
(In units indicated)							
Alumina (thousand tons)	307	320	357	447	546	537	309
Natural gas (thousand cubic meters)	600	733	758	750	729	572	275
Petroleum products (thousand tons)	311	312	382	305	202	276	136
Electricity (billion kWh)	2.9	4.0	3.6	3.6	4.3	5.4	2.4
Grains (thousand tons)	158	83	251	278	321	276	185
Wheat flour (thousand tons)	70	42	65	82	55	223	84
(Percent change)							
Alumina	-48	4	12	25	22	-2	...
Natural gas	-30	22	3	-1	-3	-22	...
Petroleum products	-21	0	23	-20	-34	36	...
Electricity	-14	38	-10	1	19	24	...
Grains	-60	-48	204	11	15	-14	...
Wheat flour	29	-40	53	27	-33	303	...

Sources: Tajik authorities; and Fund staff estimates.

Table A-42. Tajikistan: Trade Indices, 1996–2001 1/

	1996	1997	1998	1999	2000	2001
I. Exports	(Index; 1993=100)					
Value	140	139	113	115	142	134
Volume	88	88	82	88	100	103
Unit value	158	157	139	130	143	130
	(Percent change)					
Value	-9	-1	-18	2	24	-6
Volume	4	0	-7	8	13	4
Unit value	-13	-1	-12	-6	10	-9
II. Imports	(Index; 1993=100)					
Value	107	102	99	84	103	110
Volume	68	71	73	62	66	71
Unit value	158	144	136	136	155	156
	(Percent change)					
Value	-3	-4	-3	-16	23	7
Volume	-7	5	3	-15	7	7
Unit value	4	-9	-6	0	15	0
III. Terms of Trade	(Index; 1993=100)					
Terms of trade	100	109	102	96	92	84
(Percent change)	-16	9	-7	-6	-4	-9

Sources: Tajik authorities; and Fund staff estimates.

1/ Excluding electricity, because of the break in the series of electricity prices. The accounting electricity prices are defined in intergovernmental agreements between Tajikistan and Uzbekistan.

Table A-43. Tajikistan: Destination of Exports, 1996–2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
(In millions of U.S. dollars)							
Total, f.o.b.	770	746	586	666	788	652	327
CIS	331	272	192	306	355	255	71
Russia	79	64	48	113	236	94	19
Uzbekistan	191	172	115	173	102	137	35
Other	61	37	29	20	16	23	17
Non-CIS	439	475	394	359	433	397	256
Europe	383	433	364	326	339	306	195
Asia	45	37	28	33	95	85	60
Other	11	5	2	0	0	7	1
(Percent change)							
Total, f.o.b.	-1	-3	-21	14	18	-17	...
CIS	25	-18	-29	59	16	-28	...
Russia	-22	-20	-25	137	109	-60	...
Uzbekistan	36	-10	-33	50	-41	34	...
Other	152	-40	-21	-32	-21	49	...
Non-CIS	-14	8	-17	-9	21	-8	...
Europe	-17	13	-16	-10	4	-10	...
Asia	25	-18	-25	19	184	-10	...
Other	-29	-54	-64	...	...	...	...
(In percent of total exports f.o.b.)							
Total, f.o.b.	100	100	100	100	100	100	100
CIS	43	36	33	46	45	39	22
Russia	10	9	8	17	30	15	6
Uzbekistan	25	23	20	26	13	21	11
Other	8	5	5	3	2	4	5
Non-CIS	57	64	67	54	55	61	78
Europe	50	58	62	49	43	47	60
Asia	6	5	5	5	12	13	18
Other	1	1	0	0	0	1	0

Sources: Tajik authorities; and Fund staff estimates.

Table A-44. Tajikistan: Origin of Imports, 1996–2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
(In millions of U.S. dollars)							
Total, c.i.f.	811	834	756	714	861	801	415
CIS	462	525	469	557	715	649	303
Russia	89	125	106	100	138	136	71
Uzbekistan	243	284	234	286	232	240	79
Other	130	117	129	171	344	272	154
Non-CIS	349	309	287	157	143	152	112
Europe	268	259	219	129	103	88	66
Asia	57	42	30	21	36	56	33
Other	24	8	38	7	3	8	12
(Percent change)							
Total, c.i.f.	-6	3	-9	-6	21	-7	...
CIS	-9	14	-11	19	28	-9	...
Russia	-40	40	-15	-6	38	-1	...
Uzbekistan	-9	17	-17	22	-19	3	...
Other	43	-10	10	33	101	-21	...
Non-CIS	-1	-11	-7	-45	-9	6	...
Europe	-11	-3	-15	-41	-20	-15	...
Asia	405	-27	-27	-29	69	55	...
Other	-38	-66	353	-81	-52	133	...
(In percent of total imports c.i.f.)							
Total, c.i.f.	100	100	100	100	100	100	100
CIS	57	63	62	78	83	81	73
Russia	11	15	14	14	16	17	17
Uzbekistan	30	34	31	40	27	30	19
Other	16	14	17	24	40	34	37
Non-CIS	43	37	38	22	17	19	27
Europe	33	31	29	18	12	11	16
Asia	7	5	4	3	4	7	8
Other	3	1	5	1	0	1	3

