Debt Management Performance Assessment (DeMPA)

Republic of Tajikistan

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The DeMPA is a methodology for assessing public debt management performance through a comprehensive set of indicators that span the full range of government debt management functions. The DeMPA tool presents the 15 debt indicators along with a scoring methodology. The DeMPA tool is complemented by a guide that provides supplemental information for the use of the indicators.

For additional information on the World Bank's Debt Management Technical Assistance Program, including more on the DeMPA tool, please visit our website at: http://www.worldbank.org/debt

Abbreviations and Acronyms

ABP	Annual borrowing plan
BC	Business continuity
BO	Back office
CG	Central government
CoA	Chamber of Accounts
DeM	Debt management
DeMPA	Debt Management Performance Assessment
DMFAS	Debt Management and Financial Analysis System
DMO	Debt management office
DMIS	Debt management information system
DMS	Debt management strategy
DPI	Debt performance indicator
DR	Disaster recovery
DSA	Debt sustainability analysis
DSSI	Debt Service Suspension Initiative
DTS	Debt Tracking System
DvP	Delivery versus Payment
FO	Front office
FRA	Fiscal risk assessment
FX	Foreign exchange
GoT	Government of Tajikistan
ICD	International Cooperation Department
IDIF	Individual Deposit Insurance Fund
IFI	International financial institution
IMF	International Monetary Fund
MEDT	Ministry of Economic Development and Trade
MOA	Memorandum of agreement
MoF	Ministry of Finance
MTDS	Medium-term debt management strategy
MTEF	Medium-term expenditure framework
N/A	Not applicable
NFPS	Non-financial public sector
NBT	National Bank of Tajikistan
N/C	Not comparable
N/R	Not rated
NFPS	Non-financial public sector
PIU	Project implementation unit
PEBP	Public external borrowing plan
PPG	Public and publicly guaranteed (debt)
RR	Reference rate (of the Central Bank)
SOE	State-owned enterprise
SPIP	State Program on Investment Projects
T-bill	Treasury bill
TJS	Tajikistan somoni (local currency)
TSA	Treasury single account
US$	United States dollar
WB	World Bank

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1. Executive Summary

1.1. **A World Bank mission team[1] visited Dushanbe during January 25 – February 3, 2023, to undertake a Debt Management Performance Assessment (DeMPA) for Tajikistan.** The assessment was carried out by using the 2021 DeMPA methodology.[2] It provides an update of the changes that have occurred in some key areas of debt management in Tajikistan since the previous DeMPA of 2015. For preparing this update, the team met with officials from the Ministry of Finance (MoF), the National Bank of Tajikistan (NBT), the National Audit Office, the pension fund, and market participants (see Annex 1 for more details). The team would like to express its gratitude to the officials met during the visit and underline the World Bank's availability to provide further technical assistance on strengthening debt management practices and addressing related topics in the country.

1.2. **The DeMPA evaluation team noted several positive developments since the previous DeMPA.** In particular, a new Law on Public and Publicly Guaranteed Debt was approved on December 24, 2022 and published on January 10, 2023. The institutional setup of the debt management office (DMO) includes key responsibilities of managing government debt, issuing guarantees, and providing on-lending. The public debt reports include information about the government's debt portfolio and are published annually. There is a regular sharing of information about debt service plans between the MoF and the NBT. Financial audit of government debt operations is undertaken annually.

1.3. **The assessment has also revealed longstanding challenges in some areas, where significant efforts are required to enhance the existing practices.** Domestic borrowing practices must be improved, to be market based. It is important to consolidate all government's debt records in a single debt recording system. The process has started, but fragmentation of on-lending and domestic debt records must be addressed. The Debt Management Strategy (DMS), produced by the MoF, should be updated on an annual basis. Cash management function must be strengthened by enhancing capacity for cash flow forecasting in the MoF's Treasury Department.

1.4. A summary of the evaluation results for each DeMPA area is included in the table below:

Current Strengths	Recommendations for Improvement
1. Governance and Strategy Development	
• The debt management law was approved in 2022, and includes explicit borrowing objectives, purposes, authority, reporting, DMS updates, etc. • Institutional set-up for issuance of guarantees is included in the DMO. • Management of government guarantees, and on-lending is within the MoF and the DMO. • Public debt reports that cover government and state-guaranteed debt are published annually. • Financial audit of government debt operations is undertaken annually.	• The legal framework should include provisions for non-financial public sector entities to report their borrowing activities. • The DMS should be updated and published annually. It should also be well integrated in the budget document and in the Medium-Term Expenditure Framework. • To enhance quality of the DMS, it is recommended to improve the analysis and rationale for chosen targets for refinancing risk and existing financing constraints. • Annual borrowing plans should be prepared. • Data about borrowing for non-financial public sector debt should be added to the government debt statistics when it becomes available.

[1] The DeMPA mission comprised Ilyas Sarsenov (Task Team Leader and Senior Country Economist), Lilia Razlog (Senior Debt Specialist), Michel Vaugeois (International Consultant), Juan Carlos Vilanova (International Consultant), Bakhrom Ziyaev (Economist), and Idibek Rakhimov (Program Assistant).

[2] http://documents1.worldbank.org/curated/en/526391628746190611/pdf/Debt-Management-Performance-Assessment-Methodology-2021-Edition.pdf.

Current Strengths	Recommendations for Improvement
2. Coordination with Fiscal and Monetary Policies	
• Debt service forecasts for the annual budget are prepared on time and are of good quality.	• Annual Debt Sustainability Analysis (DSA) should be undertaken by the Ministry of Finance.
3. Borrowing and Related Financing Activities	
• Borrowing processes for external loans from multilateral and bilateral creditors are clearly articulated by the staff. • Legal advisors are involved in external loan negotiation. • Guarantees and on-lending processes are clearly articulated by the staff.	• Domestic borrowing must be at market-based rates. • Documented internal procedures for external, domestic, and international bond issuances need to be developed. • Assessment of most beneficial cost-effective terms from external creditors should be done annually. • Domestic borrowing should be planned in line with the DMS and annual borrowing plans with high degree of transparency and predictability. • Meetings with primary dealers should be planned regularly. • Guarantees and on-lending documented procedures need to be developed. • Credit risk analysis for guarantees and on-lending should be introduced.
4. Cash Flow Forecasting and Cash Balance Management	
• The outstanding balances on the treasury single account (TSA) are remunerated, although not at market rate.	• Accurate central government cash flow forecasts for full year should be prepared and updated monthly. • Formal TSA cash buffer target should be established.
5. Debt Recording, Payments, and Operational Risk Management	
• Transition toward a single debt information system Debt Management and Financial Analysis System (DMFAS) has begun. • Debt Tracking System (DTS) and DMFAS are backed up on a monthly basis. • Securities are dematerialized.	• To address the segregation of duties within the back-office, different DMO staff members should record, validate, and initiate payments. • Procedures manuals for external and domestic debt recording and payments should be developed and followed. • Disaster and recovery plans have not been elaborated. • The DMO team should operationalize the audit trail of the DMFAS.

2. Background Information

2.1 Recent Economic Development and Outlook

2.1. **Tajikistan's economy performed strongly over the last decade**, with GDP growth averaging above 7 percent. This helped to halve the poverty rate from 25.7 percent in 2015 to a projected 13.4 percent in 2022 (at the international poverty line of US$ 3.65 a day, 2017 PPP). Despite this performance, Tajikistan remains the poorest economy in Europe and Central Asia, with a GNI per capita of US$1,210 (Atlas method) in 2022.

2.2. **The Tajik economy expanded by 8 percent in 2022**, driven by Russia's strong labor demand, which, combined with the appreciation of the Russian ruble, resulted in substantial remittance inflows. This positive shock fuelled household consumption. Private investment was buoyant, led by the mining industry.

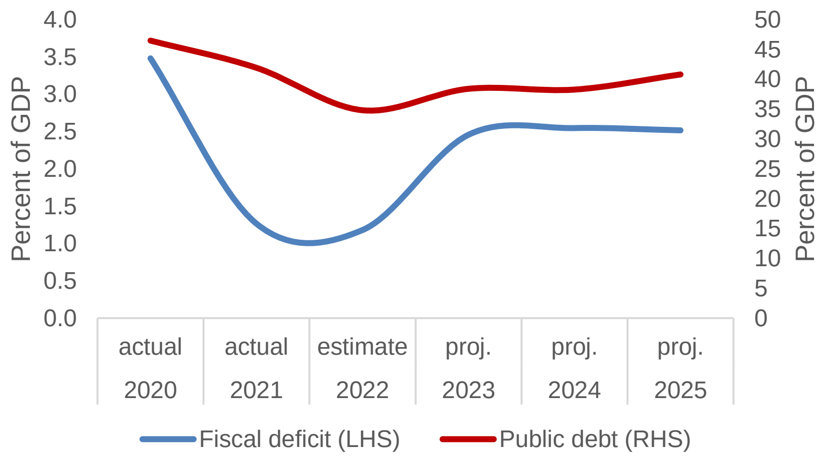
2.3. **The trade deficit widened due to lower exports of precious metals and buoyant imports.** However, the substantial remittances offset this and led to a current account surplus of 15.6 percent of GDP in 2022. Combined with net FDI inflows of 1.5 percent of GDP, mainly to the mining sector, international reserves rose to US$ 3.8 billion, providing around 9.5 months of import cover.

2.4. **Migration increased significantly in 2022, before reversing after Russia announced mobilization in September.** The share of households with a migrant increased from 42 percent to 50 percent during the first half of 2022 but steadily declined afterward.

2.5. **The average CPI inflation rate declined to 6.6 percent in 2022 from 9 percent a year earlier**. The Tajikistan somoni (TJS) appreciated by 9.7 percent against the United States dollar (US$) in 2022 (December/December), which helped to curb external price pressure, while solid agricultural output and the sale of strategic food reserves contained domestic food inflation. The NBT raised the policy rate slightly from 13 percent at the end of 2021 to 13.5 percent in October 2022. Economic growth and foreign exchange inflows supported good financial sector performance.

2.6. **The overall fiscal deficit was at 1.2 percent of GDP in 2022, similar to 1.3 percent in 2021 (Figure 1).** In 2022, tax collections declined by approximately 2 percent of GDP due to the enactment of the new tax code, which streamlined several taxes but also reduced tax rates. The shortfall was offset by grants provided by development partner and higher non-tax revenues. The budget deficit was financed primarily through external financing. Tajikistan remains at high risk of debt distress (largely due to a Eurobond issuance of US$500 million in 2017) but is on a sustainable debt path over the medium term.

Figure 1. Tajikistan: Fiscal Deficit and Public Debt



Source: Ministry of Finance.

2.7. **Tajikistan's economic growth is expected to decelerate to 6.5 percent in 2023 (Table 1) as the 2022 positive shock subsides and remittance inflows diminish.** This is expected to result in a contraction in private consumption. Inflation is expected to decrease gradually and remain within the NBT's 4–8 percent target range, supported by tight monetary policy. The external position is expected to normalize after a peak in 2022 as reduced global demand is expected to weaken Tajikistan's export of precious metals and minerals. The fiscal deficit is expected to remain in line with the government's target of 2.5 percent of GDP over the medium term. This will result in public debt to remain below 41 percent of GDP in 2023–25.

Table 1. Tajikistan: Key Macroeconomic Indicators – Baseline Scenario
(Annual percent change, unless indicated otherwise)

	2020 actual	2021 actual	2022 est.	2023 proj.	2024 proj.	2025 proj.
Real GDP	4.4	9.4	8.0	6.5	5.0	4.5
Contribution to growth (percentage points)						
Agriculture	1.7	-0.1	1.3	1.3	1.2	1.2
Industry and construction	4.0	6.0	2.3	2.0	1.3	1.2
Services	-1.4	3.0	4.3	3.0	2.3	2.0
Consumer price index, period average	8.6	9.0	6.6	4.5	6.0	6.1
Current account balance (percent of GDP)	4.3	8.2	15.6	4.3	3.5	2.8
Foreign direct investment, net (percent of GDP)	0.4	0.4	1.5	1.7	2.5	2.8
Fiscal balance (percent of GDP)	-3.5	-1.3	-1.2	-2.5	-2.5	-2.5
Public debt (percent of GDP)	46.5	41.9	34.8	38.4	38.3	40.8

Source: World Bank's Tajikistan Economic Update (Summer 2023).

2.2 Public Debt Composition

2.8. **Total public debt of Tajikistan stood at US$3.65 billion or 34.8 percent of GDP at the end of 2022 (Table 2).**[3] Total public and publicly guaranteed external debt amounted to US$3.23 billion (88.4 percent of total). Domestic debt in the same period totalled US$0.42 billion (11.6 percent of total). External debt is divided into US$3.09 billion in direct external debt and a total of US$140.73 million of outstanding guarantees. Disbursements during 2022 totalled US$183.7 million. The main sources of financing for the year were: the International Development Association (38.8 million), the European Bank of Reconstruction and Development (24.1 million), the Islamic Development Bank (16.9 million), the Saudi Fund (16.5 million), and the Asian Development Bank (15.7 million).

Table 2. Stock of Public Debt, as of end of 2022
(In US$ billion)

	Total, US$ billion	As percent of total	As percent of GDP
External debt	3.23	88.4	30.8
Domestic debt	0.42	11.6	4.0
Total public debt	3.65	100.0	34.8

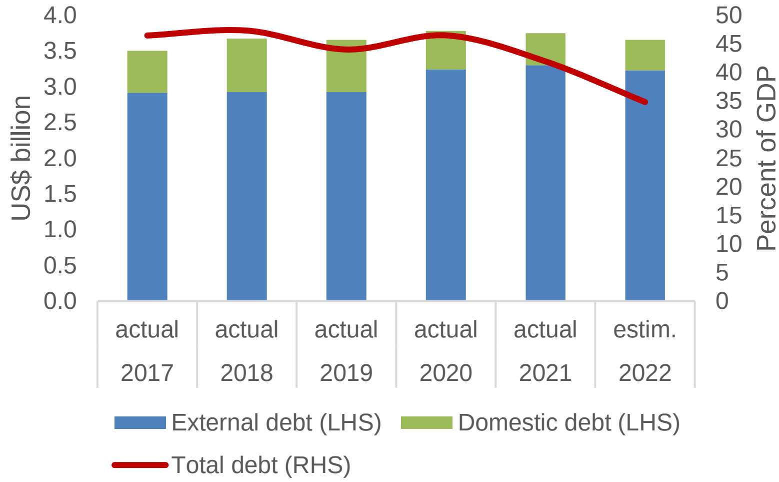
Source: Ministry of Finance (Public Debt Report for 2022).

2.9. **The level of outstanding stock of total debt has remained fairly stable in nominal terms over the last six years (Figure 2).** It experienced a slight increase in 2020 due to some additional financing needed during the COVID-19 pandemic. Domestic debt, on the other hand, has been experiencing a slight downward trend during the period as new issuances remained low and repayments of outstanding debt

[3] Ministry of Finance. Public Debt Report for 2022. Source: https://moliya.tj/ru/otchet-o-gosudarstvennom-dolge/

took place. Figure 2 below shows the evolution of total public debt in Tajikistan since 2017 in nominal terms and as percent of GDP. Since nominal GDP kept rising, the debt-to-GDP ratio went down from an average level of 46.1 percent of GDP during 2017–20 to 41.9 percent in 2021 and 34.8 percent in 2022.

