



# TAJIKISTAN ECONOMIC UPDATE

Focusing on the Footprint of State-Owned Enterprises and  
Competitive Neutrality

# TAJIKISTAN ECONOMIC UPDATE

**Focusing on the Footprint of State-Owned Enterprises  
and Competitive Neutrality**

**© 2024 International Bank for Reconstruction and Development / The World Bank**  
**1818 H Street NW Washington DC 20433**  
**Telephone: 202-473-1000**  
**Internet: [www.worldbank.org](http://www.worldbank.org)**

### **Standard Disclaimer:**

This volume is a product of the International Bank for Reconstruction and Development/ World Bank staff. The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

### **Copyright Statement:**

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may violate applicable law. The International Bank for Reconstruction and Development/ the World Bank encourages the dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA, telephone 978-750-8400, fax 978- 750- 4470, <http://www.copyright.com/>.

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA, fax 202-522-2422, e-mail [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

# Contents

Executive Summary .....	i
<b>1. RECENT ECONOMIC DEVELOPMENTS .....</b>	<b>1</b>
1.1 Global and Regional Economic Developments.....	1
1.2 Economic Growth in Tajikistan .....	1
1.3 Balance of Payments .....	3
1.4 Monetary Policy and Prices .....	6
1.5 Financial Sector Developments .....	8
1.6 Fiscal Policy .....	11
1.7 Poverty Developments .....	13
<b>2. ECONOMIC OUTLOOK AND RISKS .....</b>	<b>16</b>
2.1 Global and Regional Outlook.....	16
2.2 Tajikistan’s Outlook .....	17
2.3 Risks to the Economic Outlook.....	19
<b>3. SPECIAL TOPIC: Assessment of the Footprint of State-Owned Enterprises and Competitive Neutrality .....</b>	<b>21</b>
3.1 State Footprint and Implications for Competition .....	22
3.2 Competitive Neutrality .....	27
3.3 Policy Recommendations to Enhance Competitive Neutrality and Competition 34	
References .....	39
Annex 1: Select Macroeconomic and Social Indicators .....	43
Annex 2: List of the 27 Public Interest Entities under the Monitoring of the Ministry of Finance of the Republic of Tajikistan .....	44
Annex 3: Estimated regression results for Net FDI Inflows and real GDP growth in Countries of the Commonwealth of Independent States (sample period: 2001 – 2022)	45

## Figures

Figure 1. Composition of Gross Domestic Product Growth by Expenditures.....	2
Figure 2. Composition of Gross Domestic Product Growth by Production .....	2
Figure 3. Current Account Balances.....	4
Figure 4. Real Effective Exchange Rate .....	4
Figure 5. Interest Rates and Inflation.....	6
Figure 6. Inflation Components .....	6
Figure 7. Revenue Sources.....	11
Figure 8. Expenditures by Sectors.....	11
Figure 9. Remittances Received .....	14
Figure 10. Any Employment Income.....	14
Figure 11. Water Supply Disruptions in the Past 10 Days.....	15
Figure 12. Electricity Outages in the Past Two Days.....	15
Figure 13. Lower average GDP growth in 2024–2025 compared to 2010–2019.....	17
Figure 14. Contributions to Global Growth .....	17
Figure 15. Probability of Having at Least One State-Owned Enterprise Present in a Sector or Subsector .....	24
Figure 16. State-Owned Enterprise Footprint in Terms of Their Revenues in Tajikistan and Comparator Countries.....	26
Figure 17. Competitive Neutrality Framework .....	28
Figure B1 1 Net Foreign Direct Investment Inflows and Gross Domestic Product Growth in Countries of the Commonwealth of Independent States 2000–2022.....	5
Figure B1 2 Net Foreign Direct Investment Inflows and Real Gross Domestic Product Growth in Tajikistan 2017–2022 .....	5
Figure B2 1 Exchange Rate Passthrough to Consumer Price Index Inflation.....	7
Figure B2 2 Passthrough of World Food Price Shock to Consumer Price Index.....	7
Figure B3 1 Market Share Position Regarding New Deposits and New Lending of Individual Banks and Microcredit Deposit Organizations .....	10

## Tables

Table 1. Recommendations to Enhance Competition .....	35
---	----

## Boxes

Box 1. Relationship between Net Foreign Direct Investment Inflows and Gross Domestic Product Growth in Countries of the Commonwealth of Independent States.....	5
Box 2. Passthrough of Shocks to Inflation.....	7
Box 3. Dynamics in the Market Share of Deposits and Credits .....	9
Box 4. Political economy factors in SOE privatization processes.....	22
Box 5. State-Owned Enterprise Footprint Mapping: A Sector Taxonomy .....	25

## Acknowledgment

*Tajikistan Economic Update (TEU) periodically analyzes economic developments, policies, and prospects. The team that prepared this edition was led by Bakhrom Ziyaev (Senior Economist, MTI GP), Ilyas Sarsenov (Senior Economist, MTI GP), and consisted of Olga Emelyanova (Economist, MTI GP), Collette Mari Wheeler (Senior Economist, DEC), Vasiliki Papagianni (Research Analyst, DEC), Pietro Calice (Senior Financial Sector Economist, FCI GP), Alisher Rajabov (Senior Economist, POV GP), Anna Sukhova (Senior Social Protection Specialist, SPJ GP), Zuhro Qurbonova (World Bank Consultant), and Rashad Hasanov (World Bank Consultant).*

*The focus note on “Footprint of State-owned Enterprises and Competitive Neutrality” was produced by the World Bank team led by Mariana Iooty (Senior Economist, FCI GP) and consisting of Stefan Apfalter (Senior Economist, FCI GP) and Firdavs Kabilov (World Bank Consultant).*

*The team is very grateful to Tobias Akhtar Haque (Lead Economist and Program Leader, MTI GP), Nadir Ramazanov (Senior Economist, MTI GP), Dusko Vasiljevic (Senior Economist, FCI GP), and Madina Nurmatova (Operations Officer, IFC) for peer review comments and advice.*

*The TEU was prepared under the guidance of Tatiana Proskuryakova (Country Director, Central Asia), Asad Alam (Regional Director for Equitable Growth, Finance, and Institutions, ECA), Ozan Sevimli (Country Manager, Tajikistan), Antonio Nucifora (Practice Manager, MTI GP), and David Stephen Knight (Program Leader and Lead Economist, EFI Central Asia).*

*The team is grateful to Shahlo Norova (Program Assistant) and Mismake D. Galatis (Program Assistant) for extensive administrative support and to Dilafruz Zoirova (External Affairs Officer) and Mahnoz Rahimzoda (World Bank Consultant) for disseminating the report. Margie Peters-Fawcett edited the report.*

*The team is very grateful to colleagues from the Ministry of Economic Development and Trade, Ministry of Finance, National Bank of Tajikistan, Antimonopoly Service, and State Committee on Investment and Management of State Property for very helpful discussions on economic developments and policy priorities.*

## Abbreviations

<b>AML/CFT</b>	anti-money laundering/combating the financing of terrorism
<b>EMDE</b>	emerging markets and developing economies
<b>FDI</b>	foreign direct investment
<b>GDP</b>	gross domestic product
<b>IMF</b>	International Monetary Fund
<b>Rogun HPP</b>	Rogun Hydropower Plant
<b>NBT</b>	National Bank of Tajikistan
<b>OJSC</b>	open joint-stock company
<b>pp</b>	percentage point
<b>PPG</b>	public and publicly guaranteed
<b>PSO</b>	public service obligations
<b>SOE</b>	state-owned enterprises
<b>TSA</b>	Targeted Social Assistance
<b>VAT</b>	value-added tax

Official Exchange Rate as of June 01, 2024: 1 US\$ = TJS 10,7635

# Executive Summary



## RECENT ECONOMIC DEVELOPMENTS



## ECONOMIC OUTLOOK AND RISKS



## SPECIAL TOPIC:

Assessment of the Footprint of State-Owned Enterprises and Competitive Neutrality

## Recent Economic Developments and Outlook

**Following some strengthening of growth in Europe and Central Asia, Tajikistan has benefitted from it and demonstrated good economic performance last year and in early 2024.** As external demand has improved, the economy of Tajikistan grew by 8.3 percent in 2023 and 8.2 percent during the first quarter of 2024. This was driven mainly by higher gold export revenue, private consumption and increased public infrastructure spending. Domestic demand has been supported by an increase in the inflow of workers' remittances and a higher public wage bill in 2023, contributing to further poverty reduction. Domestic consumer-price inflation has benefited from subsiding global food and fuel prices and some tightening of monetary policy. Increased external grant support from development partners has helped to maintain fiscal discipline, leading to a further decline in public debt.

**Tajikistan's economic prospects are overshadowed by regional uncertainty.** Due to anticipated sluggish growth in key trading partners and an internal structural reform inertia, the medium-term growth rate is projected to be at about 6.5 percent in 2024 and 4.5 percent thereafter. Remittances, a significant growth driver, are expected to moderate and impact private consumption and investment. Inflation is projected to rise and be driven by electricity tariff hikes, and increased public service wages. The fiscal deficit is projected to widen in 2024, with tax revenue collection decreasing because of a value-added tax rate cut and heightened spending needs for the Rogun Hydropower Plant



project. Tajikistan will remain a country at a high risk of debt distress until Rogun-related Eurobonds are fully paid back during 2025-2027.