Sources: Tajik authorities; and Fund staff estimates.

Table A-45. Tajikistan: External Debt, 1996–2002

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
	(In millions of U.S. dollars)						
Total debt	867	1,106	1,179	1,233	1,226	1,023	1,021
Bilateral	594	581	543	551	532	522	516
Uzbekistan	200	171	153	142	130	117 1/	106
Russia	288	291	288	304	313	323 2/	323
United States	31	32	30	30	22	21	21
Turkey	23	26	26	26	26	23	22
Kazakhstan	19	19	18	18	19	12 1/	12
Pakistan	12	14	14	13	13	13	13
China	5	6	6	11	0 3/	0	6
India	4	6	6	6	7	7	7
Kyrgyz Republic	0	0	2	2	2	2	2
Iran	0	0	0	0	1	4	4
Switzerland	0	0	0	0	0	0	0
Other bilaterals	11	17	0	0	0	0	0
Multilaterals	133	166	279	316	363	383	385
IMF	22	30	96	100	111	110	103
European Union	81	83	89	76	73	53	52
World Bank	30	53	90	126	149	184	187
Islamic Development Bank	0	0	3	3	8	11	15
Asian Development Bank	0	0	0	10	22	25	27
Commercial credits 4/	141	359	357	366	331	117	120
Government guaranteed	75	67	65	40	22	53	61
Non-guaranteed 4/	66	292	292	326	309	64	59
	(In percent of total debt)						
Bilateral	68	53	46	45	43	51	51
Multilateral	15	15	24	26	30	37	38
Commercial credits	16	32	30	30	27	11	12
	(In percent of GDP) 5/						
Total debt	84	108	90	118	128	99	227
Bilateral	57	57	42	53	56	51	114
Multilateral	13	16	21	30	38	37	85
Commercial credits	14	35	27	35	35	11	27
	(In percent of exports) 6/						
Total debt	155	218	282	309	271	219	470
Bilateral	106	115	130	138	118	112	238
Multilateral	24	33	67	79	80	82	177
Commercial credits	25	71	85	91	73	25	55

Sources: Tajik authorities; and Fund staff estimates.

1/ The stocks of debt to Kazakhstan and Uzbekistan were reduced during the debt restructuring negotiations.

2/ Includes capitalized interest payments.

3/ The debt to China was converted into a grant in the third quarter of 2000.

4/ Break in data series in 1997.

5/ Data for January to June 2002 are in percent of semi-annual GDP and exports.

6/ Exports of goods and services less alumina and electricity imports.

Table A-46. Tajikistan: Public Sector External Debt Service, 1996–2002 1/

	1996	1997	1998	1999	2000	2001	2002 Jan.-Jun.
(In millions of U.S. dollars)							
Total debt service due	174	53	35	22	44	73	44
Interest	49	13	13	7	15	20	8
Principal	125	40	23	15	28	53	36
Total debt service paid	0	34	30	31	32	62	24
Interest	0	5	10	7	4	10	4
Principal	0	29	20	24 2/	28	52	20
(In percent of GDP) 3/							
Total debt service due	16.9	5.2	2.7	2.1	4.6	7.1	9.7
Interest	4.7	1.3	1.0	0.7	1.6	2.0	1.7
Principal	12.1	3.9	1.7	1.4	3.0	5.2	8.0
Total debt service paid	0	3.3	2.3	3.0	3.3	6.0	5.3
Interest	0	0.5	0.7	0.7	0.4	0.9	1.0
Principal	0	2.8	1.5	2.3	3.0	5.1	4.4
(In percent of exports of goods and services) 4/							
Total debt service due	31.1	10.5	8.5	5.4	9.6	15.7	20.2
Principal	8.7	2.6	3.0	1.8	3.3	4.3	3.6
Interest	22.4	7.9	5.5	3.6	6.3	11.4	16.6
Total debt service paid	0	6.7	7.1	7.8	7.0	13.2	11.1
Principal	0	1.1	2.3	1.8	0.8	2.1	2.0
Interest	0	5.6	4.8	6.0	6.2	11.2	9.1

Sources: Tajik authorities; and Fund staff estimates.