Figure 2. Evolution of Public Debt, 2017–22



Source: Ministry of Finance (Public debt report for 2022).

2.10. **External debt is comprised mainly of multilateral and bilateral debt**, accounting for 44 percent and 37 percent of total debt, respectively, by the end of 2022. Multilateral debt grew substantially (by 34 percent) in 2020 due to the emergency borrowing for the COVID-19 response. Specifically, the International Monetary Fund (IMF) and the Eurasian Fund for Stabilization and Development provided credits in 2020. Table 3 below shows outstanding amounts, by year end, for the major creditor type. The currency composition of the existing external debt portfolio is mostly in US$ with 67 percent of the total. The Chinese yuan and the euro followed with 11 and 9 percent, respectively. Figure 3 below show the existing currencies in the external debt portfolio for 2021 (no data was available for 2022).

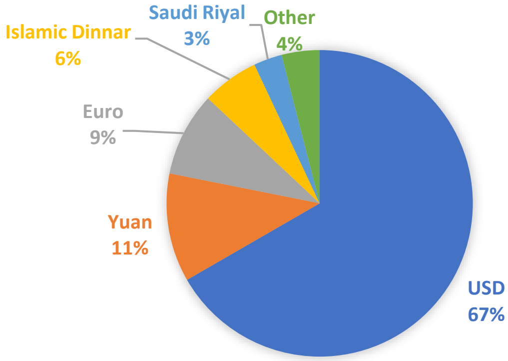
Table 3. Outstanding Public External Debt, 2017–22

(In US$ million)

	2017	2018	2019	2020	2021	2022
Multilateral	838.10	895.20	946.80	1,303.50	1,392.46	1,406.14
Bilateral	1,378.43	1,366.00	1,334.50	1,328.90	1,285.12	1,181.44
Eurobond	500.00	500.00	500.00	500.00	500.00	500.00
Other	162.48	163.00	143.98	111.32	121.73	140.73
Total external debt	2,879.01	2,924.21	2,925.28	3,243.72	3,299.31	3,228.31

Source: Ministry of Finance.

Figure 3. Public External Debt Currency Composition, as of end of 2021



Source: Ministry of Finance.

2.11. **The stock of domestic debt at the end of 2022, reached TJS 4.6 billion.** The main domestic creditor is the NBT with close to 98 percent of existing domestic debt. These are mainly 5-year bonds that were issued back in 2016 to bail out state-owned banks. They were issued by the Government Resolution of the Republic of Tajikistan No. 527, dated December 12, 2016, and approved by Parliament and transferred to the local banks in trouble which in turn submitted them to the NBT to receive the allocated amounts. The remaining debt is owed to the Individual Deposit Insurance Fund in the form of Treasury bills (T-bills) and the lottery debt. Table 4 below shows the existing domestic debt by creditor.

Table 4. Domestic Debt, as of end of 2022
(In TJS thousand)

	Domestic debt, as of end-2022	As percent of total
NBT	4,573,999	97.66
Rescued banks	3,726,999	79.57
Credit	847,000	18.08
T-bills	99,750	2.13
Lottery debt	10,000	0.21
Total domestic debt	4,683,749	100.00

Source: Ministry of Finance.

2.12. **After reaching a peak in 2019, debt service payments have been decreasing overtime.** Total debt service has gone down from US$440 million in 2019 to US$322 million in 2022. It also went down as percentages of exports, government revenue, and GDP. Table 5 below shows the amount of debt service paid during 2017–22 as well as its ratios.

Table 5. Total Debt Service Payments, 2017–22
(In US$ million, unless indicated otherwise)

	2017	2018	2019	2020	2021	2022
External	176.5	224.0	229.1	223.2	232.2	254.3
Domestic	73.8	56.9	211.3	78.1	79.6	67.5
Total debt service	250.3	280.9	440.4	301.3	311.8	321.8
as percent of exports	20.9	26.2	37.5	21.4	14.4	18.4
as percent of government revenue	11.8	12.6	20.0	14.4	13.1	11.0
as percent of GDP	3.3	3.6	5.3	3.7	3.5	3.1

Sources: Ministry of Finance; World Bank staff calculations.

2.3 DeMPA Methodology Applied

2.13. **The DeMPA 2021 methodology comprises a set of 15 debt performance indicators (DPIs).** They encompass the complete spectrum of government debt management operations, as well as the overall environment in which these operations are conducted. While the DeMPA does not make recommendations on reforms and/or capacity- and institution-building activities required, its performance indicators are based on sound practices and stipulate a minimum level that should be met. Consequently, if the assessment shows that the minimum requirements are not met, this indicates an area requiring attention and a priority for reform. A complete description of the methodology can be found online.[4]

2.4 Summary of the DeMPA Scores for Tajikistan

2.14. **While Tajikistan has made some progress in several debt performance indicators (DPIs) since the previous DeMPA conducted in 2015, there was not much progress made on many other DPIs and several scores were downgraded.** The DeMPA evaluation team noted two positive developments in improving the legal framework for public and publicly guaranteed debt and conducting financial audit of government debt operations on a regular (annual) basis. Their scores were upgraded by one notch (to "B" and "C", respectively). Meanwhile, some setbacks were observed in reporting to Parliament, involving legal advisors in early phases on loan preparation processes, and recording debt in a complete and timely manner. Their scores were downgraded by one notch (to "D", "B", and "D", respectively). The rest of the scores either did not change or their scores could not be compared due to various reasons, including the change in the methodology, the lack of applicability or the insufficiency of information available. All the DPI scores are presented in a summary table below.

Debt Performance Indicator		Score 2023	Score 2015
DPI-1	1.1. Central Government's Legal Framework	B	C
	1.2. Public Sector Entities' Legal Framework	D	N/C*
DPI-2	2.1. Central Government Borrowing and Debt-Related Transactions	C	C
	2.2. Issuing Loan Guarantees/On-Lending	A	A
	2.3. Staff and Human Resources	C	D*
DPI-3	3.1. Quality of Content of the DMS	D	D
	3.2. DMS Decision-Making Process	D	D*
	3.3. Annual Borrowing Plan	D	N/C*
DPI-4	4.1. Central Government Debt Report: Content and Timeliness	D	D
	4.2. Reporting to the Legislature	D	C
	4.3. Public Sector Debt Report: Government Coverage	C	N/C*

[4] The DeMPA methodology was revised in 2015 and 2021. Not all indicators are directly comparable between 2015 and 2021. See DeMPA 2021 – Annex II and https://www.worldbank.org/en/programs/debt-toolkit/dempa.

	Debt Performance Indicator	Score 2023	Score 2015
DPI-5	5.1. Audit: Frequency, Comprehensiveness, and Disclosure (Financial, Compliance, Performance)	C	D
	5.2. Audit: Degree of Commitment to Address Audit Outcomes	C	N/R
DPI-6	6.1. Provision of Debt-Service Forecasts	C	C
	6.2. Fiscal Risks Monitoring in the Non-Financial Public Sector	D	N/C*
	6.3. Availability of Key Macro and Fiscal Variables and DSA	D	D*
DPI-7	7.1. Separation Between Monetary Policy and DM Operations	B	B
	7.2. Information Sharing with the Central Bank on Current and Future Debt Transactions and Central Government Cash Flows	D	D
	7.3. Limits of Direct Access to Central Bank's Funding	C	C
DPI-8	8.1. The Publication of a Borrowing Calendar for Wholesale Securities and Publication of Issuance Results	D	D
	8.2. Domestic Borrowing: Clarity in Rules and Procedures	D	D
DPI-9	9.1. Appropriate Organizational Arrangements and Processes for External Borrowing from All Sources	D	D
	9.2. Availability and Degree of Involvement of Legal Advisers Before Signing a Loan Contract	B	A
DPI-10	10.1. Issuance of Central Government Loan Guarantees	C	C*
	10.2. Management of On-Lending Operations	C	D*
	10.3. The Use of Derivatives	N/A	N/A
DPI-11	11.1. Effectiveness of Forecasting the Aggregate Level of Cash Balances in Government Bank Accounts	D	D*
	11.2. Effectiveness of Cash Balance and Liquidity Management	D	D*
DPI-12	12.1. Debt Recording	D	D*
	12.2. Debt Payments	D	D*
DPI-13	13.1. Data Access, Backups, and IT Infrastructure	D	D*
	13.2. Business Continuity and Disaster Recovery Plans	D	D
DPI-14	14.1. Completeness and Timeliness of Debt Records	D	C
	14.2. Registry System and Debt Holders	D	D
DPI-15	15.1. The Use of Debt Management Information Systems	D	N/C*

Note: * or N/C: Not comparable, due to a change in the methodology.
N/A: Not rated, because the activity does not apply.
N/R: Not rated, attributed on the previous methodology when information was insufficient.

3. Debt Performance Indicator (DPI) Assessment

3.1 Governance and Debt Management Strategy

DPI 1 – Legal Framework

DPI	Score
1.1 – Central Government's Legal Framework	B
1.2 – Public Sector Entities' Legal Framework	D

DPI 1.1 – Central Government's Legal Framework

Institutional aspects

3.1. **The Tajikistan's legislative framework provides a clear delegation of the authority for the executive to borrow and issue guarantees.** The Constitution of the Republic of Tajikistan (articles 57, 59, 60) determines Parliament's (Majlisi Namoyandagon) responsibility to approve the annual law on the government budget, control the execution of the government budget, authorize/ratify public loans and credits, and denounce of international treaties.

3.2. **The newly adopted Law on Public and Publicly Guaranteed (PPG) Debt[5] is the primary legislation** that governs government's debt management (DeM) operations in Tajikistan. The Law clarifies responsibilities of Parliament, the Government of Tajikistan (GoT), the MoF in DeM, the role and relationship of the NBT in DeM, and provides a clear authorization for the executive to borrow externally and domestically and issue guarantees. According to the Law, Parliament adopts annual programs for domestic and external borrowings, determines limits for domestic and external public debt, government guarantees, and on-lending operations, in line with an annual law on the government budget. Loan and guarantee agreements classified as international treaties are processed and approved in accordance with the legislation of the Republic of Tajikistan on international treaties.[6]

3.3. **Debt instruments for public borrowing are included in article 13 of the PPG Debt Law** as follows: (1) loan agreements, (2) government debt securities, (3) publicly guaranteed loans, the obligation to repay of which was transferred to the Republic of Tajikistan in accordance with the terms of issued public guarantee, (4) other financial instruments regulated by the legislation of the Republic of Tajikistan or used in external financial markets. In articles 15 and 17 of the PPG Debt Law sources for domestic and external debt are listed separately.

3.4. **The PPG Debt Law in its article 12 defines the purposes of public borrowings** as follows: (1) financing the state budget deficit, (2) repayment, prepayment, refinancing and restructuring of existing debt obligations and public guarantees, (3) financing of public investments, (4) ensuring current liquidity during the execution of the state budget, (5) development of the domestic market for government debt securities, (6) other purposes provided for by the legislation of the Republic of Tajikistan.

3.5. **The public debt management objective is specified in article 10 of PPG Debt Law** as "to ensure that the needs of the Government of the Republic of Tajikistan in debt financing are met and the fulfilment of its payment obligations at the lowest cost in the medium and long term with a reasonable

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[5] Law on Public and Publicly Guaranteed Debt, No. 1923, dated December 24, 2022.
[6] Law on International Treaties of the Republic of Tajikistan, No. 1326, dated July 23, 2016.

degree of risk". The Law also stipulates that the MoF can use instruments accepted in the financial markets, such as debt restructuring, debt refinancing, prepayment, buyback, swap, debt forgiveness.

3.6. **The PPG Debt Law stipulates DeM principles of transparency, accountability, and publicity.** Article 22 of the Law includes the responsibility of the MoF to develop quarterly and annual reports on public debt, which must be submitted to the GoT and Parliament. In addition, the Law requires to publish the reports on official MoF website and determines the timing for publication. Article 23 stipulates the requirement for auditing of public debt, which is carried out by the Accounts Chamber in accordance with the annual work plan. The Accounts Chamber submits an annual report on the audit of the public debt to the President and Parliament.

3.7. **Requirement to develop medium-term DMS is included in the Article 20 of PPG Debt Law.** After approval, the DMS is published on the official MoF website. Article 21 also requires the MoF to develop annual programs for domestic and external public borrowings based on medium-term debt strategy and a draft annual law on the government budget. Annual programs must contain assessment of the need for financial resources, sources, and structure of public borrowings, issuance calendar of government debt securities, the program of loans disbursements, public debt service during the financial year, the volume and structure of public debt, indicators characterizing the debt portfolio. After approval, the annual programs must be published on the official MoF website.

3.8. **The PPG Debt Law also stipulates the right to issue public guarantees (chapter 5).** Parliament determines annual limit for public guarantees. Article 4 requires the GoT to approve the procedure for applying for a guarantee, the list of documents to be submitted, the procedure and criteria for selecting projects for granting a public guarantee. Only legal entities-residents of Tajikistan can apply for a public guarantee. The public guarantee is authorized by issuing a Government Resolution based on the limit established by an annual law on the government budget, a positive conclusion on the assessment of economic efficiency of a project provided by a line ministry and analysis of credit risks provided by the MoF. According to the Law, the MoF is the single body that issues public guarantees.

3.9. **Parliament determines on-lending limits in the annual budget.** According to the PPG Debt Law (chapter 6), the MoF is authorized to umdertake on-lending operations. Only residents of the Republic of Tajikistan can be financial intermediaries and final beneficiaries of on-lending loans. The MoF manages, and monitors funds intended for on-lending loans. Financial intermediaries that borrow directly from the MoF for its on-lending operations submit quarterly information to the MoF on payments and returns of on-lending funds, on their economic situation, including financial statements and annual external audit reports.

Implementation aspects

3.10. **The MoF is single body that manages public debt and issues public guarantees.** A loan agreement, including debt securities and other debt obligations, is signed by an official authorized by the GoT. Parliament considers and ratifies these agreements. Among other responsibilities, the MoF develops a DMS and annual programs for domestic and external public borrowings, manages public debt, prepares, and implements measures to optimize the debt portfolio.

3.11. **In line with legal provisions, the GoT is assigned by several DeM functions.** It approves a medium-term DMS, submits drafts annual programs for domestic and external borrowings for adoption to Parliament, decides on the need to attract government borrowings, publicly guaranteed loans, or on-lending loans in accordance with the DMS, approves the rules for the issuance and circulation of government debt securities, makes decisions on the issue of government debt securities and public guarantees, implements general control in the public debt management area. The GoT also approves the procedure for conducting negotiations with creditors, signing relevant documents on public borrowings, receiving, accounting, using public borrowings, attracting financial intermediaries, and servicing government debt.