**Risks to the economic outlook include a potential escalation of global and regional tensions and the Russian Federation's tighter migration policies, both of which could affect labor migration and give rise to energy price increases and higher logistics costs.** In particular, the Moscow terrorist attack of March 22, 2024, has led to tighter migration policies in Russia as well as police raids on Tajik labor migrants, thus raising the downside risks on remittance flows. For long-term competitiveness and inclusive growth, Tajikistan must prioritize structural reforms by further opening the economy to competition and private investment and improving public sector governance, transparency, and accountability for better public service delivery. Implementation of adaptation measures will be critical to mitigate the impacts of climate change and natural disasters on the economy.

## **An Assessment of the Footprint of State-Owned Enterprises and Competitive Neutrality**

**Tajikistan's economy has a substantial presence of state-owned enterprises (SOE), with over 1,000 of them registered with public equity and more than 600 majority state-owned.** SOEs are present in various economic sectors, including competitive sectors where private sector operation is viable, raising concerns about the necessity of state involvement. The largest SOEs—primarily in sectors such as mining, energy, and telecom—hold the majority of SOE assets, with the top 10 holding 97 percent of total SOE assets. The economic impact of the SOE sector is constrained by operational inefficiencies. Most large SOEs are unprofitable and loss-making, posing serious fiscal risks to the country's financial stability, with the cumulative net loss of the largest 25 SOEs amounting to nearly TJS 4.2 billion (3.2 percent of GDP) in 2023.

**While state involvement in SOEs can serve legitimate purposes, preferential treatment granted to these entities distorts market dynamics and hinders private sector development.** Examples of such preferential treatment include tax breaks, subsidized loans, and exemptions from regulations, which foster market inefficiencies and discourage private sector participation.

**Tajikistan currently lacks a clear policy framework for SOE creation and ownership, leading to their widespread presence across sectors without considering market efficiency.** This lack of clarity heightens the risk of cross-subsidization between commercial and noncommercial activities, deterring private investment and distorting competition.

**SOEs operating in competitive sectors further exacerbate market distortions by not being required to achieve commercial rates of return, thus enjoying an unfair advantage over private competitors.**

**Additionally, the dual role of SOEs in policymaking and market participation creates conflicts of interest, further distorting markets.** Legal provisions that favor SOEs, such as tax advantages and lenient insolvency procedures, contribute to market distortions and hinder fair competition. The lack of transparency in state aid distribution and restrictions on foreign investment add to these challenges, limiting market access and efficiency.

**Outdated price regulation methodologies in natural monopoly sectors dominated by SOEs undermine efficiency and hinder market competition.** It is important for Tajikistan to align regulations with pro-competition principles and update tariff-setting methods to incentivize efficiency and operational performance improvements.

**Addressing these challenges requires clear policies to ensure competitive neutrality, transparency in state aid distribution, and reforms to promote fair competition and market efficiency.** Tajikistan can unlock its economic potential and foster sustainable growth by fostering a level playing field for all businesses.

## Recommendations

- Formulate a comprehensive SOE Ownership Policy, including types of ownership and the economic rationale for ownership in particular areas/sectors. This policy should rely on the Subsidiarity Principles as a criterion for the creation of new SOEs and political accountability, as well as, ensure periodic revision of existing SOEs, also based on the Subsidiarity Principles.
- Foster competitive neutrality principles in markets established via international best practices by introducing minimum performance targets; separating commercial and noncommercial activities; prescribing any additional duties and commitments that SOEs must fulfill regarding public service obligations; and closing any existing legal loopholes in the tax and insolvency laws currently allowing for preferential SOE treatment.
- Develop and adopt a state aid control framework to limit potential distortions of state support measures that benefit SOEs or select private players by setting clear criteria for state aid eligibility; conducting ex-ante and ex-post assessments of the market distortion impact; and establishing a comprehensive record of state aid.
- Establish a transparent and nondiscriminatory legal and regulatory framework for foreign investors, ensuring they are treated equally with domestic investors regarding access to markets, state services, legal protections, and investment incentives.

# RECENT ECONOMIC DEVELOPMENTS

## 1.1 Global and Regional Economic Developments

**1.1 Growth in advanced economies slowed to 1.5 in 2023, marked with notable divergences.** Despite rising borrowing rates, growth in the United States reached 2.5 percent, primarily due to solid consumer spending and significantly reduced imports of goods and services. In contrast to the United States, however, growth in the euro area slowed sharply in 2023 to an estimated rate of 0.5 percent. High energy prices—primarily relating to the Russian Federation’s invasion of Ukraine—weighed on household spending and firms’ activity, particularly in the manufacturing sector. The downturn in late 2023 reflected the ongoing decline in exports amid deteriorating export price competitiveness and tepid external demand. Russia grew by a robust rate of 3.6 percent as a surge in government spending supported larger social outlays, wages, and investment, especially in defense-related industries, boosting manufacturing and construction activity. China grew by 5.2 percent in 2023 as growth momentum slowed due to deflationary pressure, falling capacity utilization, and a sluggish labor market, all of which suggest that aggregate demand is falling short of supply. Growth in Europe and Central Asia is estimated to have more than doubled to 3.2 percent in 2023, driven by more robust domestic demand, resumption of growth in the Russian Federation and Ukraine, and robustness of the Turkish economy.

**1.2 Aggregate commodity prices have generally increased in 2024 after declining, on average, last year against a backdrop of tight supply conditions and signs of firmer industrial activity.** Despite the volatility triggered by the conflict in the Middle East, crude oil prices fell in 2023 as robust output by non-OPEC members, especially the United States, offset OPEC+ production cuts and heightened geopolitical uncertainty. Grain prices decreased by 11.5 percent in 2023 and dropped further in early 2024, reflecting better-than-expected crop conditions. The precious metals index, for which gold is a major component, rose by almost 8 percent in 2023 and is expected to increase further in 2024, supported by heightened geopolitical uncertainty and strong central bank purchases.

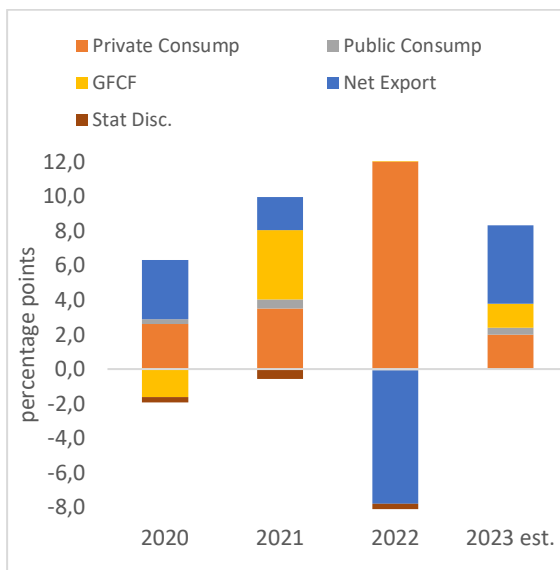
## 1.2 Economic Growth in Tajikistan

**1.3 Tajikistan's economy demonstrated a robust performance in 2023, exceeding expectations, with a growth rate of 8.3 percent.** This growth was driven by strong exports and public infrastructure investment and was supported by strong remittance inflows that bolstered private consumption (Figure 1). Precious metals exports more than doubled to US\$1.1 billion, propelled by robust global demand and elevated gold prices.

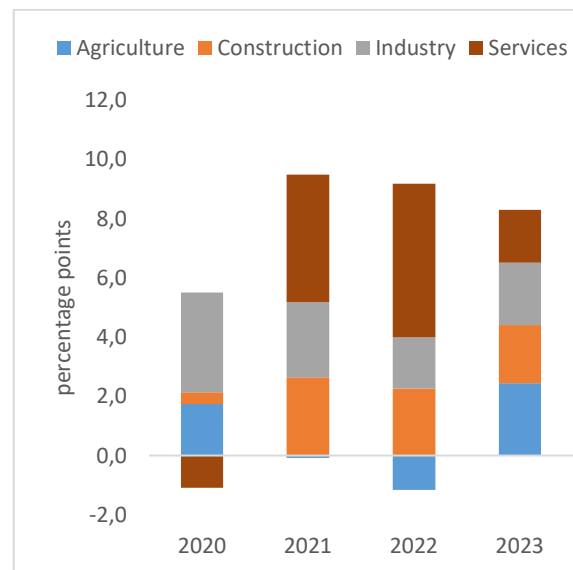
Government expenditure, particularly on large public infrastructure projects and significant increases in civil service wages, stimulated domestic demand. Although remittance inflows began to moderate in line with a lessening of temporary Russian visitors in 2022, Tajik migrants in Russia continued to benefit from a tight labor market and real wage growth there, despite the depreciation of the Russian ruble. Economic activity remained strong in the first quarter of 2024, with the index expanding by 8.2 percent year-on-year, supported by private consumption, investment, and export growth.