1/ Excluding commercial debt service and debt service of the National Bank of Tajikistan.

2/ Includes repayment of arrears to Uzbekistan.

3/ Data for January to June 2002 are in percent of semi-annual GDP.

4/ Exports of goods and services less alumina and electricity imports.

Table A-47. Tajikistan: Exchange Rates and U.S. Dollar Wages, 1996-2002

	Local currency per U.S.\$ 1/	Nominal exchange rate indices 2/			Real exchange rate indices 2/ 3/			Average monthly wages (in US\$)	
		Average	U.S. dollar	Russian ruble	Average	U.S. dollar	Russian ruble	Tajikistan	Russia
1996	293	17.5	34.8	17.1	198.9	241.3	158.4	9	157
1997	564	11.3	18.1	11.2	199.3	232.0	153.8	9	167
1998	777	9.3	13.1	12.1	224.0	238.0	194.7	11	163
1999	1,238	9.7	8.2	20.0	218.4	187.0	231.6	10	82
January	988	11.1	10.3	22.3	228.8	199.4	253.3	11	67
February	998	11.3	10.2	22.7	229.8	198.5	249.5	11	68
March	1,018	11.3	10.0	22.9	233.4	199.3	251.1	11	75
April	1,083	11.0	9.4	22.6	238.4	199.8	258.1	10	75
May	1,133	10.4	9.0	21.3	224.5	190.9	238.4	10	76
June	1,213	9.8	8.4	19.8	205.4	175.4	213.8	9	83
July	1,301	9.2	7.8	18.5	206.9	178.4	212.4	9	85
August	1,376	8.7	7.4	17.7	225.1	195.2	233.8	9	86
September	1,436	8.4	7.1	17.5	214.3	183.7	224.4	10	87
October	1,436	8.4	7.1	17.7	208.0	179.7	219.0	10	88
November	1,436	8.6	7.1	18.1	204.1	173.1	213.9	10	89
December	1,436	8.8	7.1	18.5	202.3	170.0	211.9	11	107
2000	1.82	7.4	5.6	15.5	195.2	160.9	194.9	9	110
January	1,493	8.6	6.8	18.7	197.8	164.4	211.0	9	88
February	1,571	8.4	6.5	18.1	192.1	156.7	204.0	9	88
March	1,612	8.1	6.3	17.4	190.1	154.7	199.5	10	99
April	1,634	8.1	6.2	17.3	195.8	158.7	203.7	9	99
May	1,649	8.1	6.2	16.9	204.7	165.3	206.4	9	101
June	1,671	7.8	6.1	16.4	197.1	163.0	199.1	9	108
July	1,791	7.1	5.7	14.7	177.0	148.1	175.6	8	114
August	1,929	6.9	5.3	14.1	181.5	150.8	176.8	8	115
September	2,004	6.8	5.1	13.8	191.2	157.4	183.2	10	119
October	2,125	6.6	4.8	13.3	206.0	169.7	194.4	9	122
November	2,220	6.2	4.6	12.5	206.9	171.6	193.8	7	124
December	2,220	6.1	4.6	12.6	201.8	170.7	191.2	10	144
2001	2.38	5.9	4.3	12.1	194.6	167.4	177.5	10	152
January	2,228	5.9	4.5	12.3	195.5	168.3	186.7	9	131
February	2,335	5.8	4.3	12.0	191.6	164.4	180.4	9	127
March	2,335	5.8	4.3	12.1	194.2	166.5	179.9	9	144
April	2,335	5.9	4.3	12.1	198.8	169.5	181.5	8	139
May	2,335	5.9	4.3	12.2	201.6	172.4	182.8	9	143
June	2,335	6.0	4.3	12.3	200.4	170.7	179.4	10	151
July	2,335	6.0	4.3	12.3	200.1	170.8	178.7	10	155
August	2,38	5.8	4.3	12.1	191.7	165.2	174.0	10	159
September	2,440	5.8	4.3	12.1	190.0	164.3	173.0	14	157
October	2,440	5.9	4.3	12.2	191.4	166.3	172.9	11	162
November	2,446	5.8	4.1	12.0	190.4	165.2	170.9	11	166
December	2,51	5.7	4.1	11.8	189.4	165.4	170.0	13	189
2002									
January	2,55	5.6	4.0	11.8	188.0	165.7	167.2	10	156
February	2,59	5.6	3.9	11.7	187.3	164.0	165.8	11	155
March	2,66	5.4	3.8	11.5	182.0	159.7	161.6	12	168
April	2,68	5.4	3.8	11.5	184.5	162.8	164.2	11	170
May	2,69	5.3	3.8	11.5	180.9	163.0	161.8	11	170
June	2,70	5.2	3.8	11.5	176.8	161.0	159.9	12	176
July	2,71	5.2	3.8	11.5	175.3	161.9	160.4	11	186