3.12. **The score for this dimension is B**. The PPG Debt Law provides clear authorization for the executive to issue new debt, provide public guarantees, and undertake on-lending operations. The borrowing purposes, DeM objective, debt instruments, used by the GoT are defined in the Law. In addition, the Law includes requirement to develop and publish medium-term DMS, an annual program for borrowings, quarterly and annual debt reports, which are also submitted to Parliament. The Law includes provisions for issuance of public guarantees and on-lending operations. For a higher score, the GoT should develop and approve a framework for the management of public guarantees and on-lending. The score in 2015 assessment was C due to the abcence in the primary legislation of a clear definition of DeM objectives and requirements to develop and submit of an annual report to Parliament that covers activities on debt management.

DPI 1.2 – Public Sector Entities' Legal Framework

Institutional Aspects

3.13. **There are no clear legal requirements for non-financial public sector (NFPS) entities** to inform the GoT of their borrowing activities. The recently adopted PPG Debt Law (see above) stipulates a prohibition for the local authorities to borrow without a state guarantee.

3.14. **State-owned enterprises (SOEs) in Tajikistan are regulated by the Law on State Enterprises.[7]** The definition of SOEs covers: (a) state unitary enterprises owning state property with the right of economic management; and (b) state-owned enterprises with the right of operational management. Depending on the type of ownership, SOEs are divided into: republican state enterprises, and local government bodies (communal state enterprises). In line with legal framework, republican state enterprises can be created by a Government Resolution. Communal state enterprises are created by an act of local authorities.

3.15. **In accordance with article 29 Law on State Enterprises, SOEs are not entitled to use commercial bank loans without a permission of the GoT.** The usual practice of the GoT is to either to provide a public guarantee to an SOE or on-lend to SOEs. In accordance with Article 30 of the Law on Public Finance,[8] the MoF conducts regular monitoring of financial-economic activities of large SOEs, according to a list of large SOEs approved by the GoT. As per the Article 33 of the PPG Debt Law, financial intermediaries involved in on-lending operations submit quarterly information to the MoF on the payments due, on their economic situation, including financial statements and annual external audit reports. However, reporting responsibilities to inform the GoT about SOEs' debt operations are not clearly stipulated.

Implementation aspects

3.16. **Based on the PPG Debt Law, the quarterly and annual public debt reports include only publicly guaranteed SOEs' debt, as well as information about on-lending operations.** SOEs do not inform the central government (CG) of their direct borrowing activities and are not required to ask for a permission from the CG to borrow directly, except for commercial bank loans. In practice, they do not borrow directly due to high cost of borrowing, compared to CG's on-lending operations. Also, there are no guaranteed local loans outstanding.

3.17. **The score for this dimension is D.** Entities that borrow are tightly controlled by the MoF but the explicit reporting requirements are lacking. SOEs may receive a public guarantee or be involved in on-lending operations of the GoT. In case of republican state enterprises, the CG is informed on new borrowing of such enterprises, but reporting is lacking. However, there is no clarity about local authorities' responsibility to inform the CG on new borrowing of communal state enterprises, which is not guaranteed by the CG or resulted in the CG's on-lending operation. For a score of C, the existing legislation should have a provision according to which all NFPS entities must inform the MoF on their new borrowings and periodically report to the MoF on their debt. This is a new indicator that was not assessed in the 2015 DeMPA.

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[7] Law on State Enterprises, No. 10, dated February 28, 2004.
[8] Law on Public Finance, No. 723, dated June 28, 2011.

DPI 2 – Managerial Structure

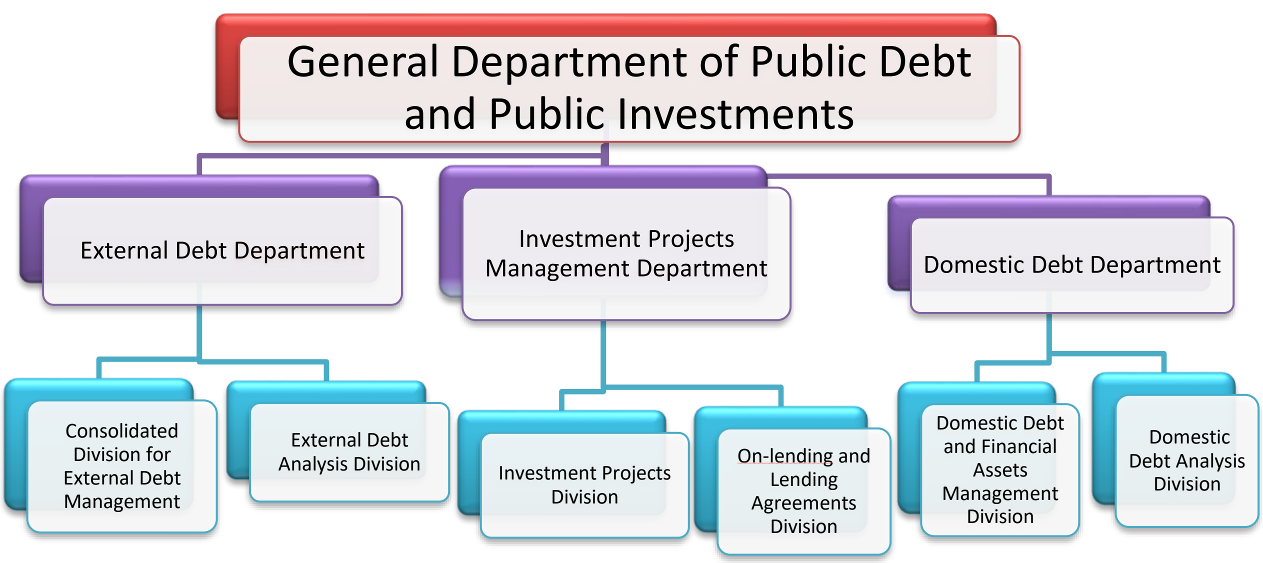
DPI	Score
2.1 – Central Government Borrowings and Debt-related Transactions	C
2.2 – Issuance of Loan Guarantees and On-lending Operations	A
2.3 – Staff and Human Resources	C

DPI 2.1 – Managerial Structure for Central Government Borrowings and Debt-related Transactions

3.18. **Public debt management responsibilities of the MoF are included in the Regulation of the Ministry of Finance.**[9] Among others, it includes the responsibilities for debt service, management of public external, domestic, and guaranteed debt, borrowing operations, debt recording, accounting, monitoring, and control over the intended use of borrowed funds, development of the medium-term state external borrowing program, taking into account the public investment program, issuance and placement of treasury bills, debt obligations, and government bonds.

3.19. **Annex 2 of the same Government Regulation includes structure of the General Department for Public Debt and Public Investment**, as shown below. The activities of the General Department are supervised by the MoF Deputy Minister. The structure maintains the responsibilities of the officials along the borrowing sources rather than core functional roles on the units.

Diagram 1. Organigram of the Debt Management Office of Tajikistan



Source: Ministry of Finance.

[9] Government Decree on the Ministry of Finance of the Republic of Tajikistan, No. 187, dated April 2, 2015, Annex 1.

3.20. **The external debt management department implements the following responsibilities**:

- *The external debt analysis division* is responsible for analysis of government debt (external and domestic) and government guarantees. This division is responsible for analysis of new external borrowing projects. Also, it designs medium term external borrowing program and medium-term debt management strategy (DMS/MTDS). This unit was leading the drafting of the new draft PPG Debt Law during 2022.
- Among others, it is responsible for issuance of T-bills, recording, reporting and debt service of external debt. External debt analysis division de facto in charge of T-Bills issuance, recording, reporting and debt service. The division also assist the external debt management consolidation division with management of outstanding loans for French and China loans.
- *The external debt management consolidation division* is responsible to recording and servicing external debt and external guarantees as well as monitoring external debt disbursement and preparation of the quarterly public debt report and annual public debt report. Currently, it also leads the transition from DTS debt recording system to the DMFAS.

3.21. **The domestic debt management department is responsible for the following tasks**:

- *The domestic debt analysis division* is responsible for consolidation domestic debt statistics, as well as domestic debt recording and servicing of domestic debt, except the operations with T-bills.
- *The domestic debt management and financial assets division* supports the domestic market development. It is responsible for managing borrowing operation with the NBT and problem companies' recapitalization operations, including issuance of long-term bonds for that purpose. It also assists with the domestic debt recording and servicing government securities issued for recapitalization of problem banks and their beneficiaries. The division manages all these records, transactions, and payments. In addition, it monitors repayment of the debt by SOEs and banks which benefited from government financing, as well as collection of payments from beneficiaries through the court.

3.22. **The investment project management department is responsible for analysis of government guarantees and on-lending proposals, and issuance of guarantees and on-lending.** These tasks are distributed among the following two units:

- *The sub-loan and credit agreements management division* is recording, processing, and monitoring of on-lending operations. This unit is also in charge of preparing regular government debt statistics.
- *The investment projects division* is responsible for monitoring investment projects portfolio, including public guarantees. The core operations of this unit are based on the medium-term government investment program (see DPI-3 for details).

3.23. **The DMO, which comprise the three departments described above, is the principal debt management entity.** It is responsible for DeM policy formulation as well as the preparation and implementation of the DMS. The NBT is acting as a fiscal agent of the DMO for the issuance of T-bills. Coordination between the DMO and the NBT is based on formal and informal mechanisms (see DPI-7.1 for details). The legal framework doesn't provide formal coordination mechanisms, and a formal memorandum of agreement (MOA) is not in place.

3.24. **The score for this indicator is C** because the legislation has established the MoF's DMO as the principal debt management unit and there is coordination with NBT. A higher score would require that a formal coordination is in place, including a formal MOA or a similar mechanism. A Memorandum of Understanding (specified in DPI-7.1, footnote 23) does not qualify as a formal MOA. The score didn't change since the 2015 DeMPA evaluation.

DPI 2.2 – Managerial Structure for Issuing Guarantees and On-lending Operations

3.25. **The preparation and issuance of government guarantees, and on-lending is conducted by General Department of Public Debt and Public Investments, the DMO (see DPI-2.1 above).** All necessary inputs, as per the reporting templates adopted, are submitted to the MoF by the borrowers and line ministries. The MoF prepares the draft decision and submits it to the GoT for review and approval. There are no other entities in the GoT responsible for this function.

3.26. **Chapter 5 of the PPG Debt Law regulates the issuance of government guarantees.** The Law stipulates that the MoF is the only authority allowed to issue government guarantees in Tajikistan. General conditions on requirements for applicants, selection of projects, content of a guarantee, recovery mechanisms for guaranteed loans assumed by the MoF are also defined in the Law. In order to elaborate on the implementation on these articles of the Law, the government issued a resolution (No. 385) that defines procedures for the issuances of guarantees. Furthermore, chapter 3 of the Law requires the inclusion of a limit on public guarantees in an annual budget.

3.27. **The score for this dimension is A.** This is due to the fact that loan guarantees are prepared and issued by a single entity in line with a formalized guarantee framework. The score remains the same compared to the 2015 DeMPA evaluation.

DPI 2.3 – Staff and Human Resources

3.28. **The size of the staff at the principal debt management unit – the DMO – is adequate at present.** The latest reorganization of the MoF was implemented in 2015, including creation of the DMO. Currently, the DMO includes 31 staff positions, including the position of the Director of General Department. The external debt department has 11 positions, the domestic debt department holds 9 positions, and the public investment department has 10 positions.

3.29. **The recruitment of new staff members is conducted on a competitive basis.** At the time of the mission, there were 7 vacant positions available. The recruitment process is centralized for all the vacant positions at the MoF. Each staff position has a separate job description, which includes requirements for professional experience as well as selection criteria.

3.30. **DMO staff members are performing their functions based on their job descriptions and the existing staff knowledge of debt management operations.** There is an active cross-departmental cooperation within the DMO to conduct daily operations, given the staff turnover. Staff performance evaluation is conducted annually.

3.31. **There is a code of conduct for civil service, but no specific conflict of interest guidelines for the DMO.** Selected trainings are provided to civil service employees through the Academy of the Public Service Department under the President of Tajikistan. Specialized trainings are usually provided by international financial institutions (IFIs).

3.32. **Going forward, significant turnover might affect DMO's ability to undertake regular debt management operations**. Government agencies often experience high turnover, and the DMO is no exception. Salaries in the public sector are lower compared to the private sector, and an annual wage increase is not always possible. Given the high degree of specialization to conduct DeM operations and training required to manage the government debt database in DMFAS, it is critical to ensure staff retention policies to enable sound functioning of the DMO.

3.33. **The score for this indicator is C,** as staff size is considered adequate, staff recruitment is competitive, staff turnover does not hinder activities of the department, and staff has some basic but not sufficient skills to perform their functions. For a higher score, a conflict of interest and a code of conduct for debt management operations should be in place and followed by the DMO staff. The score is not directly comparable with the 2015 DeMPA evaluation.

DPI 3 – Debt Management Strategy

DPI	Score
3.1 – Quality of the DMS Document	D
3.2 – Decision-Making Process and Publication of the DMS	D
3.3 – Annual Borrowing Plan	D

DPI 3.1 – Quality of the DMS Document

3.34. **The DMO has been preparing a three-year debt management strategy since 2003.** The current DMS was prepared in 2020 for the period of 2021-2023.[10] It is published at the MoF website.[11] However, the DMS is not updated annually.

3.35. **The current strategy document includes the following chapters**:

- Goals and objectives.
- Implementation of the previous strategy and targets.
- Debt sustainability assessment.
- The macroeconomic scenario for the upcoming strategy period.
- A brief description of the four borrowing strategies included in the assessment.
- Potential borrowing sources and preferred strategy.

3.36. **Overall, the DMS document lacks a section where its scope is defined.** The existing debt portfolio is not analysed in detail either. Although it has a table describing the macroeconomic framework, the document does not include assumptions used for interest and exchange rates. The DMS also lacks DeM guidelines for the preferred direction other than indicating that the GoT will borrow on concessional terms and will aim to develop the domestic securities market. The market development objective has not been actively pursued so far.

3.37. **The DMS shows some quantitative analysis by using the MTDS tool undertaken to underpin the strategy.** This analysis includes the expected cost and risk indicators under four borrowing scenarios at the end of each period. The strategy only includes some fiscal targets included in the DSA section, while it does not include any targets for cost and risk indicators related to interest rates, refinancing or foreign currency risks nor any analysis regarding the vulnerability of the debt portfolio to market shocks.

3.38. **The score for this indicator is D.** The document is not updated annually and lacks a description of the scope of a proper DMS, including the existing debt portfolio. Furthermore, it does not include any specific guidelines or DeM targets for the preferred direction for debt management. The score in the last DeMPA evaluation was also a D for the same reasons.

DPI 3.2 – Decision-Making Process and Publication of the DMS

3.39. **The external debt analysis division of the DMO is responsible for preparing the DMS.** It receives the data for the macroeconomic framework from the budget department. Once prepared, the DMS document is shared with the line ministries, the NBT, and the State Committee on Investment and Management the State Property.[12] After the external debt analysis division receives feedback from the

[10] Government Resolution on Debt Management Strategy for 2021-2023, No. 587, dated November 11, 2020.
[11] http://moliya.tj/en/public-debt-management-strategy/
[12] This committee oversees the public investment program as well as privatization.

reviewers, the document is finalized and sent to the Executive Office of the President, to be presented to the Cabinet of Ministers for approval. After Cabinet approval, the Executive Office of the President prepares a Government Resolution on the DMS approval that gets a stamp of the President of the Republic of Tajikistan. Once the DMS document has gone through the approval process, it is published at the MoF website.