**1.4 Growth was broad-based across sectors in 2023.** Economic expansion was broad-based, with the agriculture sector making the largest contribution (2.4 percentage points (pp)), followed by industry (2.1 pp), construction (2.0 pp), and services (1.8 pp) (Figure 2). Favorable meteorological conditions, as well as the early planting of spring crops, contributed to a 9.0 percent surge in agricultural output. Industrial production climbed by 11.3 percent, spurred by food manufacturing and the extraction of precious metals. The construction sector experienced a 22.5 percent boom, buoyed by high investment, particularly in transport, energy, and residential buildings. The services sector—largely retail trade, transport, and communications—expanded by 2.5 percent. This is, however, a moderation compared to 2021 and 2022. The strong growth performance in 2021 was due to the rebound from the low point during the 2020 pandemic, which heavily impacted the services sector due to lockdowns and restrictions on international trade. The strong performance in 2022 was supported by a historical spike in remittance inflows and sustained pent-up demand.

**Figure 1. Composition of Gross Domestic Product Growth by Expenditures**



**Figure 2. Composition of Gross Domestic Product Growth by Production**



Sources: TajStat and World Bank staff estimates.

## 1.3 Balance of Payments

### 1.5 The current account surplus narrowed due to the normalization of remittance flows.

The current account balance recorded a surplus of 4.8 percent of gross domestic product (GDP), declining from the previous year's peak of 15.3 percent of GDP (Figure 3). The export of goods and services increased from 16.4 percent of GDP in 2022 to 17.5 percent of GDP in 2023, reflecting the export of precious metals and supported by the real depreciation of the exchange rate. While the export of precious metals in U.S. dollar terms more than doubled in 2023, with higher prices for gold and higher export volumes, exports of mineral products dropped by 40 percent due to falling aluminum prices. Despite lower prices, cotton and electricity export values increased by 2.0 percent and 3.9 percent, respectively. Import of goods and services remained almost unchanged, at 49.1 percent of GDP. Primary and secondary income surpluses dropped by 7.1 percent of GDP and 4.4 percent of GDP, respectively, largely due to the normalization of remittance inflows as income outflow from Russia decreased and the ruble depreciated with respect to the U.S. dollar.<sup>1</sup> The net inflow of remittances is estimated to have moderated to 37.0 percent of the GDP compared with 48.2 of GDP in 2022<sup>2</sup>.

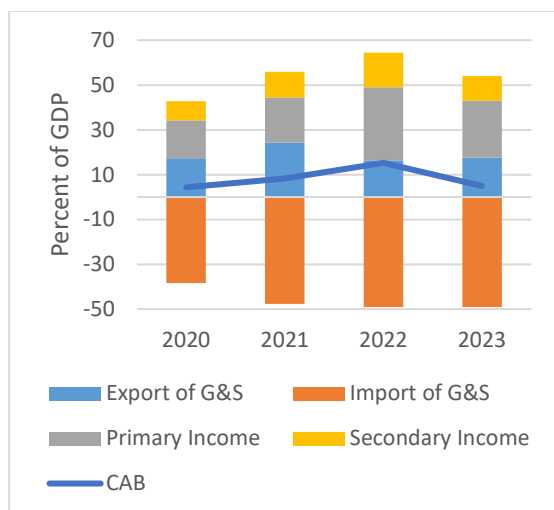
### 1.6 The real depreciation of the somoni has bolstered the competitiveness of Tajik exports.

In 2023, the real effective exchange rate depreciated by 3.4 percent compared to trading partner currencies, notwithstanding its notable appreciation against the Russian ruble. The weaker domestic currency raises the cost of imports, although, on the margin, it makes Tajikistan's exports more competitive. Since Russia accounts for only about 5.5 percent of Tajikistan's total exports, the appreciation of the somoni had a limited impact on exporting companies. The real value of the somoni against the ruble stabilized in the first quarter of 2024 (Figure 4).

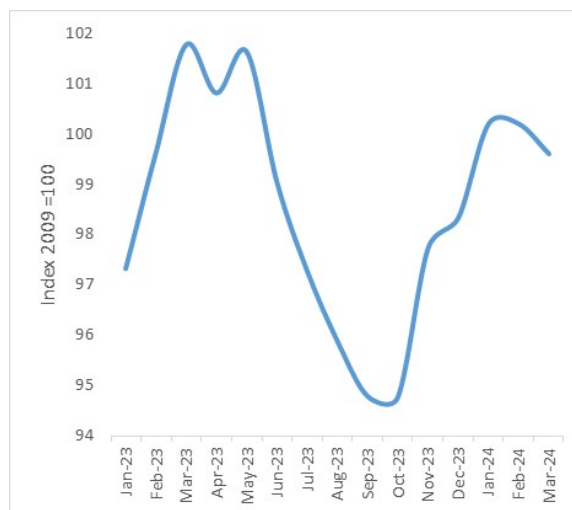
---

<sup>1</sup> Transfers from migrants staying less than one year in the destination country tend to fall under Primary Income, while transfers from migrants staying over one year tend to fall under Secondary Income, based on the *Balance of Payments and International Investment Position Manual (BPM6)* methodology of the International Monetary Fund (IMF 2013).

<sup>2</sup> The spike in transfers in 2022 partially relates to Russian citizens' money transiting through Tajikistan during the sanctions panic and Russian military mobilization.

**Figure 3. Current Account Balances****Figure 4. Real Effective Exchange Rate**

(up = appreciation)



Sources: National Bank of Tajikistan and World Bank staff estimates.

Notes: G&S = goods and services; CAB = current account balance.

**1.7 Foreign direct investment (FDI) inflows experienced a notable decline last year, reflecting the persistently unattractive business environment in Tajikistan for potential investors.** Net FDI inflows registered 0.8 percent of 2023 GDP compared with 1.5 percent the previous year. Less FDI in the mining and manufacturing sectors accounted for most of the decrease in FDI inflows. Sectors such as construction, financial intermediation, and agriculture, however, performed better than in preceding years. Net FDI inflows, as a percentage of GDP, have averaged 1.9 percent over the period from 2018 to 2022<sup>3</sup>, a comparable amount observed for the same period in low- and middle-income countries (1.7 percent) and in the Europe and Central Asia region (1.4 percent)<sup>4</sup>, the latter at the exclusion of high income (Box 1).

**1.8 At the end of 2023, gross international reserves stood at US\$3.6 billion, equivalent to 7.6 months of projected 2024 import cover.** This is slightly lower than the reserves of US\$3.8 billion at the end of 2022. The decrease in reserves was due to the National Bank of Tajikistan's (NBT) foreign exchange sales in the context of normalizing remittance inflows and higher import needs. The NBT has been primarily building international reserves through the monetization of gold bought from domestic producers.

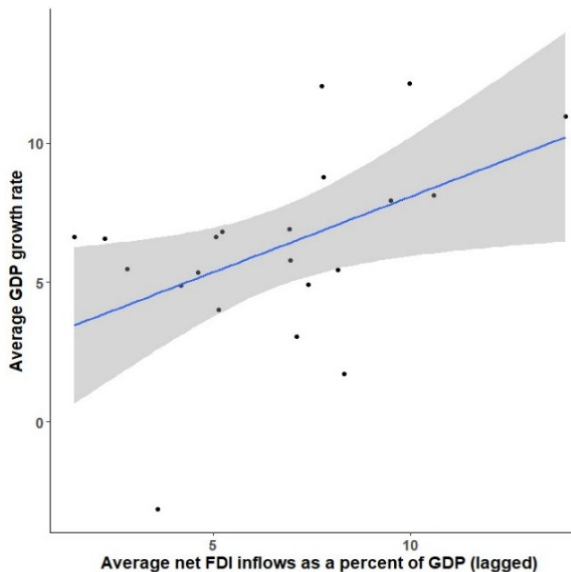
<sup>3</sup> From a longer historical perspective, FDI inflows have experienced a continued decline, dropping from an average of 5.5 percent of GDP in 2005-2010 to 2.3 percent of GDP in 2011-2022.

<sup>4</sup> Among the Central Asian countries, Turkmenistan received the highest net FDI inflow at 3.1 percent, followed by Uzbekistan at 2.9 percent, Kazakhstan at 2.2 percent, Tajikistan at 1.9 percent, and the Kyrgyz Republic at 0.8 percent during the period of 2018-2022.