Sources: Tajik authorities; and Fund staff estimates.

1/ On May 10, 1995 the Tajik ruble was introduced at a rate of 1 Tajik ruble per 100 Russian rubles. On November 1, 2000, the somoni was introduced at the rate of 1 somoni per 1,000 Tajik rubles. Data are period averages.

2/ May 1995=100. Using period average exchange rates. The real exchange rate indices and average nominal exchange rate index are based on INS data. An increase denotes appreciation.

3/ Nominal indices adjusted for changes in consumer prices.

Table A-48. Tajikistan: Summary of the Tax System, end-June 2002

Tax	Nature of the Tax	Tax Deductions and Exemptions	Rates								
I. Taxes on personal income and corporate profits											
1.1 Personal income tax	<p>A tax on individual income including all types of income: wages, profits, interests, dividends, rents, royalties, and other incomes.</p> <p>Progressive tax rate schedules are applied to the taxable income: three levels with 10-20 percents.</p> <p>Enterprises withhold the tax from their employees' pay every month. Taxation of wages and salaries applies to both cash and in-kind income.</p> <p>A nonresident is also subject to income tax and exemptions and deductions.</p>	<p><u>Exemptions</u> (a) wage income of diplomats; (b) wage income of non-resident or non-citizen who stay in Tajikistan for less than 90 days; (c) property inheritance; (d) gifts and in-kind bonuses paid by employers up to 12 minimum income; (e) government pensions; (f) alimony; (g) budget assistance for natural disasters; (h) gains from the sale of residence over at least five years; (i) insurance payments for a death; (j) income from the sale of agricultural products from personal subsidiary without processing; (k) money compensation and allowances received by military or security personnel (l) gains from state lotteries.</p> <p><u>Deductions</u> (a) all individuals (one nontaxable minimum income for each month); (b) heroes, participants in the World war II and other military operations, individuals with radiation sickness (50 nontaxable minimum incomes for each month); (c) social contributions; (d) contribution to charitable institutions (at most 2 percent of taxable income).</p>	<p>Non taxable income (NI) is determined by a presidential decree. Current NI is at SM 2.</p> <table border="1"> <thead> <tr> <th data-bbox="1507 557 1646 574">Monthly income</th> <th data-bbox="1808 557 1877 574">Tax rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="1507 605 1625 623">1 NI – 100 NI</td> <td data-bbox="1835 605 1862 623">10</td> </tr> <tr> <td data-bbox="1507 630 1646 647">100 NI – 150 NI</td> <td data-bbox="1835 630 1862 647">15</td> </tr> <tr> <td data-bbox="1507 654 1583 672">150 NI –</td> <td data-bbox="1835 654 1862 672">20</td> </tr> </tbody> </table>	Monthly income	Tax rate	1 NI – 100 NI	10	100 NI – 150 NI	15	150 NI –	20
Monthly income	Tax rate										
1 NI – 100 NI	10										
100 NI – 150 NI	15										
150 NI –	20										
1.2 Corporate income tax	<p>A tax on the gross profits of enterprises, organizations being legal persons, and foreign enterprises which engage in economic activities in Tajikistan.</p> <p>Also covered are business activities of budgetary organizations, noncommercial organizations, and self-employed entrepreneurs. Revenue in foreign exchange are subject to taxation.</p> <p>A foreign enterprise is also subject to corporate income tax.</p>	<p><u>Exemptions</u> (a) religious, charitable, budgetary, interstate and intergovernmental organizations; (b) grants, membership dues, and contributions; (c) the National Bank of Tajikistan; (d) enterprises employing handicapped (at least 50 percent of workers should be handicapped and at least 50 percent of resources should be paid as wages).</p> <p><u>Deductions</u> (a) expenditures on scientific research; (b) contribution to charitable institutions (at most 2 percent of taxable profit).</p>	30 percent (single).								