3.40. **When initially prepared, the DMS document is integrated with the budget document and the fiscal framework**. However, it is not updated annually. This practice prevents the DMS to be aligned with the current macroeconomic framework over the remaining two-year period in the fiscal framework. The new legal framework, approved late 2022, provides a legal requirement to prepare and update a DMS annually.

3.41. **The score for this indicator is D.** The strategy document is prepared by the DMO and the views of other institutions, including the NBT are obtained, and is formally approved by the Cabinet. But the DMS document is not reviewed annually. It cannot be scored at C because the existing DMS document cannot be considered a proper strategy as per DeMPA methodology. It also poorly aligned with the annually updated fiscal framework and there is no regulation to guide its content. The score in the 2015 evaluation was a D because NBT's opinion on the draft DMS was not requested.

DPI 3.3 – Annual Borrowing Plan (ABP)

3.42. **The DMO prepares several reports which summarize expected external and domestic borrowing on an annual basis.** The first document is the Public External Borrowing Program. This document shows the new loans contracted during a year, the sources and total amount of a loan. It does not include expected yearly disbursements. Another document prepared by the DMO is a sectoral distribution of projects and expected sources of financing, loans, grants, and budget investments. Lastly, the DMO produces a calendar showing domestic T-bills issuances. It is published at the NBT's website, and it is prepared based on the budget's financing requirements. It includes monthly issuance of the 91-day T-Bills issued by the GoT.

3.43. **The score for this indicator is D,** since there is no detailed ABP being prepared and published in line with the DMS, including expected amounts to come from different instruments (external and domestic). This area was not included in the previous methodology and therefore, it was not rated in the 2015 DeMPA evaluation.

DPI 4 – Public Debt Reporting

DPI	Score
4.1 – Central Government Debt Report: Content and Timeliness	D
4.2 – Reporting to the Legislature	D
4.3 – Public Debt Report: Government Coverage	C

DPI 4.1 – Central Government Debt Report: Content and Timeliness

3.44. **The external debt department of the DMO prepares an annual public debt report.** The report is titled *Public Debt Status Report*. The MoF does not publish a quarterly debt statistical bulletin. The Public Debt Status Report includes the following elements:

- Composition of a debt stock, including external and domestic debt broken down by creditor type, instrument, and currency.
- Loans' outstanding commitments broken down by creditor and terms and conditions of loans signed as well as maturity dates.

- Lending by sectors of the economy.
- Domestic debt issuance of T-Bills with terms and conditions of these securities.
- PPG debt stock by categories such as government debt, NBT, and guarantees.
- Principal reimbursements and interest payments on both external and domestic debt broken down by creditors and by instruments for domestic debt (for the last five years).
- Section on the Eurobond.
- Cost and risk characteristics of the debt portfolio, which includes an analysis of interest, foreign and refinancing risk (with an emphasis on the Eurobond). However, the analysis does not provide information on an average time to maturity or refixing, nor the share of debt maturing within one year.
- Outstanding amount of on-lent loans by beneficiaries and debt service repayments for the year.
- Outstanding amount of guaranteed debt by beneficiaries, but not by currency composition.

3.45. **The public debt report is available at the MoF website.[13]** The latest annual report was published in April 2023 and covers the year 2022.

3.46. **The NBT publishes on its website a debt statistical report.** The report titled *Gross External Position by Sector and Financial Instruments* provides a stock of external debt for CG, the NBT, deposit-taking corporations, non-financial corporations, households, and non-profit institutions serving households. The total amount outstanding for the gross external position was TJS 380 million as of the end of June 2021. However, the information is not subdivided by category. The information is made available through the NBT website.[14]

3.47. **The score for this indicator is D.** Several indicators required by the DeMPA methodology such as a debt maturity structure, a percent of debt falling due the next year, a composition of guarantees by currency are not included in current reports. Therefore, the minimum requirements are not met. The rating is the same as the last review, but for a different reason.

DPI 4.2 – Reporting to the Legislature

3.48. **The external debt department of the DMO also prepares an annual report to Parliament.** It is published in Tajik language on the MoF website.[15] The report, titled *Information on Public Debt and Public Investments*, is a summary of the Public Debt Status Report. The report includes information and short analysis on PPG debt (such as their evolution over time), external debt stock by creditors, domestic debt stock by financial instruments, T-bills issued during the year, and on-lending outstanding amount by beneficiates as well as disbursements.

3.49. **The annual report does not describe the actual performance compared to the approved DMS.** As the new PPG Debt Law requires an annual update of the DMS, this analysis should be done annually and included in the future reports.

3.50. **The rating for this sub-indicator is D.** The MoF publishes an annual public debt report and sends it to Parliament, but the report does not include the risk indicators of the debt portfolio. Thus, the minimum requirements are not met. The score is worse than in the previous DeMPA due to the methodological changes.

[13] http://moliya.tj/ru/otchet-o-gosudarstvennom-dolge/
[14] https://www.nbt.tj/en/statistics/tavozuni-pardokhti-jt/karzi-majmuii-berunai-jumhurii-tojikiston/index.php
[15] http://moliya.tj/en/public-debt-statistics

DPI 4.3 – Public Debt Report: Government Coverage

3.51. **The external debt department of the DMO produces an annual public debt report which is published on the MoF website.** The document covers PPG debt of the CG and the NBT. The report provides information on external and domestic debt, guarantees, as well as on-lending as detailed in DPI-4.1.

3.52. **The public debt report does not provide information on debts of the non-financial public sector.** As mentioned in DPI-4.1, the last report was finalized and published in April 2023, with an end period of December 31, 2022, and is published on the MoF website.

3.53. **A score C is assigned to this indicator** as the public debt report covers all CG and NBT debt, thus meeting the minimum requirements. A higher score could not be provided as the coverage does not include debt from the NFPS as well as fiscal arrears.[16] This indicator was introduced with the new methodology and, therefore, cannot be compared with the 2015 DeMPA.

DPI 5 – Audit

DPI	Score
5.1 **–** Frequency and Comprehensiveness of External Audits (Financial, Compliance, Performance) and Their Public Disclosure	C
5.2 **–** Degree of Commitment to Address Audit Outcomes	C

DPI 5.1 – Frequency and Comprehensiveness of External Audits (Financial, Compliance, Performance) and Their Public Disclosure

3.54. **The Chamber of Accounts (CoA) is the supreme public audit institution in Tajikistan.** Functions and reporting obligations of the CoA are defined by the Law on Chamber of Accounts,[17] which mandates the CoA to undertake audit of certain entities and activities, including entities financed from the government budget, entities where the state holds a controlling interest, the NBT and other state-owned banks, extra-budgetary funds and state funded national programs, and the state agency for social insurance and pensions. The current CoA Law requires an annual audit report to be conducted on: (i) the execution of the budget from the standpoint of legality, economy, and effectiveness; (ii) the expedience and expected economic impact of changes in the level of government internal and external borrowing; and (iii) the outcomes that loan guarantees given by the GoT (Article 28, CoA Law). In 2021, the CoA developed a new improved draft Law on Chamber of Accounts, which is currently under government's review.

3.55. **In compliance with legal requirements, the CoA undertakes annual audit of budget execution reports**, which includes audit of debt management operations and compliance audit.[18] The CoA's calendar for audits is governed by the legal provisions of the Public Finance Law (articles 63-65). As per legal requirements of the Public Finance Law, all transactions of government organizations for the reporting year are to be completed by March 1 of the year following the reporting year. A budget execution report, prepared by the MoF, must be submitted for external audit by June 15 of the year following the reporting year. A draft external audit report is presented by the CoA to the MoF before a conclusion of the

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[16] The MoF uses cash rationing which means that some payments have to be delayed. For more details, see DPI-11.1. This situation would indicate that the GoT might be having fiscal arrears. However, the mission was not presented with any evidence to that effect.
[17] Law on Chamber of Accounts, No. 749, dated June 28, 2011.
[18] The latest audit report on the 2021 government budget execution has a section (12.7) on compliance of the budget execution report with the Public Finance Law requirements (article 63).

process for coordination purposes. It includes recommendations of the CoA for necessary corrections or improvements.

3.56. **Audit of government debt management activities includes financial audit of the following categories**: external debt, domestic debt, government guarantees and on-lending (including management and implementation of government investment projects). The CoA has to submit its audit report on budget execution to Parliament by October 10 of the year following the reporting year. The annual report is also published on the CoA website after Parliament reviews the report (usually in November, in Tajik language).[19] For other categories of external audit, the CoA develops the annual, risk-based work plan, which includes specific areas of audit planned for the year. The CoA started implementing performance audits in 2022. Performance audit of government debt management operations haven't been undertaken yet.

3.57. **The score for this dimension is C** as financial and compliance audit of debt management operations is conducted annually as part of budget execution audit. The CoA publishes the audit report within three months of its completion. For a higher score, performance audit of debt management operations should be undertaken. The upgrade from score D in 2015 to C is mainly due to compliance audit done in the DeM audit section of the 2021 government budget execution report.

DPI 5.2 – Degree of Commitment to Address Audit Outcomes

3.58. **After external audit report is completed, MoF develops an annual action plan to correct all the identified issues.** This is required by the Public Finance Law (article 65). A consolidated action plan is discussed at the Cabinet meeting for each line ministry and approved for implementation. Usually, it's submitted to the CoA in December of the year following the reporting year.

3.59. **The action plan includes the following categories**: activity, responsible entity/department, and implementation timeline. The deadline is included, indicating a month or quarter of planned completion of the action. Some activities might be multi-year, in which case the final year is indicated.

3.60. **Monitoring of such action plans' implementation is undertaken on a regular basis**. Meetings take place quarterly to discuss implementation progress. Also, the MoF presents to the CoA information about implementation progress on a quarterly basis.

3.61. **From time to time, implementation of the recommended actions is delayed**. In such cases, the MoF requests the CoA to extend the deadline. On average, up to 15 percent of recommendations might be delayed. In such cases, those actions will be included in an audit report for the following fiscal year.

3.62. **The dimension is given a score C** as the broader action plan is prepared, but not all the actions were implemented within the agreed timeline, as required by the Public Finance Law (article 65, point 3). The difference in score from N/R in 2015 is due to improvements of the audit practices and better implementation records.

[19] See the latest audit report for 2021 at https://www.sai.tj/images/Hujatho/Hisobotho/hulosai2021.pdf

3.2. Coordination with Macroeconomic Policies

DPI 6 – Coordination with Fiscal Policy

DPI	Score
6.1 **–** Provision of Debt Service Forecasts	C
6.2 **–** Fiscal Risks Monitoring in the NFPS	D
6.3 **–** Availability of Key Macroeconomic and Fiscal Variables and DSA	D

DPI 6.1 – Provision of Debt Service Forecasts

3.63. **The budget preparation process includes two stages**: the first stage starts in February until end of June to identify the thresholds of revenues and expenditures, while the second one begins on July 1 and last until September 20 to prepare a draft budget law. On September 20, the draft budget document is sent to the GoT for discussions, amendments, and approval. The document is submitted to Parliament on November 1. The MoF's budget department prepares a three-year budget (for the next fiscal year plus two-year projection). The Ministry of Economic Development and Trade (MEDT) is responsible for preparing the macroeconomic framework for three years which underpins the three-year budget.

3.64. **Public debt forecasts cover external and domestic government debt.** They are prepared by the DMO's external debt department for external debt and T-bills, and by the DMO's domestic debt department for the other domestic debt instruments. The forecast provides interest and principal payments for both external and domestic debt for three years as required for the budget. The external debt forecast is based on DTS database and includes identified future disbursements. For domestic debt, Excel spreadsheets are used to project future debt service payments.

3.65. **The debt service forecasts are based on the macroeconomic framework used for the budget.** The MEDT elaborates the macroeconomic forecast which is approved by the GoT. The macroeconomic framework contains the exchange rate that needs to be used for the budget which are provided by the NBT. The DMO makes assumption on interest rates for new debt and floating-rate debt, based on loan agreements signed.

3.66. **The debt services forecasts are not based on the cash flow estimates used in the DMS.** As the DMS is not updated annually, the cash flow provided to the budget is not the same as the one in the DMS. However, comparison of estimates vs. actuals of external debt service payments (interest plus principal) indicate that the variations were below 10 percent in 2020 and 2022, i.e., six percent and four percent, respectively. However, the difference is estimated at about 33 percent in 2021. This is partially explained by the exchange rate, but principally, by the impact of the Debt Service Suspension Initiative (DSSI) postponement of the debt service payments. Table 6 below provides the differences between actual vs. forecast (baseline) data for external debt service for the years 2020, 2021, and 2022. No data on domestic debt service were provided to the team.

Table 6. External Debt Service – Actuals vs. Forecast (Baseline)
(In US$ million)

	2020			2021			2022		
	Forecast	Actuals	Diff.	Forecast	Actuals	Diff.	Forecast	Actuals	Diff.
Interest	124.91	118.61	5%	125.62	91.93	37%	135.19	131.87	3%
Principal	78.51	72.27	8%	77.31	61.40	26%	78.28	73.02	7%
Total	203.42	190.88	6%	202.93	153.33	33%	213.47	204.89	4%

Source: Ministry of Finance.

3.67. **The debt service forecasts provided to the MoF's budget department do not include sensitivity analyses.** The debt forecasts are established solely based on a baseline scenario. However, once the debt forecast has been received by the budget department, a 5 percent is added to the external debt service projections to cover potential exchange rate variation. This is not added to Table 6 estimates.

3.68. **The dimension is given a score C** as the external debt service forecast covers the central government, uses the same macroeconomic framework as the budget, and the external debt projections are considered to be of good quality. The team could not perform the analysis on total debt service due to unavailability of domestic debt service data. A higher rating could not be provided as debt forecasts are not the same as cash flow estimates from the DMS. The score remains the same as in the previous assessment for the same reason.

DPI 6.2 – Fiscal Risks Monitoring in the NFPS

3.69. **The MoF's Department for Financial Analysis of the Largest State-Owned Enterprises is responsible for collecting information about the economic performance of the largest SOEs.** As per the GoT's regulation,[20] SOEs have to submit quarterly and annually reports on financial and economic activities, a medium-term business outlook and financial plans in compliance with international financial accounting standards, and an external audit of the reporting year. These reports must be submitted one month after the end of the quarter. The head of the department notified the mission that they complied with the requirement, albeit with some difficulties for some of the SOEs. The quarterly report includes five components of which one is the financial statement.

3.70. **The Department monitors the 27 largest SOEs** which are listed in Annex 1 of the Government Resolution.[19] Local governments and municipalities cannot borrow domestically nor externally without an explicit GoT authorization. The information collected from the SOEs is recorded on an Excel spreadsheet.