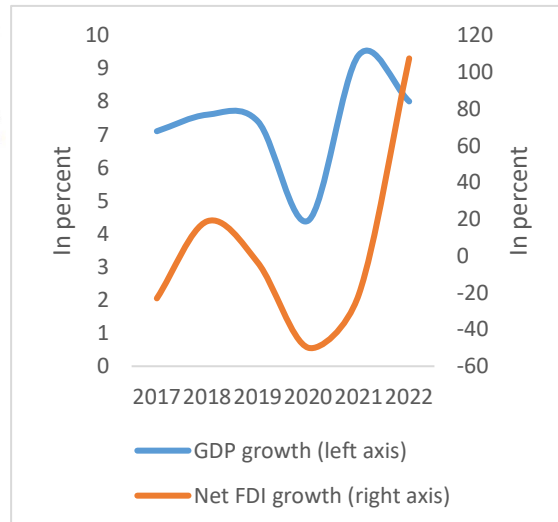
## Box 1. Relationship between Net Foreign Direct Investment Inflows and Gross Domestic Product Growth in Countries of the Commonwealth of Independent States

Foreign direct Investment (FDI) inflows have played an important role in gross domestic product (GDP) growth in countries of the Commonwealth of Independent States (CIS). A panel regression analysis was performed to examine the relationship between FDI inflows and GDP growth in eight CIS countries.<sup>1</sup> The overall results indicate a robust association between net FDI inflows (as a percentage of GDP) and real GDP growth (Figure B1.1). The findings suggest that, on average, a one-percentage-point increase in net FDI inflows (as a percentage of GDP) in the preceding year is associated with a 0.27 to 0.32 percentage point increase in real GDP growth in the following year, depending on the model specification. The results remain robust to the inclusion of country and time fixed effects (Annex 3).<sup>2</sup> The relationship has been notably strong for Tajikistan in recent years and even more pronounced during the 2017–2022 period. GDP, as well as net FDI inflows, saw an upward trend in 2018, followed by a moderation in subsequent years until the onset of the global pandemic and its recovery in the post-pandemic period (Figure B1.2).

**Figure B1 1** Net Foreign Direct Investment Inflows and Gross Domestic Product Growth in Countries of the Commonwealth of Independent States 2000–2022



**Figure B1 2** Net Foreign Direct Investment Inflows and Real Gross Domestic Product Growth in Tajikistan 2017–2022



Source: World Bank Staff calculations.

<sup>1</sup> The CIS sample in the analysis includes Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

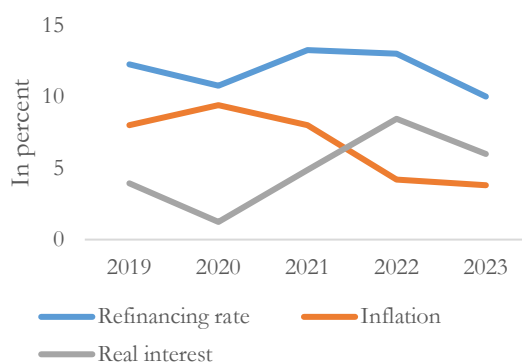
<sup>2</sup> Country fixed effects are included in regression models to account for unobserved country characteristics. Additionally, year dummies are also included in the model to capture year-specific effects that may impact all countries in the sample, such as pandemics or global commodity shocks.

## 1.4 Monetary Policy and Prices

**1.9 Tajikistan saw a drop in consumer price inflation in 2023 due to the decrease in global commodity prices, logistics costs, and the global economic slowdown.** The country was one of the top-performing countries among its trading partners and regional counterparts in relation to year-end inflation.<sup>5</sup> Annual average inflation over 2023 was 3.7 percent and 3.8 in December, falling below the target range of 4–8 percent. The NBT reduced the policy rate three times, reaching 10 percent by the end of 2023. As the global inflationary outlook remained subdued, the NBT reduced the policy rate further, to 9.25 percent by May 2024. Despite the easing of interest rates, monetary policy has remained tight, with real interest rates (based on actual inflation) at approximately 6.5 percent in 2023 and 5.6 percent in the first quarter of 2024 (Figure 5). Annual headline inflation registered 3.6 percent in March 2024.<sup>6</sup>

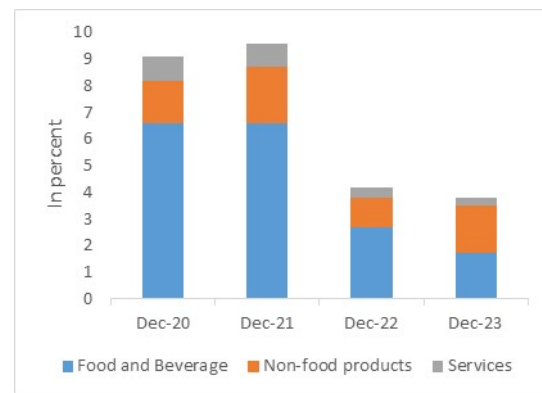
**1.10 Non-food inflation has become the primary factor behind inflation.** Among the main components of inflation on the one hand, nonfood inflation has recorded the highest increase, primarily due to the rise in the price of clothing and footwear, and pharmaceuticals. On the other hand, global fuel prices have declined, leading to a decrease in gasoline and other fuel product prices. Furthermore, due to increased agricultural production and a drop in global food prices, food inflation has slowed, particularly in relation to wheat flour and edible oil, although the price of rice, sugar, and fruit rose significantly. Overall, nonfood items accounted for 47.4 percent of total inflation, and food items accounted for 44.7 percent (Figure 6). A comprehensive analysis of the pass-through effect of world food prices and exchange rate movements on Tajik inflation is provided in Box 2.

**Figure 5. Interest Rates and Inflation**



Source: National Bank of Tajikistan.

**Figure 6. Inflation Components**



<sup>5</sup> In 2023, inflation registered 64.8 percent in Turkiye, 9.8 percent in Kazakhstan, 8.8 percent in Uzbekistan, 7.4 percent in Russia, 7.3 percent in Kyrgyz Republic, 5.8 percent in Belarus, 0.6 percent in Armenia, and 0.4 percent in Georgia.

<sup>6</sup> The tight monetary policy helps control the exchange rate that has high correlation with inflation in Tajikistan.



## Box 2. Passthrough of Shocks to Inflation

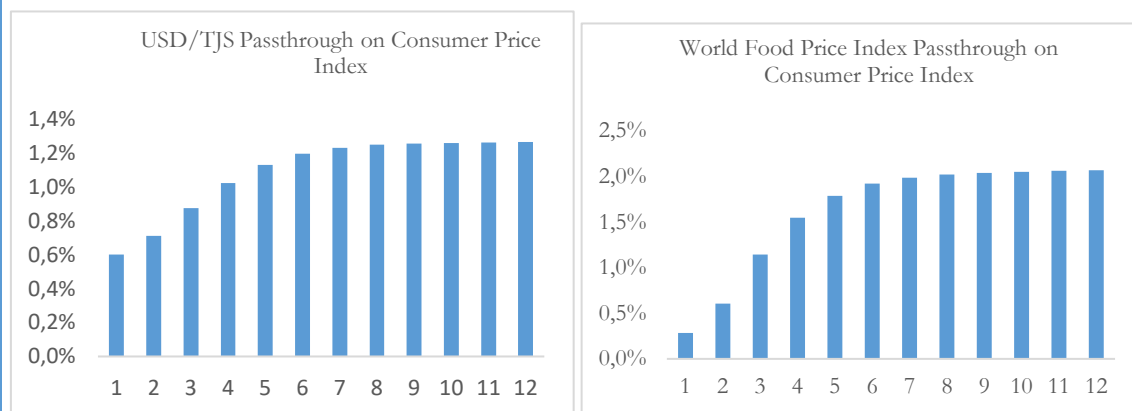
World food prices and exchange rate volatility are among the key drivers of inflation in Tajikistan. Sanctions on Tajikistan's main trade partner, Russia, along with global agricultural disruptions, have raised world food prices. With Russia making up about 30 percent of Tajikistan's imports and total imports constituting around 50 percent of gross domestic product, potential price hikes due to sanctions and reduced remittances amid Russia's economic slowdown may lead to exchange rate volatility, ultimately impacting inflation in Tajikistan.

A Vector Autoregression model is conducted to assess the passthrough of exchange rate and world food price shocks to headline inflation in Tajikistan. The analysis utilizes monthly data on the National Bank of Tajikistan policy rate, world food price index, and end-of-month exchange rate between the U.S. dollar and Tajik somoni (TJS), as well as inflation rates in Tajikistan and Russia for the period spanning April 2007 to December 2023.

The findings indicate that a 10 percent rise in the USD/TJS exchange rate (i.e., somoni depreciation) leads to a cumulative inflation increase of 1.26 percentage points after one year (Figure B2.1). Most of this impact is observed in the first month, amounting to a 0.6 percentage point, and diminishes to below 0.1 percentage point after six months. Similarly, while employing the same model, results show that a 10 percent surge in the World Food Price Index results in a 2.07 percentage point increase in inflation after one year (Figure B2.2). The most substantial impact occurs in the third month, with a rise of 0.53 percentage points (summing up to 1.14 percent, cumulatively, after three months).

**Figure B2 1 Exchange Rate Passthrough to Consumer Price Index Inflation**

**Figure B2 2 Passthrough of World Food Price Shock to Consumer Price Index**



Sources: World Bank Staff calculations.

Note: The horizontal axis represents months following the shock.