Table A-48. Tajikistan: Summary of the Tax System, end-June 2002

Tax	Nature of the Tax	Tax Deductions and Exemptions	Rates
2. Social security contributions	A payroll tax levied on the monthly wage bill of enterprises. Enterprises and individuals pay directly to the Social Protection Fund.	<u>Exemptions</u> (a) diplomats; (b) payment for temporary disability from the Social Protection Fund.	25 percent on enterprises (A separate 1 percent is paid by employees for their private accounts). 20 percent on individual entrepreneur.
3. Tax on property			
3.1 Taxes on immovable property			
(a) Land tax	A tax on land in use.	<u>Exemptions</u> (a) land uses supported by the government budget; (b) nurseries and seed-growing farms; (c) land being developed for agriculture (5 years) and individuals receiving cultivated land (1 year); (d) private farms for 5 years on newly developed land and 1 year on cultivated land; (e) disabled persons; (f) veterans; (g) pensioners; (h) persons doing military service. <u>Government land not taxable</u> (a) designated land on state borders; (b) land in common use in population centers and by public utilities.	Tax rate is annually revised by a budget law. <u>City and suburban areas</u> Dushanbe, Khudjand, Kurgan-Tyube, and Kulyab – 69.53 SM per hectare Cities under republican and oblast jurisdiction, Khorog – 46.36 SM per hectare Cities and suburban areas under regional jurisdictions – 34.76 SM per hectare <u>Rural areas</u> Arable and planted land – 0.6-1.2 SM per hectare Pastures and hayfields – 0.07-0.3 SM per hectare Roads, streets, public buildings, forests, canals – 0.3-0.8 SM per hectare Other areas – 0.04-0.1 SM per hectare
(b) Enterprise property tax	Annual taxes on the value of buildings, automobiles, and inventories. The entire revenue of this tax is paid to local government budgets.	<u>Exemptions</u> (a) Property of budget organizations including the National Bank of Tajikistan; (b) property used for public education and culture; property of religious institutions; (c) property of religious organizations; (d) property of housing, utility, and other public enterprises; (e) 50 percent of property value of hydro and thermal energy facilities; (f) property classified as currently not in use; (g) technological equipment acquired by a loan and registered to the Ministry of Revenue for the loan period.	A standard rate of 0.5 percent.

Table A-48. Tajikistan: Summary of the Tax System, end-June 2002

Tax	Nature of the Tax	Tax Deductions and Exemptions	Rates
(c) Personal immovable property tax 1/	A tax on personal immovable property. A local tax.		Tax rate cannot exceed 1 percent.
3.2 Tax on motor vehicles		<u>Exemptions</u> (a) tractors and machines; (b) grain harvesting combines; (c) buses for public transportation; (d) motorized wheelchairs for disabled person.	Motorcycles – 1.0 percent of nontaxable minimum income per horse power Passenger automobiles – 2.0 percent Buses – 3.0-3.5 percent Trucks – 4.0-5.5 percent
4. Domestic taxes on goods and services			
4.1 Value-added tax	A tax on the value of goods and services of enterprises, associations, and individuals engaged in entrepreneurial and commercial activity. VAT inputs are credited when used in production. VAT is levied on destination basis (exports are zero rated).	<u>Exemptions</u> (a) supply or import of the national or foreign currency (except for the numismatic purposes), and import of securities; (b) import of gold supplied to the National Bank of Tajikistan; (c) religious-wise and ritual services by a religious organization; (d) education services to children and teenagers by clubs, sections, studios (incl. those of the physical upbringing and sports), as well as children caring services by pre-schools; (e) education services by education institutions; (f) goods, works, services supplied and done as humanitarian aid. Also import of the goods passed to the State authorities of Tajikistan and public organizations for the purposes of disaster relief, catastrophe and emergency situations response; (g) import of goods to Tajikistan from the countries applying VAT to their goods (works, services) exported to Tajikistan. When a VAT of an importing country is lower than the VAT for a particular item of this section [of the Tax Code of Tajikistan] then the imported goods are levied with a VAT in the amount of the difference between the two; (h) production and technological equipment, spare parts to this equipment which are imported to Tajikistan in order to set up (or increase the size) of enterprises' Charter Capital during one year since the State registration date of this enterprise (or re-registration date), provided this equipment is used in compliance with the constituent documentation and is not classified as excisable goods.	20 percent. Export goods are applied a zero rate.
4.2 Excises		<u>Exemptions</u> (a) alcoholic beverages produced by a physical person and used for his personal consumption; (b) the import of one liter of alcoholic beverages and one carton of (200) cigarettes by a physical person	vodka – \$3.0 per liter (imported); \$0.56 per liter (domestically produced) spirits – \$2.75-5.50 per liter (imported); \$1.50-2.0 per liter (domestically produced);