3.71. **The MoF's SOE monitoring department prepares an annual report in Excel format.** It includes a worksheet for the income received by the 27 SOEs, the estimated taxes to be paid and the actual taxes paid, and the amount on receivables and payables. However, the document does not provide information on the stock of debt nor on the flows. This information is only for internal consumption and is not made public.

3.72. **The MoF's SOE monitoring department prepares an annual fiscal risk statement which is made public.[21]** The analysis is done on an aggregated basis with some limited details provided for the seven worst performing SOEs (out of the 27 stated above). The IMF provided technical assistance to the MoF to build capacity for preparation of the fiscal risk statements. The document contains information on the stock of guarantees and on-lending undertaken by the beneficiaries and a financial analysis which includes the following financial ratios:

[20] Government Resolution on Large State-Owned Enterprises, No. 632, dated December 28, 2019.
[21] See the latest fiscal risk statement for 2021 (in Russian) at http://moliya.tj/wp-content/uploads/2022/11/otchet-o-fiskalnyh-riskah-krupnyh-gosudarstvennyh-predpriyatij-1.pdf.

- Return on assets.
- Return on equity.
- Current liquidity ratio.
- Quick liquidity ratio.
- Liability/Equity ratio; and
- Interest Coverage ratio

3.73. **The same unit also prepares an annual SOE financial analysis which is not publicly available.** The report covers all 27 SOEs and provides the same financial ratios as the previous documents, but for all the 27 SOEs. These reports are provided to the GoT only.

3.74. **The score for this indicator is D** as the agency does not monitor nor prepare a debt report for the 27 SOE's nor local governments. Although MoF's SOE monitoring department collects financial information for the largest SOEs but guarantees and on-lending are reported in the annual public debt report only. Thus, the minimum requirements are not met. This indicator was not part of the previous DeMPA methodology.

DPI 6.3 – Availability of Key Macroeconomic and Fiscal Variables and DSA

3.75. **The macroeconomic framework is elaborated by the MEDT's macro department.** The process starts in February, when the unit receives information from the various sectoral ministries, the MoF's budget department, and the NBT for the exchange rates and balance of payments. Once the draft framework is elaborated, it is sent to the same institutions for comments. The MoF submits the finalized document to the GoT for approval by June 1. During the process, the MEDT does not ask any information on debt (future disbursements or debt service payments) from the debt office. However, the decree is made available to the debt management office, as well as the other institutions.

3.76. **The MoF does not elaborate a DSA.** The only DSAs are produced by the IMF and the World Bank. These Bretton Woods institutions gather various information from the MoF, the MEDT, the NBT, the State Committee on Investment and Management of State Property, and the Agency on Statistics. Debt information required for the analysis are provided by the MoF's external debt department. The last published DMS had a section on the DSA, which provided the analysis for external debt and public debt. The content was a copy from the IMF/World Bank document. Currently, the responsibility for elaborating such a document has not been assigned to any unit in the MoF, as clarified by its staff.

3.77. **The rating assigned to this indicator is D** as no DSA is drafted and published. The same score was given in the 2015 DeMPA for the same reason.

DPI 7 – Coordination with Monetary Policy

DPI	Score
7.1 – Separation Between Monetary Policy and DeM Operations	B
7.2 – Coordination with the Central Bank Through Regular Information Sharing on Current and Future Debt Transactions and the Central Government's Cash Flows	D
7.3 – Limits of Direct Access to Central Bank's Funding	C

DPI 7.1 – Separation Between Monetary Policy and DeM Operations

3.78. **Monetary policy in Tajikistan is implemented by the NBT through the Monetary Policy Committee.**[22] According to the NBT Law[23] (article 5) the main objective of the NBT is the long-term domestic price stability. Supplementary goals include maintenance of stability of the banking system and of efficient and uninterrupted operation of the payment system.

3.79. **The NBT uses its own security instruments to conduct monetary policy operations.** NBT securities have maturities ranging from 7 to 182 days. Interest rates for NBT instruments are based on the reference rate (RR) with 7-days instruments priced at RR minus 1 percent, 91-days at RR minus 0.5 percent and 180-days at RR. Market participants are aware of the differences between the NBT and MoF securities.

3.80. **As the fiscal agent of the GoT, the NBT also conducts monthly auctions of T-bills (91-day)** (as per article 27, of the NBT Law). These auctions follow the monthly issuance calendar prepared by the MoF and shared with the NBT before the beginning of the year. The MoF decides on the winning bids. An agreement between the MoF and the NBT is in place to govern the issuance of government T-bills.[24]

3.81. **The score for this dimension is B** since the differences between monetary and DeM operations is clear to market participants and there is an agreement to govern the issuance of government's T-bills. The score cannot be higher because the agreement between the NBT and MoF is not public. The score in the last evaluation was also B for the same reasons.

DPI 7.2 – Coordination with the Central Bank Through Regular Information Sharing on Current and Future Debt Transactions and the Central Government's Cash Flows

3.82. **The MoF regularly shares information with the NBT's Monetary Policy Committee, including forecasts of revenues and expenditures, as well as external and domestic debt cash flows for the month ahead.** This exchange of information takes place on an informal basis, with staff from the NBT calling colleagues at the MoF for the information required. However, data on expected external disbursements for the following month is not being provided. A draft agreement between the NBT and the MoF to govern the exchange of data and information between the two institutions for the purpose of conducting monetary policy was prepared in 2018 but it is still awaiting approval. During the year, no discussions on financing needs, anticipated cash surplus or deficit, etc., take place between technical experts from the MoF and the NBT.

3.83. **The score for this dimension is D** since the exchange of data and information between the two institutions is confined to informal reports on main fiscal projections, including debt service payments, but does not include expected disbursements. The score in the last evaluation was also the same for the same reasons.

DPI 7.3 – Limits of Direct Access to Central Bank's Funding

3.84. **The NBT Law (article 24) clearly states the terms and purposes for which the GoT can borrow from the central bank.** It states that borrowing from the NBT can only be done in emergency and unforeseen situations, and in the event of insufficiency of government budget resources. Any lending to the GoT must be first approved by the NBT's Management. The NBT Law specifies that the total amount

[22] The NBT's Monetary Policy Committee, as an independent and constantly operating advisory body, has been established according to the article 21 of the Law on National Bank of Tajikistan (see footnote 22).
[23] Law on National Bank of Tajikistan, No. 722, dated June 28, 2011.
[24] Agreement on servicing state treasury bills of the Ministry of Finance of the Republic of Tajikistan dated 04.08.2019, No. 1.

borrowed cannot exceed 10 percent of government's revenues during the previous fiscal year and needs to be repaid within the following 12 months. The last time the GoT accessed this facility was in 2019.[25]

3.85. **The score for this dimension is C** since the existing legislation includes ceilings on the amounts the GoT can borrow from the NBT and a maximum tenor. For a higher score, the maximum tenor would need to be less than three months. The score in the last DeMPA report was also a C for the same reasons.

3.3 Borrowing and Related Financing Activities

DPI 8 – Domestic Borrowing

DPI	Score
8.1 – Publication of a Borrowing Calendar and Issuance Results	D
8.2 – Domestic Market Operations and Clarity in Rules and Procedures	D

Landscape of the government securities' market

3.86. **There are four domestic debt instruments in the existing government debt portfolio.** The first type of domestic instruments are recapitalization bonds. These are 5-year bonds that were issued back in 2016 to channel resources consolidated in order to rescue state-owned banks or to promote specific economic sectors. They were issued by the Government Resolution and approved by Parliament and transferred to the local banks in trouble which in turn submitted them to the NBT to receive the allocated amounts. They were issued with fix interest rates and serviced directly to the NBT.

3.87. **In addition to the recapitalization bonds, the GoT issues T-bills.** These are 91-days T-bills issued on a monthly basis to finance the budget and are placed through the NBT's auctions. T-bills are sold at a discount and multiple-rate pricing for competitive bids applied. The MoF publishes an issuance calendar at the end of the year for the following fiscal year.[26] The latest calendar is available at the MoF's website for 2023 and includes dates, amounts to be issued, and maturity.[27] The calendar is also available on the NBT's website. When the issuance is considered unnecessary by the MoF, an announcement is made one week in advance. Furthermore, the MoF can cancel auctions when the pricing is deemed too high, thus sending the message that there is an implicit price ceiling. Interest rates are not market determined and the existing "accepted" price is below commercial banks' funding rates.[28]

3.88. **In the past few years, the Individual Depository Insurance Fund (IDIF) has been the only domestic investor with its bids for T-bills being accepted at 0.99 percent.** The IDIF is the insurance agency in charge of insuring private individuals' deposits in commercial banks. By the law,[29] the IDIF can only invest in government securities and needs to deposit its funds in non-interest-bearing accounts with the NBT. According to the institution, although investing in government securities provide very little financial gains, it is better than leaving it in the accounts at the NBT at no profit. Other market participants have indicated that the main reason for not investing in government securities is the interest rates setting by the

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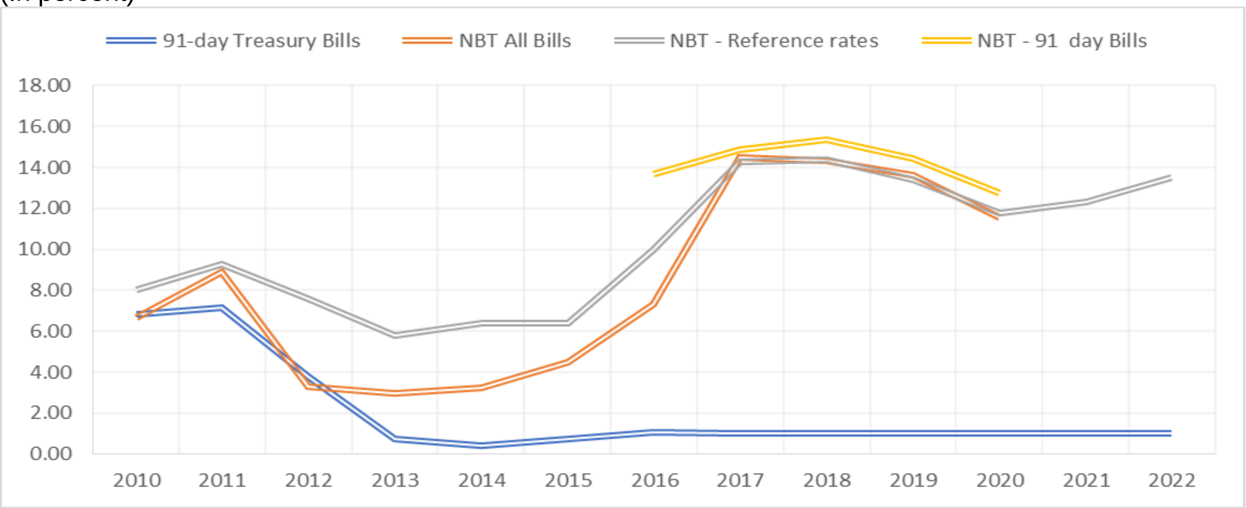
[25] This debt originated by state-owned banks being rescued, whereby the GoT provided bail-out bonds to the troubled banks so they could submit them to the NBT for liquidity. See more details in paragraph 3.85.
[26] The legal framework indicates that the MoF is the only authorized body to borrow. It decides on the winning bids.
[27] Source: https://www.nbt.tj/en/statistics/monetary_sector.php.
[28] According to the NDT's website, an average weighted rate on time deposits in national currency was 10.34 percent in 2022 (January-December) and an average rate on NBT's securities was 11.49 percent in December 2022.
[29] Law on Insurance of Individuals' Deposits, No. 758, dated August 2, 2011.

MoF. Commercial banks are present at the NBT's auctions but do not participate in the government's T-bills auctions. The IDIF is the only market participant in the government securities' market.

3.89. **The auctions' results for government securities are communicated to market participants but are not publicly available.** Some market participants have expressed their interest in short-term maturities offered by the MoF (up to 1 or 2 years), if market interest rates are applied. Figure 4 below shows the various rates for the different instruments used by the NBT and the MoF in comparison with the RR established by the NBT.

Figure 4. Comparison of Pricing Between NBT and MoF's Securities and the RR
(In percent)



Source: National Bank of Tajikistan.

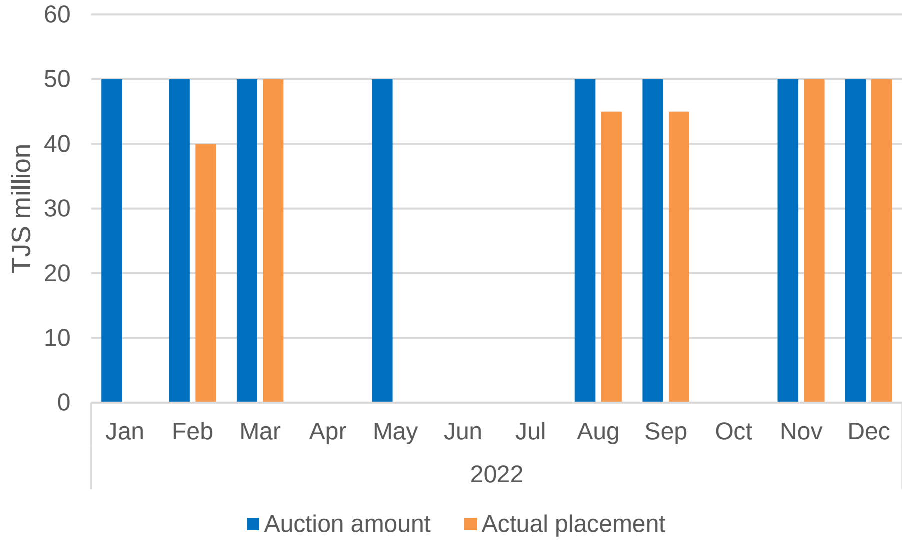
3.90. **Another instrument in the existing debt portfolio is the Lottery bills.** These instruments have not been issued since 2008 and the remaining stock at the end of 2022 was for about TJS 2 million. These instruments were issued to cover the lottery winning through a commercial bank.

3.91. **The last instruments in the existing domestic debt portfolio are restructured loans owed to the NBT.** The outstanding stock consists of the remaining arrears to the NBT that were converted into a loan to be repaid annually. This instrument is no longer in use.

DPI 8.1 – Publication of a Borrowing Calendar and Issuance Results

3.92. **Although a borrowing calendar for the issuance of government securities for the following year is published upon request from MoF at the NBT's website, it is not adhered to nor updated throughout the year.** Furthermore, there is no linkage between the calendar and the financing needs of the GoT. The total amount of domestic financing for the year is equally divided into 12 months and that becomes the basis for the annual calendar, published online. Figure 5 below shows the amounts auctioned and actual placement of T-bills throughout 2022. It also shows that the calendar is not always followed (i.e., there were no auctions in April, June, July, and October of 2022). The MoF has cancelled auctions in the past when interest rates offered were above the 0.99 percent.

Figure 5. Monthly Issuance of Government Securities, 2022 (Plan vs. Actuals)
(In TJS million)



Source: Ministry of Finance.

3.93. **The score for this indicator is D** since the auction calendar currently published at the NBT's website is not followed nor reflects actual government's financing needs. This is the same score in the last evaluation for the same reasons.