**1.11 The NBT employed alternative monetary instruments to alleviate inflationary pressures.** Due to the weak monetary policy transmission channel in 2023, the central bank conducted 108 securities auctions, totaling TJS 8.9 billion, to manage liquidity, control exchange rates, and mitigate inflationary pressures. As of December 31, 2023, the monetary base was TJS 36.3 billion, a 5.6 percent decrease from the previous year. Currency in circulation also decreased by 9.0 percent to TJS 27.0 billion. The decline in currency in circulation was mainly driven by a shift toward noncash payments for government services, reduced demand for cash by financial institutions, and increased public savings.

## 1.5 Financial Sector Developments

**1.12 The banking sector's performance moderated after reaching its peak in 2022.** In that year, banks earned significant profits due to a substantial inflow of remittances and associated foreign exchange operations. As the inflow of remittances started to normalize in 2023, however, the banking sector's performance also adjusted. Return on Assets and Return on Equity declined to 3.7 percent (from 5.9 percent in 2022) and 19.2 percent (from 28.3 percent in 2022), respectively. Capital levels, which were at 25.3 percent in 2022, decreased to 21.3 percent in 2023. While capitalization is above the minimum regulatory threshold of 12 percent, the banking system remains heavily exposed to poor-quality assets. As of the end of 2023, the share of nonperforming loans in the total lending portfolio stood at an elevated level of 12.7 percent, a deterioration compared with 12.2 percent a year earlier.

**1.13 Many particularities of the Tajik banking system compound the vulnerability of the banking system to credit risk.** The first feature is the high contribution of related party lending to nonperforming loans or foreclosed assets. Second, there is a concentration of credit risk, as highlighted by large exposures, especially to SOEs, relative to regulatory capital on a system-wide basis (58 percent as of end-September 2023). Another factor relates to the lack of risk mitigation provided by collateral due to the inefficiency of foreclosure processes, especially in the context of judicial proceedings. A last compounding factor is the indirect credit risk associated with unhedged borrowers, whose indebtedness is denominated in foreign currencies and who are consequently exposed to an exchange rate shock. Although on a declining trend, foreign exchange loans still account for one-third of total loans. All these factors significantly increase the challenges relating to the identification, monitoring, and management of credit risk.

**1.14 High real interest rates have supported an increase in bank deposit, while dollarization remains high.** The relatively high real interest rates discussed above contributed to increased time deposits for individuals, growing from TJS 2.46 billion in December 2022 to TJS 3.15 billion (28 percent year on year) in 2023. For example, the interest rate paid on time deposits at the end of 2023 stood above 13 percent. Similarly, savings deposits increased, amounting to TJS 3.13 billion (40 percent year on year).

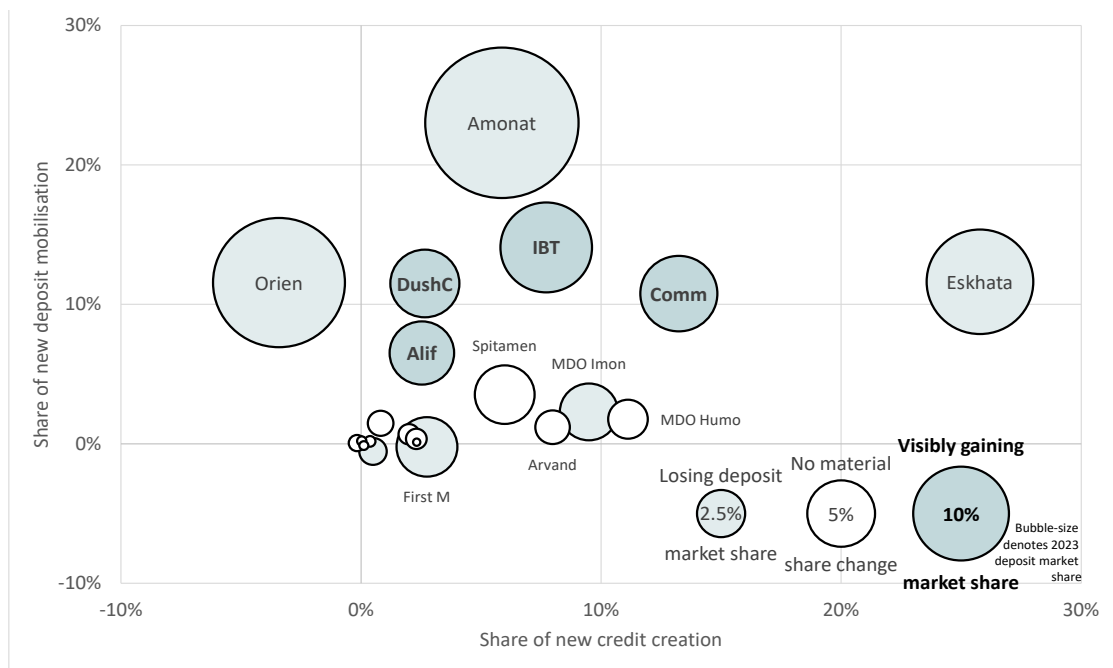
Demand deposits remained nearly unchanged, standing at TJS 22.84 million. Box 3 illustrates a comprehensive overview of the current dynamics in the market share of deposits and credits in Tajikistan's banking sector. The share of deposits in foreign currency increased slightly, to 48 percent, compared with 46 percent in 2022. High dollarization is often a sign of weak macroeconomic stability or low trust in the banking sector, and it limits the effectiveness of interest rate policies and weakens the central bank's control over domestic liquidity. Dollarization can also increase the financial system's vulnerability as the NBT faces challenges in acting as a lender of last resort, resulting in currency mismatch and nonperforming loans.

### Box 3. Dynamics in the Market Share of Deposits and Credits

Tajikistan's deposit-to-gross domestic product (GDP) ratio, historically low at 12–18 percent of GDP, is showing promising signs of growth. As of the end of 2023, the ratio stood at 15 percent of the year's GDP. In the past two years, Tajikistan has witnessed a significant increase in its deposit growth rate, with a net new deposit mobilization per year currently at TJS 5-6 billion, approximately 4-5 percent of GDP per annum. If this trend persists, the ratio of deposits mobilized to GDP could potentially reach 20 percent of GDP by 2025 and 30 percent of GDP by the end of the decade, placing Tajikistan in a strong position among its peers. This positive trajectory is also reflected in the net new credit supply, which has picked up sharply in 2023, running at approximately 3 percent of GDP.

The evolving dynamics of deposits and credits are reshaping the market share of financial institutions. Tajikistan's big three banks have experienced a decline in market share, not only in total assets but also in deposit mobilization, with their combined share dropping from 74 percent at the end of 2019 to 66 percent at the end of 2021 and to 57 percent at the end of 2023. Four mid-size banks (i.e., Alif Bank, Dushanbe City Bank, International Bank of Tajikistan, and Commercial Bank of Tajikistan) have been rapidly gaining market share, with all essentially doubling their deposit market share in two years. The first two banks are primarily focusing on liquidity, while the latter two are making significant strides in the credit market (Figure B3.1).

**Figure B3 1 Market Share Position Regarding New Deposits and New Lending of Individual Banks and Microcredit Deposit Organizations**



Sources: NBT and World Bank staff.

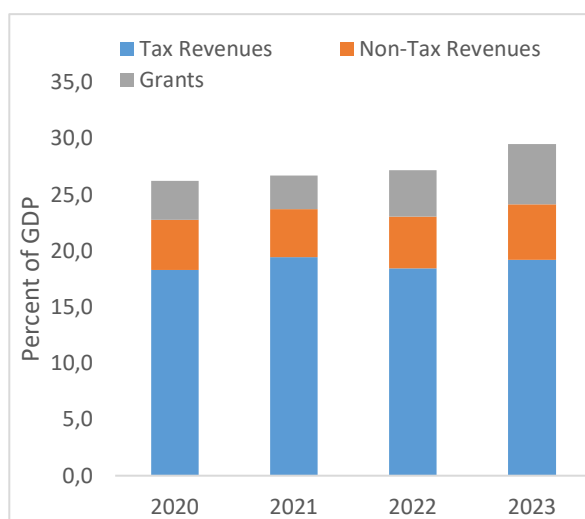
Note: Amonatbank is a public savings bank; MDO = micro-credit deposit organization.