Table A-48. Tajikistan: Summary of the Tax System, end-June 2002

Tax	Nature of the Tax	Tax Deductions and Exemptions	Rates
		<p>for personal consumption; (c) goods carried across the territory of the Republic of Tajikistan in transit; (d) the temporary import of goods onto the territory of the Republic of Tajikistan, except those intended for re-export; (e) goods guaranteed by collateral and intended for re-export; (f) excisable goods, except alcohol and tobacco products, imported as humanitarian aid in cases of natural disasters; (g) imports to the Republic of Tajikistan of goods from countries which levy excises on exports of goods (works, services) to the Republic of Tajikistan.</p> <p>The excise exemptions specified in subpoints (c) through (f) are applied only in the cases where the conditions for exemption from customs duty are met.</p>	<p>zero for production quotas wines (vermut) – \$0.7 per liter (imported); \$0.07 per liter (domestically produced) beer – \$0.6 per liter (imported); \$0.06 per liter (domestically produced) champagne – \$1.8-4.0 per liter (imported); \$0.07-0.18 per liter (domestically produced) cognac – \$12.0 per liter (imported); \$1.2 per liter (domestically produced) raw tobacco (wastes) – \$0.06 per 1kg tobacco cigars and cigarettes – \$0.5 per 1,000 each filtered cigarette – \$0.66 per 1,000 each no-filtered cigarette – \$0.1 per 1,000 each raw oil (containing 70% of the mass) – \$40.0 per ton gasoline – \$0.05 per liter kerosene – \$20.0 per ton diesel – \$6.6 per liter fuel oil – \$0 tire – 5-10% car – 10%</p>
4.3 Retail sales tax 1/	A tax on retail sales of goods. A local tax.		Tax rate cannot exceed 5 percent.
4.4 Simplified tax	Small businesses that are not subject to VAT.		10 percent of gross earnings.
5. Taxes on international trade			
5.1 Customs duties	Customs duties on imports are paid in local currency. Custom duty rates are applied to the customs value in US dollars.	<p><u>Exemptions</u> (a) electric power; (b) cyanide, oxicyanide, complex cyanide; (c) cable, bickford fuse, detonator, percussion cups; (d) activated coal; (e) grinding balls and other spare parts for mills; (f) spare parts for drill or drifting machines of subpositions; (g) cast iron spare parts or steel iron; (h) specialized machines and mechanical equipment for mixing, crushing, grinding, riddling, sifting, homogenizing, emulating, or stirring; (i) imports from less developed countries (45 listed countries)</p>	<p>5 percent (unified) Aluminum oxide is applied 2 percent. Temporary rates are applicable to protect domestic market.</p>
Revised on April 30, 2002. Decree 187.			

Table A-48. Tajikistan: Summary of the Tax System, end-June 2002

Tax	Nature of the Tax	Tax Deductions and Exemptions	Rates
5.2 Sales taxes	Ad valorem taxes on US dollar value of domestic sales and exports. Applicable to any legal entity or individual. Goods subject to sales taxes are exempt from VAT.		Cotton fiber — 10 percent Aluminum — 2 percent
6. Other taxes			
6.1 Excess profits tax	A tax on incomes of a subsurface user from a contractual rights.		0-30 percent depending the magnitude of internal rate of return (IRR).
6.2 Road user tax 1/	A surtax on VAT. A local tax.		2 percent of VAT tax base.
6.3 Public transportation tax	A surtax on social fees		Tax rate cannot exceed 2 percent.
6.4 State duties	Duties are levied by the offices of government administration, people's courts, notarial offices, registrars of vital statistics, city and local authorities, agencies of the Ministry of Internal Affairs, etc.		According to rates set by the Law "On State Duties".
6.5 Local taxes and charges	Local councils of peoples' deputies have the right to establish local taxes for their territories.		Rates established by local authorities.
6.6 Licenses	Licenses levied by local offices of government administration.		Rates established by local authorities.

Source: Tajik authorities.

1/ The retail sales tax, the road user tax, and the personal immovable property tax are explicitly specified as local taxes. All other tax revenues are shared by both the central and local governments according to the sharing ratios as defined in annual budget laws.