DPI 8.2 – Domestic Market Operations and Clarity in Rules and Procedures

3.94. **The existing 91-day government's T-bills are not considered as market-based instruments.** They are priced well below market rates and the only "forced" investor buying the instruments, the IDIF, has got no other option. Procedures for participating at the auctions are shared with potential investors by the NBT staff but are not available at the NBT's website. Staff at the MoF is unaware of these procedures. Furthermore, neither the NBT nor the MoF meets with investors during the year.

3.95. **The score for this dimension is D** since the GoT is not using market-based instruments and the existing procedures are not known to staff at the MoF, although there must be internal procedures available. This is the same score as in the last evaluation for the same reasons.

DPI 9 – External Borrowing

DPI	Score
9.1 – Organizational Arrangements and Processes for External Borrowing; Financial Analysis of Terms and Conditions	D
9.2 – Availability and Degree of Involvement of Legal Advisors Before Signing a Loan Contract	B

DPI 9.1 – Organizational Arrangements and Processes for External Borrowing; Financial Analysis of Terms and Conditions

3.96. **Development priorities of the GoT are guided by the National Development Strategy 2030.** The development strategy serves as the basis for preparing the State Program on Investment Projects (SPIP). The SPIP is prepared for 5 years and is updated every two years.

3.97. **Most of the development financing flowing into the country is in the form of grants.** The share is about 85/15 grants and loans respectively. Once a priority project is included into the SPIP, it can be financed through grants, budget resources or new external borrowing. Only those projects that require external borrowing are included into the Public External Borrowing Plan (PEBP), which is prepared annually.

3.98. **The PEBP serves as the basis for identifying an appropriate source of borrowing.** The negotiation process described below is not based on any formal procedures' guidelines although staff is able to articulate the process. Based on the provisions of the PEBP, the interested sectoral ministry, regional government, or an SOE prepares and sends a project proposal to the MoF. After the MoF Minister accepts the project, it is sent to the Deputy Minister in charge of debt management and the DMO. Within the DMO, the project proposal is analysed by the DMO's investment project management department, which identifies a potential creditor to finance the project based on the sectoral priority areas of creditors.

3.99. **The DMO prepares official request to the GoT to start negotiations with the creditor identified.** The First Deputy Prime Minister in charge of economic areas provides approval to the MoF to start negotiations. In parallel, coordination of financial terms is carried out between the creditor and the DMO guided by the DMS (in terms of concessionality). DMO staff is aware of the financial conditions offered by each major creditor.

3.100. **The MoF then forms a negotiation team**, which includes the MoF's DMO, the MEDT, the State Committee on Investment and Management of State Property, the Ministry of Justice, the Financial Controller, and a sectoral ministry. Each member of the negotiation team submits its own recommendation on a draft loan agreement and the DMO prepares final documents for the team, containing the project proposal, feasibility study, and recommendations from each member of the negotiation team. The package is sent to the GoT for approval, via the Executive Office of the President. Once the package is approved, a Government Resolution is sent to the MoF for the Minister to sign the loan agreement. Then the signed package is sent to Parliament to be ratified. After ratification, the Ministry of Justice prepares a Legal Opinion, which is sent to the creditor for effectiveness' confirmation.

3.101. **Although financing conditions for each project are negotiated, external borrowing is not guided by the DMS, as it is not updated annually.** Guidance is only provided through the concessionality requirements of a 35 percent of grant element. ABPs are not prepared and therefore cannot provide any guidance for external borrowing (please see DPI-3 for details).

3.102. **The score is therefore a D.** Although staff can articulate the process for conducting debt negotiations, the assessments of the most beneficial terms and conditions are not conducted. Staff relies on what they know about the financial conditions offered by the existing creditors. For a higher score, financial assessments of terms and conditions would need to be undertaken. The score is the same as in the last evaluation for the same reasons.

DPI 9.2 – Availability and Degree of Involvement of Legal Advisors Before Signing a Loan Contract

3.103. **The Ministry of Justice is always part of the negotiation team**, and its views are taken into consideration. Furthermore, they issue a legal opinion at the end of the loan approval process. However, legal experts are not present during the engagement with creditors before the official start of the negotiations.

3.104. **The score for this dimension is therefore B**. The score in the last evaluation was A as at the time it was deemed that legal participation took place throughout the process.

DPI 10 – Loan Guarantees, On-Lending, and Derivatives

DPI	Score
10.1 – Issuance of Loan Guarantees	C
10.2 – On-Lending Operations	C
10.3 – The Use of Derivatives	N/A

DPI 10.1 – Issuance of Loan Guarantees

3.105. **Currently, there is no policy to guide the issuance of public guarantees.** The actual process for approving and issuing guarantees follows a similar process as any loan application but does not include a thorough credit risk assessment. DPO staff described the process as elaborated above (see DPI-9). As with external borrowing, there is no formal procedures available to guide this process. The new PPG Debt Law does require the MoF to develop the formal procedures' framework to guide the process for specifying the application procedures, documents to be submitted, and the criteria for selecting projects.

3.106. **Within the DMO, the investment project management department is responsible for reviewing and analyzing guarantees applications.** The DMO's external debt management consolidation division oversees the recording of outstanding loan guarantees. According to existing practices, no specific limit for issuing guarantees is established on an annual basis. A single ceiling for loans and guarantees is included in the annual Budget law.

3.107. **A total of 27 external guarantees (mainly provided to SOEs) are still outstanding at the end of 2022 for a total of US$140 million.** A total of four guarantees were extended in 2021, while no guarantees were issued in 2022. When reviewing guarantees applications, the investment project management department lacks the technical capacity to undertake any credit risk assessment and no budget provision is allocated to cover potential defaults in the guarantees.

3.108. **The score for this indicator is C** since the staff of the DMO is able to articulate the process for issuing guarantees. Basic procedures are outlined in the new PPG Debt Law, but a more detailed formal procedures' framework is not available. For a higher score, there would need to be formal procedures in place to guide the process, credit risks assessments would need to be conducted, and a fee would need to be charged. The score in the last evaluation was the same.

DPI 10.2 – On-Lending Operations

3.109. **Currently, there is no policy to guide the on-lending practices other than Parliament establishing the annual limit in the budget.** The process for providing on-lending starts with an SOE applying to the GoT for funds. The request is sent to the MoF and analyzed by the DMO which checks whether the project is within the priority sectors approved by the GoT and identifies a source of financing. Negotiations with the SOE takes place at the time of external loan negotiations and include agreed financial conditions with the creditor incorporated into the sub-loan (on-lending).

3.110. **The MoF's legal department issues an opinion regarding the sub-loan and the resulting sub-loan is sent to the creditor for non-objection.** In the past, the financial conditions of a sub-loan agreement included in 1 percent markup, but this practice was discontinued in 2018. There are 15 outstanding sub-loans at the end of 2022 and an outstanding stock of TJS 10.05 billion. The main sectors involved include the energy sector, banking, airports, and a utility company.

3.111. **Currently, there is no credit risk assessment being conducted of SOE's requesting a loan.** Furthermore, the MoF's unit in charge of monitoring the largest SOEs is not involved in the process. Lastly, there is no spread that is being charged to the recipient company or any request for collateral.

3.112. **The score for this indicator is C** since the DMO staff is able to articulate the process for conducting on-lending. For a higher score, formal procedures have to be in place to guide the process, credit risks assessments have to be conducted, and a spread would need to be charged. The score in the last evaluation was D because of the different methodology that required procedures to be documented and formalized.

DPI 10.3 – The Use of Derivatives

3.113. These instruments are not used in Tajikistan and therefore the score for this dimension is N/A.

3.4 Cash Flow Forecasting and Cash Balance Management

DPI 11 – Cash Flow Forecasting and Cash Balance Management

DPI	Score
11.1 – Effectiveness of Forecasting the Aggregate Level of Cash Balances in Government Bank Accounts	D
11.2 – Effectiveness of Cash Balance and Liquidity Management	D

DPI 11.1 – Effectiveness of Forecasting the Aggregate Level of Cash Balances in Government Bank Accounts

3.114. **Cash flow management department in the MoF's Treasury is responsible for the cash management function.** Treasury Single Account (TSA), operated through the NBT, is used to process central and local budget execution. Extrabudgetary funds are operating outside the TSA, thus limiting MoF's access to excess liquidity from the extrabudgetary funds.

3.115. **A budget execution plan is prepared by the MoF's Treasury and includes annual plan divided by months.** Based on budget execution plans, each budget organization prepares a monthly cash plan for executing scheduled payments. Thereafter, the Treasury prepares annual, quarterly, and monthly cash flow forecasts. The plan is developed to minimize the risk of cash shortages.

3.116. **An annual cash plan with a monthly distribution, based on the approved budget, is shared with the DMO.** It includes forecasts of expenditure, revenue, and financing sources. The plan is updated during the year in line with any budget revision or more frequently, if necessary. The quality of the plan is not assessed over time, as its primarily used as the budget execution plan and active cash management operations are not in place.

3.117. **There are also monthly cash plans, with daily frequency, prepared for each month.** Such plans are highly aggregated and include just one line for revenue and one line for expenditure, without further information about specific categories. The plan does not include information about planned financing either. Aggregate records of actual execution of payments are added to this document as well.

3.118. **The score for this indicator is D** as a rolling forecast of cash flows is not available for each month extending at least three months ahead. In addition, no cash flow forecasts, unbiased and unconstrained, are produced. Also, it is not taken into account when developing the borrowing plan for the period ahead, although it is not a requirement for DeMPA. The score is not comparable with 2015 DeMPA.

DPI 11.2 – Effectiveness of Cash Balance and Liquidity Management

3.119. **An established minimum daily target for the TSA accounts is not available.** The MoF doesn't use its short-term T-bills to cover temporary cash shortages and avoid payment delays either. Moreover, delays in payments' execution are admissible. Payments are taking place when cash becomes available.

3.120. **There is a bilateral agreement between the NBT and the MoF,** which regulates payments processing and the role of the NBT when executing TSA transactions. The services are provided for a monthly fee, which is paid by the MoF.

3.121. **There is also a non-market rate remuneration (much below than the RR) of the outstanding balances at the TSA by the NBT.** NBT calculates three months average outstanding amount, calculates the earned interest at one percent rate, and transfers the respective amount to the MoF.

3.122. **The score for this indicator is D** since there is no explicit target for the level of cash balances and the T-bill program is not used for cash management purposes. Also, interest rate earned on cash balances is not market based.

3.5 Debt Recording, Payments, and Operational Risk Management

DPI 12 – Debt Recording, Monitoring, and Payments

DPI	Score
12.1 – Recording Debt-related Transactions	D
12.2 – Debt Payments	D

DPI 12.1 – Recording Debt-related Transactions

3.123. **There is no separation of debt recording and confirmation of a transaction.** DMO staff members are assigned to manage transactions of specific creditors. They process transactions for one creditor throughout the processing of a loan cycle. The same staff member is responsible for entering data in the databases, verification, and payments' initiation.

3.124. **After new loan is signed by the MoF, it is sent to the officer responsible for the creditor's records.** The officer records the loan and validates it in both the DTS and the DMFAS. The DTS is an Access database which was developed by the MoF within the framework of a technical assistance project on external debt in the early 2000s. The DTS used to be supported by the IT Department of the MoF. However, because of some weaknesses of the DTS,[30] the authorities decided to install and use the DMFAS system. This debt recording system was developed by the United Nation of Commerce, Trade and Development. Currently, all new loans are recorded in the DMFAS. The mission was informed that all basic information of individual loans (creditor, interest rate, repayment terms, sector, disbursement projections) were recorded in the DMFAS within a week of the signature, at the latest.

3.125. **Disbursements are recorded with a maximum lapse time of one month.** Once the disbursement notification is received from a creditor (through their website from the creditors, with the exception of the Saudi and Kuwaiti Funds, which still provides information by mail). For those creditors

[30] Domestic debt and on-lending cannot be recorded in the DTS system.

whose information is available online, the disbursements are recorded with one day of the transaction, whereas for the other creditors, the latest is one month.

3.126. **Domestic debt instruments are recorded within a week.** The analysis division of the DMO's external debt department is responsible for recording T-Bills in an Excel spreadsheet. Once it receives the results of the auction, the transaction is recorded on the same day or the next day at the latest. For the other domestic debt instruments (such as recapitalization bonds), records are processed by the DMO's domestic debt department within a week of the signature of bond and disbursed on the same day.

3.127. **The DMO's sub-loan and credit agreement management division has the function of recording on-lending agreements and guarantees.** On-lending agreements and disbursement are recorded on Excel spreadsheet within a week, at the lates.

3.128. **There is no procedures manual for recording domestic and external debt.** The debt management office has not elaborated such document. The manual should detail the different process of recording loan and disbursements and the unit responsible for the different stages.

3.129. **The score for this indicator is D** as there is no separation between recording and validating debt transactions. As such, the minimum requirements are not met. In the previous DeMPA, a D score was also assigned. But the comparison with the previous DeMPA is not adequate as the previous methodology required a procedures manual to obtain the minimum rating.

DPI 12.2 – Debt Payments

3.130. **Debt service payments are subject to at least two-person authorization process.** However, the staff initiating the payment process is also responsible for debt recording as well as its validation and initiating debt service payments (see DPI-12.1).

3.131. **Debt service process starts with the preparation of a report which includes the projections of the debt service payments due the following month.** The projections are planned based on the records in the DTS. The report for debt service payments for the upcoming month is signed by the Head of the DMO's external debt department, the Head of the DMO, the First Deputy Minister responsible for the area, and finally, by the Minister of Finance. The report contains the debt service payments by creditor, the amount (interest and principal) in US$ and the due date. Once the report is signed by the Minister, it is sent to the Treasury which issues the payment order to the NBT.

3.132. **External debt service payments are prepared based on the records in the DTS.** Once debt service notification has been received from the creditor, it is verified with the debt report before preparing the payment order. The staff in charge of this particular creditor prepares and signs the payment order which is sent to Head of the external debt department for its signature, then, the Head of DMO, the First Deputy Minister, and then the Minister, who signs and stamps it. Once the process has been completed, it is sent to the NBT five days prior to the due date. Debt service payments are recorded in both the DTS and the DMFAS on the same day the unit receives the notification from the NBT.

3.133. **Domestic debt service payments are based on the records in the Excel spreadsheets.** Domestic debt service payments follow the same procedures as external debt service. The analysis division of the DMO's external debt department is responsible for initiating the payment order for T-bills and the DMO's domestic debt department is responsible for the other domestic instruments (see DPI-8 for details). Both departments prepare a debt report which is sent to the Treasury after obtaining the signature from the Minister of Finance, to transfer the amount to the MoF's account at the NBT. Both departments then prepare a payment order (for the DMO's domestic debt department, it is generated by the internal Ministry's system). The recording procedures are the same procedures as for external debt and requires verification and signature by respective heads of departments, the head of the DMO, and the First Deputy Minister. The last step of this process is the signature of the Minister of Finance which also stamps the payment order. On the due date, the NBT executes the order and notifies the MoF.