**1.15 In the past two years, the authorities have continued strengthening the regulatory environment in parallel with Financial System Stability Assessment recommendations to address structural inefficiencies. The NBT has taken proactive steps to tighten prudential standards, demonstrating a commitment to maintaining a secure banking sector. New amendments to the Deposit Insurance Law were approved by the lower chamber of Parliament in January 2023. The amendments (i) extend deposit insurance coverage to individual entrepreneurs, small businesses, and noncommercial organizations; (ii) raise the coverage level; and (iii) allow Individual Deposit Insurance Funds to invest in highly rated bonds issued by foreign governments and international financial institutions. In addition, the Tajik government has put in place a fiscal backstop mechanism for emergency situations. The NBT has upgraded the anti-money laundering/combating the financing of terrorism (AML-CFT) framework with a new AML-CFT Law, approved in 2023, which aims to bring Tajikistan closer to international standards, including implementing a risk-based AML/CFT framework and disclosing ultimate beneficial ownership.**

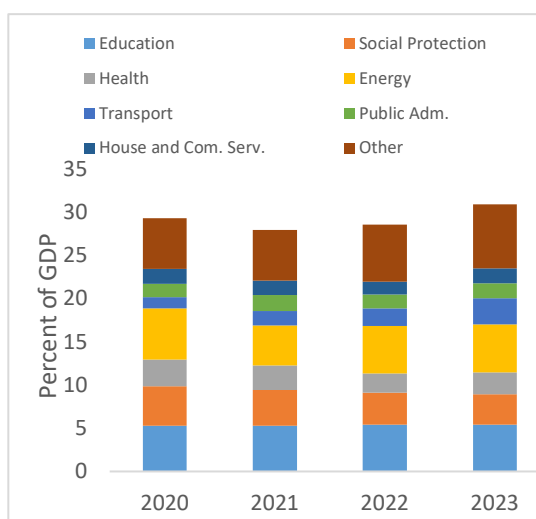
## 1.6 Fiscal Policy

**1.16 In 2023, increased tax revenues and grants offset the expansion in government spending, leaving the fiscal deficit unchanged.** The overall fiscal deficit remained at approximately 1.4 percent of GDP in 2023. Tax revenues, as a share of GDP, increased from 27.2 percent in 2022 to 29.5 percent last year (Figure 7). The most substantial increase was in indirect taxes, which accounted for almost two-thirds of total tax revenue in 2023, primarily driven by value-added tax (VAT) collections. This was complemented by higher customs duties and external excises, which grew in line with import growth, alongside the reduction of tax exemptions for certain imported goods.<sup>7</sup> Moreover, higher grant disbursements under donor-financed public investment programs, which grew from 3.2 percent of GDP in 2022 to 4.9 percent in 2023, further enhanced the fiscal position.

**Figure 7. Revenue Sources**



**Figure 8. Expenditures by Sectors**



Source: Ministry of Finance of the Republic of Tajikistan.

**1.17 Capital and current expenditure growth raised total expenditures by 2.4 percent of GDP to 30.9 percent in 2023.** Expansion in recurrent spending was chiefly fueled by rising wage bills and substantial utility payments, accounting for 47 percent of the total spending increase. Meanwhile, growth in capital expenditure, which accounted for the

<sup>7</sup> The government has initiated revisions to import exemptions to counterbalance the impact of lower VAT rates and alleviate their revenue effects. In response to reducing the VAT rate from 18 percent to 15 percent, as stipulated in the new 2022 Tax Code, authorities gradually reduced import exemptions in FY2023. This entails replacing full VAT exemptions with partial exemptions for goods and services imported by state enterprises and construction companies. Additionally, the 2023 Budget Law has replaced the 100 percent VAT exemption with a 50 percent reduction in the VAT rate for imports of electricity, seeds, and livestock feed. Furthermore, measures to streamline and phase out inefficient tax exemptions have been integrated into the agenda of the recently approved Medium-Term State Revenue Program for 2024–2029 to enhance revenue generation.

rest of the total spending increase, primarily reflected significant investments in transport infrastructure projects under public investment programs, supported by domestic financing targeting the strategic energy sector (Figure 8). Escalation in current spending primarily stemmed from wage bill expenditures that climbed from 5.9 percent of GDP in 2022 to 6.3 percent in 2023. This increase was influenced by the full-year impact of wage adjustments implemented from July 2022, coupled with the half-year effect of ongoing salary increments in the education, health, and social protection sectors, amounting to 20 percent from July 2023. Furthermore, 2023 marked the second consecutive year of 20–25 percent wage increases for military, police, and law enforcement personnel. Government spending on utility payments rose by 0.3 percent of GDP due to escalating electricity tariffs. Capital expenditure saw significant investments in donor-funded transport and communication infrastructure projects, with domestic capital spending primarily targeting the Rogun Hydropower Plant (HPP) project.

**1.18 Heightened public expenditure in 2023 has predominantly been channeled toward the transport, energy, and defense sectors.** The proportion of expenditures allocated to the transport sector increased from 2.0 percent of GDP in 2022 to 3.0 percent in 2023. Larger energy spending relating to Rogun HPP, with allocation increasing from 3.3 percent of GDP in 2022 to 4.0 percent in 2023, hence accounting for 28.8 percent of total 2023 capital expenditures. Budgetary allocations to defense and public safety also experienced notable growth between 2022 and 2023, increasing from 3.1 percent of GDP to 3.6 percent of GDP. In contrast, the share of social sector expenditures (including education, healthcare, and social protection) saw a marginal growth of 0.2 percent of GDP, rising to 11.5 percent of GDP in 2023. While high outlays of the energy and transport sector are aligned with the objectives of Tajikistan’s National Development Strategy-2030 to eliminate the energy deficit and end the communication deadlock, it is also crowding out more allocations for the social sectors of the economy.

**1.19 Despite recent reforms, the allocation under the Targeted Social Assistance (TSA) program remains meager, at 0.1 percent of GDP, which limits its efficacy in poverty alleviation.** The number of beneficiary households under the TSA program increased from 220,484 households in 2022 to 229,748 in 2023 and further to 238,970 in 2024. With an average household size of 5.7 people in Tajikistan, the TSA currently covers around 13.5 percent of the population, compared to 21.2 percent living in poverty. In a bid to bolster targeting accuracy, a means-test mechanism was adopted in July 2023, prioritizing the size of the TSA amount based on the number of children under 16 years old in a household.<sup>8</sup> Consequently, the annual TSA cash allowance rose by nearly 40 percent between 2022-2024, rising from TJS 512 (approximately US\$50) in 2022 to TJS 612

---

<sup>8</sup> The formula is based on a calculation index, which is set annually in Tajikistan’s State Budget Law as a reference index for several purposes, including for indexing certain taxes and penalties. According to revised formula, the benefit allowance became equal to 9 calculation indices (TJS 68, or US\$6.2) in 2023 and was supported by additional 0.5 calculation indices (TJS 34) for each child.

(approximately US\$56) in 2023, and TJS 720 in 2024 (approximately US\$66), supplemented by an additional TJS 34 for each child per year in 2023 and TJS 72 in 2024. Nonetheless, the allocation under the TSA program remains modest. TSA benefits per family per month equaled to 8.5 percent of the minimum wage of TJS 600 and 2.5 percent of the average wage of TJS 1013.11 in 2023.

**1.20 Robust GDP expansion and debt reimbursements led to a downward trajectory in the public debt-to-GDP ratio.** The public and publicly guaranteed (PPG) debt-to-GDP ratio fell from 32.5 percent of GDP in 2022 to 30.5 percent in 2023, primarily due to the rapid GDP growth rate that outpaced the expansion of public debt. The PPG external debt, constituting nearly 90 percent of total public debt, decreased as a proportion of GDP from 28.5 percent in 2022 to approximately 27.2 percent in 2023. External debt stock remained nearly unchanged in U.S. dollar terms by the end of 2023, primarily due to debt servicing payments, which nearly offset new external disbursements in the amount of US\$175 million. Domestic debt exhibited a parallel trend, receding to 3.3 percent of GDP in 2023 from 4 percent in 2022. Repayments on banking sector bailout bonds contributed to the reduction of domestic debt in nominal terms. The creditor composition remains unchanged, with approximately 80 percent of external PPG debt evenly split between bilateral and multilateral creditors. The Export-Import Bank of China remains Tajikistan's principal creditor, comprising nearly one-third of total external debt. Other prominent lenders include the World Bank and the Asian Development Bank, holding shares of 11.5 percent and 8.3 percent, respectively. Commercial loans, in the form of the Eurobond, constitute approximately 15.4 percent of total PPG external debt. Domestic debt primarily comprises bailout bonds, utilized for the recapitalization of two major commercial banks and credit extended by the NBT.

## 1.7 Poverty Developments

**1.21 Robust remittance inflows and domestic wage income have been pushing the poverty rate down.** According to official figures, the national poverty headcount rate fell from 22.5 percent in 2022 to 21.2 percent in 2023.<sup>9</sup> Income from migrant remittances and domestic real wages is considered to have played a significant role in reducing poverty in Tajikistan. Urban as well as rural poverty rates have been gradually declining, with rural poverty standing at around 23.9 percent and urban poverty at around 9.6 percent as of 2023, with nearly 90 percent of the poor living in rural areas in 2023. Poverty, based on household budget survey data and under the international line for the lower middle-income country (US\$3.65 in 2017 purchasing power parity), is estimated to have declined from 14.4 percent in 2022 to 13.5 percent in 2023.

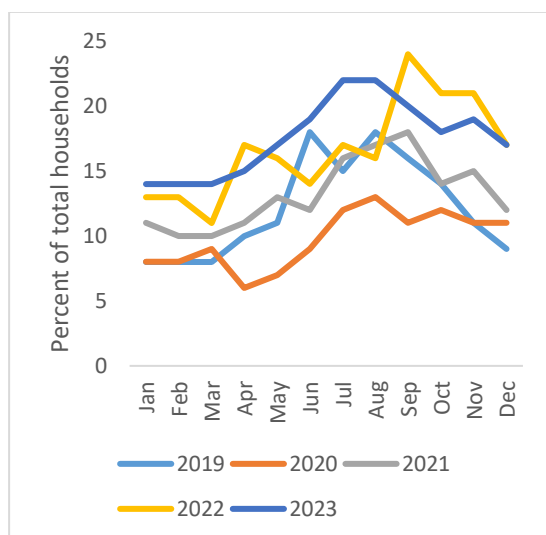
---

<sup>9</sup> The national poverty line is TJS 16.02 per person per day, while the national extreme (food) poverty line is TJS 10.90 per person per day in 2023 November prices.