3.134. **The GoT has not accumulated arrears on its external debt.** Payments are made on due date for external debt as well as T-bills. However, on recapitalization bonds, arrears have been accumulated to the NBT. Furthermore, if the government registers delays in paying its securities held by the NBT, they have been reprofiled through negotiations.

3.135. **As in the previous indicator, there is no procedures manual in place.** The DMO has not elaborated such document that would describe the process, the person responsible for the different tasks during the procedures, and the due date for the completion of each task.

3.136. **Debt payments are not prepared nor issued electronically.** All the debt service payments, either external or domestic, are done manually with paper support.

3.137. **The rating for this indicator is D** as there is no segregation of duty between recording and debt service payments. Furthermore, there are some delays in domestic debt payments. Therefore, the minimum requirements are not met. The same rating was assigned in the 2015 DeMPA. However, the rating was assigned because of a lack of procedures manual.

DPI 13 – Data Security and Business Continuity

DPI	Score
13.1 – Data Access, Backups, and IT infrastructure	D
13.2 – Business Continuity and Disaster Recovery Plans	D

DPI 13.1 – Data Access, Backups, and IT Infrastructure

3.138. **There are issues with restrictiveness of access to the debt recording system.** The access levels to the DTS and the DMFAS are given on a read-only basis or on a transaction basis depending on the assignment of the staff. A specialized SOE is responsible for providing the appropriate password to the staff based on the request of the respective head of department. As staff perform both recording (inputting and validating) and debt service payments, the access to the database is general, and not limited to specific functions.

3.139. **Data backups are made once a month.** The above-mentioned SOE is responsible for this function. The backups are stored in the server, which is located in the MoF, but in a different building. The access to the server room is limited to the SOE staff. The backups are, however, only conducted on the data stored in the DTS and DMFAS and do not apply to the domestic debt and on-lending information that are currently monitored on separate excel files.

3.140. **Signed copies of loan and guarantee contracts are stored with the DMO's external debt consolidated division.** The physical copies are stored in a cabinet at the external debt consolidated division where everybody can have access during the day. Staff also keep scanned copies which are stored on individual computers, as the DTS does not have this function. However, it is expected that all scanned copies of the loan agreement will be stored in the DMFAS once the transition is completed.

3.141. **The IT infrastructure and technical standards support debt recording, payment administration, and data security.** This is the case for onsite work. Each of the staff members have assigned workstations and can access the various databases. The SOE provides all the IT support to the DMO.

3.142. **Corrections from system providers are performed timely for the DMFAS.** The World Bank mission was informed that so far, there was nothing that has put the system out of work. Current corrections were addressed timely by the provider.

3.143. **The DTS cannot be operated remotely but it is not being serviced and updated any longer.** When the DMFAS is fully operational, this feature will be available in the new system.

3.144. **The DTS and the DMFAS do not have a trail audit system.** Although the DMFAS has the capability, this feature was not activated at the request the DMO so that the DTS and the DMFAS would have the same features.

3.145. **The debt recording system is not integrated with the Financial Management Information System.** Both the DTS and the DMFAS are not linked to the internal system-SGBNet which is the Financial Management Information System of the MoF that links the Treasury department and the budget department.

3.146. **A score D is assigned to this indicator** as the backups of debt data are considered incomplete as it does not include domestic and on-lending records. Similarly, the storage of loan contract in scanned and physical format is considered fragile since it may not be fully safe in the event of a disaster. For these reasons, the minimum requirements are not met. The last review provided the same rating for the same reasons.

DPI 13.2 – Business Continuity and Disaster Recovery Plans

3.147. **The MoF does not have a business continuity and disaster recovering plans.** The SOE responsible for IT, mentioned that another unit might have such procedures, but the mission has not received the documentation.

3.148. **The score for this indicator is D** as there is no business continuity and disaster recovering plans. The minimum requirements are not met. The same rating was assigned in the 2015 DeMPA review for the lack of business continuity and disaster recovering plans as well.

DPI 14 – Debt Related Records

DPI	Score
14.1 – Completeness and Timeliness of Central Government Debt Records	D
14.2 – Secure Registry Systems and Debt Holders	D

DPI 14.1 – Completeness and Timeliness of Central Government Debt Records

3.149. **The GoT does not have a single complete debt data base yet.** Debt data (loan agreements and transactions) are recorded in the DTS, the DMFAS, and Excel spreadsheets. The DMO's external debt consolidated division has recorded external loans and guarantees in the DTS within a week and transaction, whereas T-bills are tracked in an Excel spreadsheet. The database is updated at a maximum of one day after the auction. The DMO's domestic debt department monitors the other types of domestic debt instruments and records them in an Excel spreadsheet. The investment projects department also compiles on-lending in an Excel spreadsheet.

3.150. **The DMO is transitioning toward recording all public debt in the DMFAS.** Because the DTS does not have the capacity to record domestic debt and on-lending debt, the MoF decided to acquire the system developed by the United Nation of Commerce, Trade and Development to remedy these deficiencies. The program started several year ago and should be completed in 2023. All historical data have still to be recorded in the DMFAS, as well as almost all the domestic debt records.

3.151. **The information required to produce debt reports and its related cost-risks analysis stems partially from the DTS.** Flows generated from the DTS are complemented by the information on domestic debt and on-lending from the various Excel spreadsheets. As the DMFAS is not completely operational, the system is not currently used to generate the necessary information to conduct various analysis.

3.152. **The score for this indicator is D** as the MoF does not have a complete debt database, and debt reporting as well as cost-risk analysis are not based solely on data from the debt recording system. For these reasons the minimum requirements for this dimension are not met. The previous DeMPA assigned a score D as there was not a single and complete database.

DPI 14.2 – Secure Registry Systems and Debt Holders

3.153. **The score for this indicator is D as the mission could not assess this dimension fully.** During the meetings with the MoF and the NBT, both entities mentioned to the mission that they were not responsible for maintaining a registry system. In the 2015 DeMPA, it was mentioned that the Open Market Operations Department of the NBT was in charge of such function. However, during the meeting with the MoF's internal audit unit, the mission learned that T-bills were registered with a system called Refinitive (former Thomas Reuters). A market participant told the mission that this system has been used since 2015. The mission contacted the NBT to further inquire about this issue, but no answer was provided. Based on information collected, the score for this dimension was left unchanged as D, similar the assessment done in 2015.

DPI 15 – Debt Management Information Systems

DPI	Score
15.1 – The Use of Debt Management Information Systems	D

DPI 15.1 – The Use of Debt Management Information Systems

3.154. **The government debt records (loan agreements and transactions) are recorded in the DTS, the DMFAS and Excel spreadsheets.** The DMO's external debt consolidated division has recorded external loans and guarantees in the DTS within a week and transaction within a month, whereas T-bills are tracked in an Excel spreadsheet. The database is updated at a maximum of one day after the auction. The Domestic Debt Department monitors the other types of domestic debt instruments also in an Excel spreadsheet. The investment projects department also compiles on-lending in an Excel spreadsheet.

3.155. **External debt service payments are prepared based on the DTS while domestic debt service payments are based on the Excel spreadsheet.** For external debt, once debt service notification has been received from a creditor, it is verified with the debt service payment report before preparing the payment order. For domestic debt, the debt service payment report is elaborated from the two different Excel spreadsheet.

3.156. **The information required to produce debt reports and its related cost-risks analysis stems partially from the DTS.** Flows generated from the DTS are complemented by the information on domestic debt and on-lending from the various Excel spreadsheets. As the DMFAS is not completely operational, the system is not currently used to generate the necessary information to conduct various analysis.

3.157. **Corrections from system providers are performed timely in the DMFAS.** Current corrections were able to be addressed timely by the provider. The DTS is not supported anymore and cannot be operated remotely.

3.158. **Neither the DTS nor the DMFAS have an audit trail function which is operational.** The DTS does not have this option and it was not requested for the DMFAS for compatibility reason.

3.159. **The debt recording system is not integrated with the Financial Management Information System.** Both the DTS and the DMFAS are not linked to the internal system-SGBNet which is the Financial Management Information System of the MoF that links the Treasury department and the budget department.

3.160. **The score for this indicator is D** as there is no single complete debt management system. The minimum requirements for this indicator are not also met because debt reporting and cost/risks analysis are not derived from a single database, that debt service payments are not fully based on a singly debt management information system. This indicator is introduced in the 2021 methodology.

Annex 1. Tajikistan DeMPA Mission: Meetings Conducted

Meetings with the Ministry of Finance of the Republic of Tajikistan

- Meeting with Public Debt Department - technical meeting to discuss key areas of evaluation and agenda
- Public Debt Department - domestic debt operations
- Public Debt Department - external debt operations
- Public Debt Department and IT - to discuss debt recording system and progress with the DMFAS project
- Public Debt Department - debt reporting and debt statistics
- Public Debt Department - debt recording and recording of guarantees and on-lending
- Public Debt Department - debt strategy, and annual public debt reporting
- Public Debt Department - debt sustainability analysis
- Meeting with the team in charge of fiscal risk management
- Legal and organizational framework for debt management
- Meeting with the Agency on Securities
- Meeting with officials dealing with projections for budget and medium-term fiscal framework
- Meeting with Treasury officials dealing with cash management
- Meeting with officials dealing with budget execution
- Meeting with Human Resource Department
- Meeting with Budget Reporting
- Meeting with Internal Control Department

Meetings with the National Bank of Tajikistan

- Meeting on Monetary Policy issues.
- Meeting with officials dealing with government debt/domestic debt markets, auctions; converted debt of banks
- Meeting with officials dealing with debt data records and reporting
- Internal control/Audit department of National Bank
- Registry system in National Bank or in Stock Exchange

Meeting with the Chamber of Accounts – external audit of government debt

Meeting with the Agency on Social Insurance and Pensions of the Republic of Tajikistan

Meeting with the State Committee on Investment and State Property Management

Meeting Ministry of Economy – macroeconomic forecast for budget preparation

Meeting with Amonatbank

Annex 2. Tajikistan DeMPA: A Comparison of 2015 and 2023 Results

DPI	Title	Score 2015	Score 2023	Comments
	Governance and Strategy Development			
DPI-1	**Legal Framework**			
1.1	Central Government's Legal Framework	C	B	In 2015, a score of C was assigned since there was no explicit legal requirement for the preparation and submission of an annual report on debt management to Parliament, and no specification of the DeM objectives. The rating is increased in 2022 as the legal framework was significantly strengthened by adopting PPG Debt Law. The Law provides clear authorization to undertake on-lending operations, defines DeM objective, requires developing and publication medium-term debt strategy, quarterly and annual debt reports, which also submitted to Parliament, audit of public debt, which is carried out by the CoA.
1.2	Public Sector Entities' Legal Framework	N/C*	D	In 2015, this dimension was not scored due to it was included in DeMPA by revision of methodology in 2021. For a higher score, in the existing legislation should be added a provision according to which all state-owned enterprises must inform the MoF on their borrowing activities, including issuance of guarantees and periodically reported to the MoF on their debt.
DPI-2	**Managerial Structure**			
2.1	The Managerial Structure for Central Government Borrowings and Debt-related Transactions	C	C	The score for this indicator is C because the legislation has established the MoF and the DMO within the MoF as the principal debt management unit and there is coordination with the NBT. A higher score would require that formal coordination is in place, including the MOA or similar mechanism. The score didn't change since the 2015 DeMPA evaluation.
2.2	The Managerial Structure for Issuance of Loan Guarantees and On-lending Operations	A	A	Preparation and issuance of government guarantees, and on-lending is conducted by the DMO (see DPI 2.1). All necessary inputs are submitted to the DMO by the borrowers and line ministries. The MoF prepares the draft decision and submits it to the GoT for review and approval. There are no other entities in the GoT responsible for this function. The score for this dimension is A. The score remains the same compared to the 2015 DeMPA evaluation.
2.3	Staff and Human Resources	D*	C	The score for this indicator is C, as staff size is considered adequate, staff recruitment is competitive, staff turnover didn't hinder activities of the department and staff has basic skills to perform their functions. For a higher score, a conflict of interest and code of conducts for debt management operations should be in place and followed by the staff. The score is not directly comparable with the 2015 DeMPA evaluation.

DPI	Title	Score 2015	Score 2023	Comments
DPI-3	**Debt Management Strategy**			
3.1	The Quality of the DMS Document	D	D	In 2015, a score of D was assigned since the DMS was not updated on an annual basis. The rating remains the same in 2023 since the DMS continues to be prepared for three years but not updated on an annual basis. Furthermore, the DMS does not include its scope, a description of the existing portfolio and specific targets to manage foreign currency, refinancing and interest rate risks.
3.2	The Decision-Making Process and Publication of the DMS	D*	C	In 2015, this dimension was given a D score because inputs from the NBT were not included in the process. The score for 2023 takes into account NBT's participation in the formulation of the DMS. The strategy is approved by the Cabinet and Parliament, and it is published in the MoF's website. The DMS is not updated annually and therefore, after the first year, it loses its alignment with the updated macroeconomic framework.
3.3	The Annual Borrowing Plan	N/C*	D	This dimension was not included in the previous methodology and was introduced in 2021. The GoT does not prepare an ABP emanating from the DMS and therefore the score is a D. For higher score, ABP should be prepared to support the updated DMS.
DPI-4	**Public Debt Reporting**			
4.1	Content and Timelines	D	D	A score of D was assigned in 2015 since, information on interest and maturity structure is not included in the reports. In the 2022 review, the same rating was provided for the same reason. Maturity structure and percentage of debt falling due in one year are not included in the report. Two elements required in the new methodology.
4.2	Reporting to the Legislature	C	D	The rating for this sub-indicator is D. The MoF publishes an annual public debt report and sends it to Parliament, but the report does not include the risk indicators of the debt portfolio. Thus, the minimum requirements are not met. The score is worse than in the previous DeMPA due to the methodological changes.
4.3	Government Coverage	N/C*	C	This is sub-indicator did not exist in the previous DeMPA and was introduced in the new methodology. The rating was given a C as the coverage of the report is public and publicly guaranteed debt. A higher rating could not be provided as it does not include NPFS debt.
DPI-5	**Audit**			
5.1	Frequency and Comprehensiveness of External Audits	D	C	The score for this dimension is C, as financial audit of debt management operations is conducted annually as part of budget execution audit. The CoA publishes the audit report within three months of its completion. For a higher score, performance audit of debt management operations should be undertaken. The upgrade from score D in 2015 to C is mainly due to compliance audit done in the DeM audit section of the 2021 government budget execution report.

DPI	Title	Score 2015	Score 2023	Comments
5.2	Commitment to Address Recommendations	N/R	C	The dimension is given a score C as broader action plan is prepared, but not all the actions were implemented within the agreed timeline. The difference in score from N/R in 2015 is due to improvements of the audit practices and better implementation records.
	Coordination with Macroeconomic Policies			
DPI-6	**Coordination with Fiscal Policy**			
6.1	Provision of Debt Service Forecast	C	C	The rating is maintained in 2015 since the forecasts for debt service provided for budget preparation are proved to be reliable. A higher rating could not be given as there is no sensitivity analysis.
6.2	Monitoring Fiscal Risks	N/C*	D	This sub-indicator was also introduced with the new methodology. The MoF's SOE monitoring department received quarterly and annual financial statements from SOEs. However, the unit does not specifically monitor nor analyze the debt information which are included in this report.
6.3	Availability of Key Macroeconomic and Fiscal Variables and DSA	D*	D	As in 2015, a DSA is not produced by the DMO. Therefore, the same rating has been given.
DPI-7	**Coordination with Monetary Policy**			
7.1	Clarity of Separation Between Monetary Policy Operations and DeM Transactions	B	B	The score for this dimension is B since the differences between monetary and DeM operations is clear to market participants and there is an agreement to govern the issuance of government's T-bills. The score cannot be higher because the agreement between the NBT and MoF is not public. The score in the last evaluation was also B for the same reasons.
7.2	Coordination with the Central Bank Through Regular Information Sharing	D	D	The score for this dimension is the same as the last evaluation. The reason was/is that there is no exchange of debt transaction information, especially external disbursements. For higher scores, the frequency for exchanging information moves from monthly to weekly and then to daily for an A.
7.3	Limits of Direct Access to Central Bank's Funding	C	C	In 2015, this dimension was scored C, the same as the current evaluation. The GoT can borrow from the NBT under exceptional circumstances (needs to be approved by the Board) and this mode of financing has a ceiling imposed by Law.
	Borrowing and Related Financing Activities			
DPI-8	**Domestic Borrowing**			
8.1	Publication of a Borrowing Calendar and Issuance Results	D	D	In 2015, a score of D was assigned since the government was deemed not to raise funds domestically using solely market-based instruments and the yields in the T-Bill auctions do not reflect the market rates due to frequent cancellations. The rating remains the same for 2023. Although the above situation remains the same, the new methodology grades whether an issuance calendar is published

DPI	Title	Score 2015	Score 2023	Comments
				and whether the auction results are published. Although the auction calendar for the following years is published at the NBT's website, it is not always followed with various cancellations taking place without any explanation.
8.2	Domestic Market Operations and Clarity in Rules and Procedures	D	D	The score in 2015 for this dimension was a D because the borrowing procedures for all T-bills are not published. The rating remains the same in this evaluation and for the same reason. Furthermore, staff at the MoF are not able to articulate the process for investors to participate in the auctions. Neither the MoF nor the NBT hold any meetings with market participants to exchange views. Lastly, as explained in the above dimension, the GoT does not use market-based instruments domestically.
DPI-9	**External Borrowing**			
9.1	Organizational Arrangements and Processes for External Borrowing; Financial Analysis of Terms and Conditions	D	D	This DPI has experienced some methodological changes since the last evaluation. Previously, the existence of documented procedures had a separate dimension whereas, under the current methodology, it is included in this dimension. The score in 2015 was a D because no assessment on the most beneficial or cost-effective terms is conducted. In this evaluation, the score remains the same, for the same reasons. Additionally, under the new methodology, external borrowing needs to be undertaken in consistency with the DMS and ABP, which is not the case because the DMS is not being updated and no ABP is prepared.
9.2	Availability and Degree of Involvement of Legal Advisors Before Signing a Loan Contract	A	B	In 2015, the score for this dimension was an A because it was deemed that legal advisors were consulted from the first stage of negotiations. In this evaluation, it is deemed that during the initial stages, before the negotiation process starts, legal advisors do not participate. Furthermore, the legal opinion is only prepared after ratification by Parliament. The score, therefore, is downgraded to B
DPI-10	**Loan Guarantees, On-lending, and Derivatives**			
10.1	Issuance of Loan Guarantees	C*	C	In 2015, the score for this dimension was a C because there were documented procedures on the issuance of government guarantees. The score in this evaluation remains the same. For higher scores credit risks assessments need to be undertaken, which is not done
10.2	On-Lending Operations	D*	C	In 2015, this dimension was scored with a D because there were no internal documented procedures on the approval of on-lending. In the new methodology, procedures do not need to be documented and therefore the score of C is given, because staff can articulate the process. For higher scores, credit risk assessments need to be undertaken, which is not done.
10.3	The Use of Derivatives	N/A	N/A	No use in derivatives. No changes in this dimension

DPI	Title	Score 2015	Score 2023	Comments
	Cash Flow Forecasting and Cash Balance Management			
DPI-11	**Cash Flow Forecasting and Cash Balance Management**			
11.1	Effectiveness of Forecasting the Aggregate Level of Cash Balances	D*	D	The minimum requirements for this dimension of cash management are not met, due to the lack of annual forecasts of monthly cash balances. The rating did not change with respect to the 2015 assessment, but it is not strictly comparable to the previous methodology.
11.2	Effectiveness of Cash Balance and Liquidity Management	D*	D	The second dimension was assigned a score of D since there is no explicit target for the level of cash balances and the T-Bill program is not linked with cash management.
	Debt Recording, Payments, and Operational Risk Management			
DPI-12	**Debt Recording, Monitoring, and Payments**			
12.1	Debt Recording	D*	D	As there is no separation between staff entering debt transactions and validating data, a rating of D was given. This sub-dimension was part of a dimension of the previous methodology. The review also found a lack of segregation of duties. Staff recording debt were same as initiating payments.
12.2	Debt Payments	D*	D	Debt service payments are verified by more than two persons. As stated above, the same person which initiates the process is the same one who records transaction. This was the same situation in 2015.
DPI-13	**Data Security and Business Continuity**			
13.1	Data Access, Backups, and IT Structure	D*	D	Backups of DTS and DMFAS are done once a month. However, this is partial as domestic and on lending-debt are kept on an Excel spreadsheet which are not included in the process. This was the same conclusion in the 2015 DeMPA report and the same rating.
13.2	Business Continuity and Disaster Recovery	D	D	This dimension was scored D because there was no written business continuity or disaster recovery plan in place. The same assessment was made in 2015 and the score remains as the one given in 2015.
DPI-14	**Debt Related Records**			
14.1	Completeness and Timeliness	C	D	In 2015, a score is C was assigned given that the records for domestic, external and guaranteed debt are reconciled with three-month periods. In 2022, the mission assessed that the minimum requirements were not met as there was no central and complete data base. BTS has public and publicly guaranteed debt, while domestic and on-lending are on an Excel spreadsheet.
14.2	Secure Registry Systems and Data Holders	D	D	A score of D in 2015 reflected the inadequacy of the Excel-based file used as a registry system for government securities. In 2022, the mission was made aware of a registry system, but has not been able to verify it.

DPI	Title	Score 2015	Score 2023	Comments
DPI-15	**Debt Management Information Systems**			
15.1	Debt Management Information Systems	N/C*	D	This is another sub-indicator which was introduced by the new methodology that summarized conclusions from the four preceding sub-indicators. A D rating was assigned for several reasons, including the lack of centralized government debt management system.

Note: * or N/C: Not comparable, due to a change in the methodology.
N/A: Not rated, because the activity does not apply.
N/R: Not rated, attributed on the previous methodology when information was insufficient.

Annex 3. Tajikistan DeMPA 2023: Comments from the Authorities

Comments from the Ministry of Finance of Tajikistan

The Ministry of Finance expresses its sincere gratitude to the World Bank for its ongoing support and the implementation of the Debt Management Performance Assessment (DeMPA) in the Republic of Tajikistan, which was carried out by your team in January of this year.

The Ministry of Finance, taking this opportunity, would like to note some aspects of the Debt Management Performance Assessment (DeMPA) in the Republic of Tajikistan:

*** Clause 1.4** Brief summary of the assessment results for each area of DeMPA (subclause 4: on the need to compile an annual borrowings plan (ABP), which is also noted in *** DPI-3 (3.3 Annual borrowings plan) and * DPI-9 (9.1):**

- Every year, the Main Department of Public Debt (MDPD) of MoF, based on the Law of the Republic of Tajikistan «On state and state-guaranteed debt» dated December 24, 2022 under No. 1923 and the previous Law on state debt, annually develops and approves by the Resolution of the Government of the Republic of Tajikistan and the Resolution of the Majlisi Namoyandagon of the Majlisi Oli of the Republic of Tajikistan, the Program of State External Borrowings of the Republic of Tajikistan for the upcoming fiscal year and the forecast of its indicators for the previous 2 years, also, the MDPD compiles and publishes on the website of the Ministry a calendar for issuance of State treasury bills (STB) for the upcoming fiscal year for internal debt (attached).

*** Annual Debt Sustainability Analysis (DSA)** should be carried out by the Ministry of Finance (recommendations for improvement).

*** DPI-6 (6.3 Availability of key macro-fiscal variables and DSA):**

- Since 2015, the relevant employees of the MDPD annually carry out an analysis for the state debt and its forecast indicators for the next fiscal years (attached).

*** It is required to develop and approve the internal procedures for external, internal and international bond issuance.**

- By the Resolution of the Government of the Republic of Tajikistan dated March 2, 2023 under No. 76, the Rules for the issuance and circulation of the Government securities of the Republic of Tajikistan were approved (attached).

*** Table 1. Key macroeconomic indicators**

- State debt (as a percentage of GDP) in 2022 is equal to 32.5% of GDP, but not 34.8% as indicated in this table. This indicator is also reflected in *** Table 2. Volume of state debt at the end of the year 2022** (External debt – 28.5%, Internal debt – 4.0%, Total state debt – 32.5% at the end of the year 2022).

*** Table 3.** Volume of outstanding State external debt, for the period of 2017-2022.

Data spreadsheet:

	2019	2020	2021
Multilateral	980,04	1316,49	1394,29
Bilateral	1338,46	1330,88	1285,95
Eurobonds	500	500	500
Other	106,77	96,36	119,07
Total volume of external debt	2 925,28	3 243,72	3 299,31

Actual data:

	2019	2020	2021
Multilateral	946,8	1303,5	1392,46
Bilateral	1334,5	1328,9	1285,12
Eurobonds	500	500	500
Other	143,98	111,3	119,07
Total volume of external debt	2 925,28	3 243,72	3 299,31

*** DPI-7** (**7.2 Coordination with the Central Bank through regular exchange of information**):

- Based on payment notices of credit institutions, the MDPD monthly compiles a schedule of external debt obligations of the Republic of Tajikistan and sends it to the CB, which contains complete information about upcoming payments including the total amount of payments on the principal debt, interest and repayment dates for the month. The data provided in the table does not change during the month, therefore exchanging information on a weekly/daily basis is considered inappropriate.

Also, the Budget Department provides information to the Central Bank on membership fees to international organizations, the Main Department of the Central Treasury regularly converts funds to pay off external debts and payments on membership fees to international organizations and sends a corresponding letter to the CB. After making payments, the CB submits information (statement) to the Ministry of Finance, thus the exchange of information between the MoF and the CB is carried out on a regular basis.

* **DPI-9** (9.2 Availability and degree of participation of legal advisors before signing loan agreements):

- The rating for this parameter was reduced from “A” to “B” due to the non-participation of legal advisors in negotiations, however, in **Clause 1.4.** the participation of legal advisors in negotiations on external borrowings was noted as Significant Strengths.

The Ministry of Finance highly appreciates the ongoing support of the World Bank for the sustainable development of Tajikistan, and hopes for positive consideration of the provided Debt Management Performance Assessments (DeMPA).

Comments from the National Bank of Tajikistan

In response to the letter of the World Bank No. 254, dated August 8, 2023, please find attached the NBT comments on the Tajikistan Debt Management Performance Assessment (DeMPA):

- page 4, para 2.5. Please change the wording "Tajik somoni appreciated by 2.6 percent against the US dollar" to "Tajik somoni appreciated by 9.71 percent against the US dollar"
- page 7. It should be noted that for anti-crisis support of state-owned banks, government securities with 5-year maturity were issued by the Ministry of Finance of the Republic of Tajikistan in 2016 on the basis of the Resolution of the Government of the Republic of Tajikistan dated December 12, 2016, No. 527. Thus, in paragraph 2.11, please, replace the number "2017" with the number "2016", and, please, replace the phrase "Decree of the President" with the phrase "*Resolution of the Government of the Republic of Tajikistan dated December 12, 2016, No. 527*".
- page 27. We would like to highlight that the NBT securities have maturity from 7 to 182 days. Therefore, we propose to replace the number "180" with the number "182" in the paragraph 3.79. Also in footnote 23, please, replace the phrase "Memorandum of Understanding dated December 18, 2009" with the phrase “*Agreement on servicing state treasury bills of the Ministry of Finance of the Republic of Tajikistan dated 04.08.2019, No. 1*”.
- page 28. In paragraph 3.84, please, replace the word "Council" with the word "Board".
- page 29. Treasury bills of the Ministry of Finance of the Republic of Tajikistan with a 5-year maturity were issued in 2016 in line with the Resolution of the Government of the Republic of Tajikistan dated December 12, 2016, No. 527. Based on this, please, edit the paragraph 3.86. We also would like to outline that the

treasury bills of the Ministry of Finance of the Republic of Tajikistan have maturity of 91 day, therefore, in paragraph 3.87, please, replace the number "90" with the number "91". Please, be reminded, that the issuance calendar for the government treasury bills also can be found on the website of the National Bank of Tajikistan.

- page 30, para 3.91 must be edited as this paragraph is not clear. According to paragraph 3.92, please, be informed, that upon a request and a proposal of the Ministry of Finance of the Republic of Tajikistan, the National Bank of Tajikistan publishes the annual calendar of treasury bill auctions on its official website. Making changes to the annual auctions calendar is not within the authority of the National Bank of Tajikistan, as changes to this calendar may be made by the Ministry of Finance of the Republic of Tajikistan.

- page 31. According to paragraph 3.93 on the announcements of the treasury bills auction and its results, information is regularly published on the NBT's official website. Also with regards to paragraph 3.94, please, be noted that the T-bills interest rate is set by the Ministry of Finance of the Republic of Tajikistan, and this information is available only to those participants who enter into agreement with the National Bank of Tajikistan on participation in auctions of T-bills of the Ministry of Finance of the Republic of Tajikistan. The staff of the National Bank of Tajikistan together with direct participation of authorized employees of the Ministry of Finance of the Republic of Tajikistan inform the participants of the auction about the participation procedures. Also, the results of these auctions are published on the website of the National Bank of Tajikistan.

- page 40. Regarding paragraph 3.153, please, be informed that the National Bank of Tajikistan (Financial Market Department) is not responsible for keeping the register maintenance system, since the Ministry of Finance of the Republic of Tajikistan is the issuer and the registrar of government securities. Regarding the registration of treasury bills in the *Refinitive* system (*Thomson Reuters*), we would like to note that since 2023, auctions of treasury bills of the Ministry of Finance of the Republic of Tajikistan are carried out on the Central Securities Depository (CSD) platform of the National Bank of Tajikistan.

- page 46. Regarding line 8.1 of the Notes column in Annex 2. *Comparison of the results of the DeMPA assessment in Tajikistan for 2015 and 2023*, please, be informed that the results of the auctions of treasury bill of the Ministry of Finance of the Republic of Tajikistan are regularly published on the official website of the National Bank of Tajikistan.