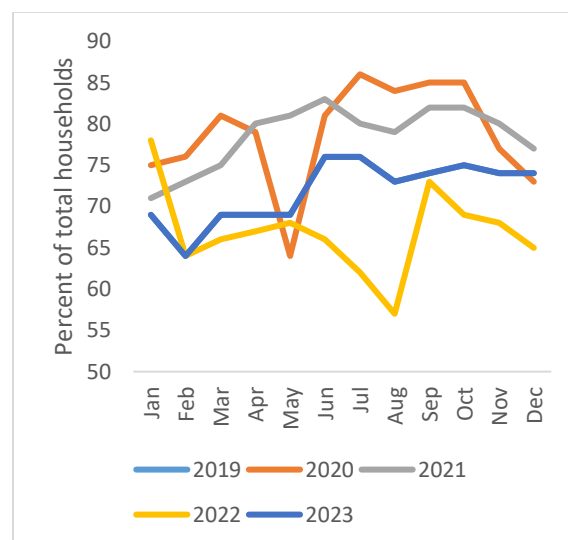
**1.22 The scarcity of job opportunities and low wages continue to drive ongoing labor migration.** Wages that Tajik's can earn in Russia are much higher than those domestically. Construction remains the most sought-after sector, with workers earning an average of US\$810 per month in Russia<sup>10</sup> compared to US\$277 in Tajikistan in 2023. Similarly, wages in retail trade averaged US\$608 per month in Russia versus US\$154 in Tajikistan, while average monthly salaries in communal services reached US\$612 in the host country compared to US\$111 in the domestic labor market in 2023. According to the Listening2Tajikistan panel survey, about 42 percent of households had a migrant member, and the share of households receiving remittances rose marginally, from 17 percent in 2022 to 18 percent in 2023 (Figure 9).

**1.23 The local employment situation during 2023 was slightly better than in 2022, although still much worse than the pre-pandemic period.** About 72 percent of households reported to have received any employment income compared to 82 percent in 2019 (Figure 10). Despite real wage growth of 7.2 percent in 2022 and a further increase of 10.3 percent in 2023, household incomes remain inadequate. At an average monthly wage level of TJS 133 (US\$186), households with a minimum of four children struggle to meet basic needs.

**Figure 9. Remittances Received**



**Figure 10. Any Employment Income**



Source: Listening2Tajikistan panel survey.

**1.24 Despite advancements in poverty reduction, food insecurity and income inequality persist in the country, accompanied by the deteriorating nonincome dimensions of living conditions.** Inequality has been increasing as consumption has expanded for nonpoor households more rapidly than for poor households. The Gini

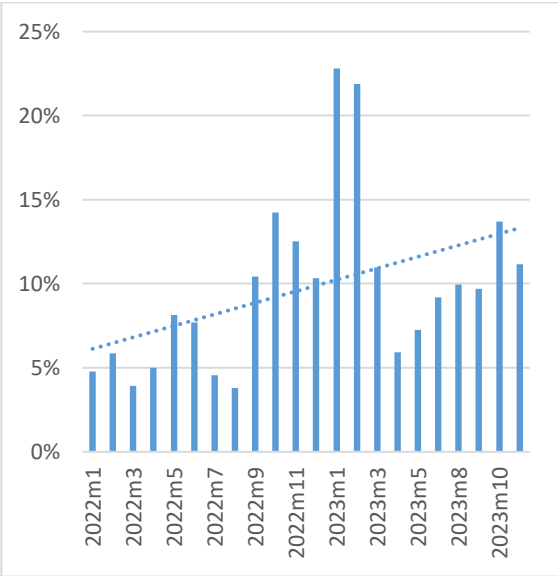
<sup>10</sup> Federal State Statistics Service of the Russian Federation.



Coefficient stood at about 38 percent in 2023, signaling large societal inequality. According to the 2023 Listening2Tajikistan survey, 15 percent of households reported experiencing hunger (compared with 7 percent in 2022), 16 percent ran out of food, and over 34 percent reported eating less (the latter compared with 25 percent in 2022). Additionally, several key nonincome aspects of living conditions have deteriorated, with water and electricity supply shortages having increased. The share of households experiencing water supply outages increased from approximately 8 percent to 12 percent between 2022 and 2023, and the share experiencing electricity outages increased from 18 percent to 24 percent over the same period (Figure 11 and Figure 12).

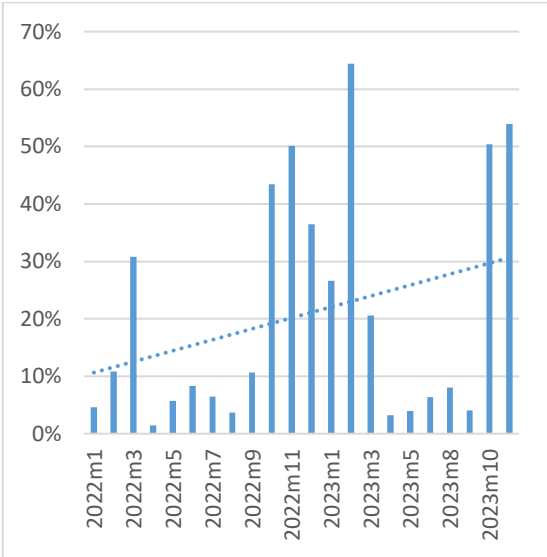
**Figure 11. Water Supply Disruptions in the Past 10 Days**

(share of households)



**Figure 12. Electricity Outages in the Past Two Days**

(share of households)



Source: Listening2Tajikistan panel survey.

# ECONOMIC OUTLOOK AND RISKS

## 2.1 Global and Regional Outlook

**2.1 Global growth is projected to stabilize at 2.6 percent in 2024 after decelerating for three consecutive years.** Last year's slowdown is attributed to flaring geopolitical tensions, high interest rates aimed at reducing above-target inflation, fiscal consolidation, and sluggish global trade and investment. Despite some improvement, the near-term outlook remains subdued as global growth in 2024-2025 is expected to be below its 2010-2019 average, with a slower pace of expansion in economies comprising over 80 percent of the global output and population. (Figure 13). Near-term prospects continue to diverge, however, within advanced economies as well as within emerging markets and developing economies (EMDEs). Aggregate growth in advanced economies is set to remain at 1.5 percent in 2024, driven by resilient growth in the United States that is expected to offset subdued activity in the euro area and Japan. Growth in EMDEs is forecast to decelerate to 4 percent this year from 4.2 percent in 2023 as China's deceleration, and the ongoing weakness among vulnerable EMDEs is projected to be offset by firming growth in other EMDEs mainly due to improvements in domestic demand and a recovery in trade. (Figure 14). Global inflation has continued to decline, though at a slower pace than previously anticipated, and is forecast to gradually decelerate toward average inflation targets by 2026.

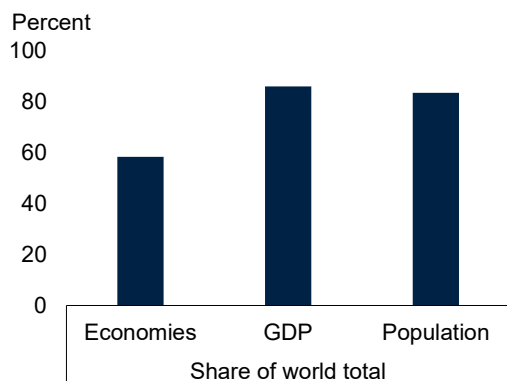
**2.2 Global trade is expected to grow by 2.5 percent and 3.4 percent in 2024 and 2025, respectively, in tandem with a pickup in growth in the euro area and EMDEs excluding China.** Nevertheless, global trade is set to register the slowest half-decade of growth in 2020-2024 since the 1990s, mirroring subdued global GDP growth. The trade outlook is subject to various downside risks, as the number of implemented trade policy interventions restricting trade has already tripled in 2022-2024 compared to the 2017-2019 period, and the upcoming elections in several economies could heighten trade policy uncertainty.

**2.3 According to April 2024 forecasts, commodity prices are expected to decline slightly in the 2024-2025 period but should remain well above their pre-pandemic levels.** The persistence of high commodity prices, despite subdued global economic growth, can be attributed to tight supply conditions and signs of improving industrial activity. Crude oil prices, despite the volatility triggered by the conflict in the Middle East, are expected to edge down for the remainder of 2024 and decrease further in 2025, driven by the partial unwind of OPEC+ supply cuts and expanding non-OPEC+ production. The gold price, a major component of the precious metals index, has reached a record high and is expected to remain elevated throughout 2024 and decrease slightly next year. This price surge is

driven by strong demand that tends to occur during periods of heightened geopolitical uncertainty, in addition to the reserves management strategies of several central banks.

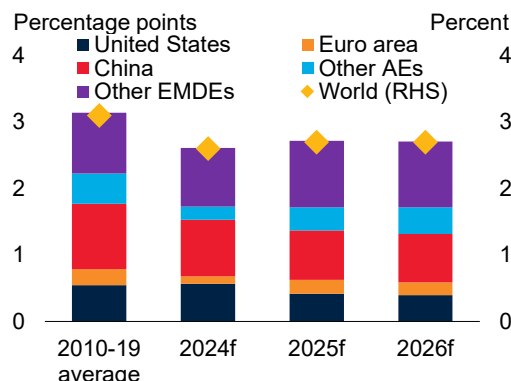
**Figure 13. Lower average GDP growth in 2024-2025 compared to 2010-2019**

“Economies” refers to the share of countries, “GDP” refers to the share of world GDP, and “population” is the share of the world population.



**Figure 14. Contributions to Global Growth**

GDP aggregates are calculated using real U.S. dollar GDP weights at average 2010-2019 prices and market exchange rates.



Sources: UN World Population Prospects; World Bank

Note: e = estimate; f = forecast. AEs = advanced economies; EMDEs = emerging market and developing

## 2.2 Tajikistan’s Outlook

**2.4 Tajikistan’s 2024 GDP growth is anticipated to remain robust, aligning with moderating remittance inflows and the normalization of exports.** Remittance inflows are forecast to moderate, reflecting an anticipated economic deceleration in Russia from 3.6 percent in 2023 to 2.9 percent in 2024, driven by stringent monetary policies and adverse fiscal impulses. Consequently, this is expected to contribute to a moderation in Tajikistan's economic growth to 6.5 percent in 2024. Without structural reforms, the economy's growth potential is estimated at about 4.5 percent over the medium term. Poverty, at the US\$3.65 line (in 2017 purchasing power parity), is projected to decline from 10.7 percent in 2023 to 9.2 percent in 2024.

**2.5 Private consumption and investment are poised for slower growth as remittance inflows moderate.** Net exports are projected to decline, influenced by a high base effect from 2022 and the import of construction materials associated with the Rogun HPP. Growth in services is expected to moderate in line with remittance inflows. Nevertheless, economic expansion is expected to be bolstered by the expansion of industrial output, particularly in food processing and extractives. Continued implementation of public infrastructure projects in the energy, transport, and residential construction sectors is anticipated to propel growth in the construction industry.

**2.6 Inflationary pressures are anticipated to edge up, driven by rising tariffs, currency depreciation, and higher public sector wages.** Inflation is projected to increase from 3.8 percent in 2023 to 4.7 percent in 2024. This upward trend is propelled by 16 percent electricity tariff hikes for all consumers commencing in January 2024, which consequently elevates production costs. Additionally, a projected 40 percent wage increase for budget organizations in 2024 is likely to contribute to inflationary pressures.<sup>11</sup> In the medium term, prudent monetary policy is expected to maintain inflation within the NBT target range of 6 percent, plus or minus 2 percent.

**2.7 Tajikistan's current account balance is projected to stabilize at about 3.5 percent of GDP in 2024.** This outlook hinges on moderating remittance flows and decreased prices for key export commodities, reflecting moderate growth prospects in advanced economies and in China. While FDI inflows are anticipated to modestly recover from recent low levels, they are expected to remain relatively subdued unless Tajikistan substantially improves the environment for doing business. Moderating remittance inflows and increased import requirements stemming from the construction of the Rogun HPP may exert pressure on currency depreciation over the short and medium terms. The current account balance is expected to be 2.5–3 percent of GDP in the medium term.

**2.8 The 2024 budget envisages deterioration in its fiscal balance in light of potential revenue loss arising from the ongoing implementation of the Tax Code.** Tajikistan's fiscal outlook indicates a projected expansion of the budget deficit from 1.4 percent of GDP in 2023 to 2.5 percent in 2024, primarily due to a decrease in tax revenue collection from 19.7 percent of GDP in 2023 to approximately 18.3 percent of GDP in 2024. This decline is largely attributed to the planned reduction in the VAT rate from 15 percent to 14 percent, as stipulated in the recently adopted Tax Code. Implementation of this measure at the outset may result in revenue losses from domestic and external VAT collection, the primary revenue source that accounts for nearly two-thirds of total taxes. At the end of 2023, the government adopted a Medium-Term State Revenue Program for the 2024–2029 period to address the domestic revenue shortfall.<sup>12</sup> Overall expenditures are anticipated to remain consistent with 2023 levels, with external financing for the Rogun HPP, and planned wage bill increases offset by expenditure reprioritization and policy

---

<sup>11</sup> Based on the President's Address to the Parliament on December 28, 2023, the government has increased the wages of military and law enforcement personnel by 40 percent, effective January 2024. The minimum wage will be raised from July 2024 by 33 percent, from TJS 600 to TJS 800. A 40 percent salary increase from July 2024 also will apply to all other sectors, including government administration, education, health, and social protection. In addition, student stipends will be raised by 40 percent and pensions (insurance, labor, and social) will be increased by 30 percent in July 2024.

<sup>12</sup> According to the Medium-Term State Revenue Program, the authorities have committed to attaining more revenue mobilization by (i) streamlining and phasing out inefficient tax exemptions; (ii) refraining from granting new tax exemptions; (iii) restricting, completely, benefits for individuals; (iv) digitizing transactions, and (v) improving tax and customs administration. The program envisages increased state revenues to over 26 percent of GDP by 2026 and 29 percent of GDP by 2029.

constraints on nonpriority capital spending. Financing of the Rogun HPP is expected to involve a combination of domestic funding, grants, and concessional and semi-concessional borrowing from development partners. External financing is projected to predominantly cover the budget deficit, while the contribution from domestic sources is modest. Nevertheless, if the increase in nonpriority capital spending materializes, the fiscal deficit may deteriorate further to the level of 3 percent of GDP and result in an expansion of public debt in 2024.

**2.9 The updated Debt Sustainability Analysis for Tajikistan indicates that debt is sustainable while the overall risk of debt distress is high.** The analysis updated construction costs based on new estimates and financing plans relating to the Rogun HPP. The analysis concluded that public debt remains on a sustainable path, anchored by the authorities' commitment to maintain a fiscal deficit of 2.5 percent of GDP over the medium term. Under the baseline scenario, the total PPG debt-to-GDP ratio will decline from 32.5 percent in 2022 to below 31 percent in the period 2027–2030 once Tajikistan's Eurobond is repaid, and it will stabilize at about 32 percent by 2033. Tajikistan's high risk of debt distress mainly results from the breach of the external PPG debt service-to-export indicator in the 2025–2027 period. Debt service will peak during this period as a result of principal repayments due on the Eurobond (US\$500 million) and the IMF's Rapid Credit Facility loan (US\$190 million). This indicator also shows high vulnerability in stress tests, especially shocks to exports, contingent liabilities, and commodity prices.

## 2.3 Risks to the Economic Outlook

**2.10 The economic outlook for Tajikistan is subject to significant risks arising from the challenging global and regional geopolitical environment.** Despite the country's economy demonstrating resilience thus far, a potential escalation of the situation in Russia's invasion of Ukraine and the imposition of secondary sanctions that could weaken the Russian economy pose notable risks to the outlook. Furthermore, Russia's tightening of migration policies, observed after the deadly 2024 Moscow attack, may disrupt labor migration patterns from Tajikistan, resulting in a sharper reduction in remittances and exerting downward pressure on economic growth and poverty.

**2.11 Geopolitical tensions in the Middle East may contribute to upward pressure on energy and logistics costs. Given Tajikistan's reliance on imports, fluctuations in global prices have a notable impact on domestic inflation.** Tightening monetary policies globally may dampen demand, thereby suppressing the price of goods. However, recent geopolitical developments in the Middle East have introduced additional uncertainties to the global supply chain, particularly affecting oil and gas prices. Moreover, increased shipping costs between Asia and Europe, resulting from cargo rerouting following incidents in the Red Sea, further compound the economic challenges faced by Tajikistan.

**2.12 Domestic challenges primarily relate to promoting structural reforms to open up the economy for better private sector participation and to improving public sector**

**governance, transparency, and accountability.** To tackle the long-term structural weaknesses of the private sector in Tajikistan, it is crucial to remove barriers to competition, trade, and foreign direct investment, as well as to liberalize the backbone sectors of the economy, such as telecom and aviation<sup>13</sup>. The government needs to overhaul the state aid regime to create a level playing field in the economy and remove inefficient tax exemptions. In addition, Tajikistan needs to address its pronounced weaknesses in public institutions and SOE governance to support improved transparency and inclusive public service delivery. Maintaining fiscal discipline, avoiding non-concessional external borrowing, expanding and diversifying exports, and containing contingent liabilities from SOEs will help reduce public finance vulnerabilities. These reforms will also support the timely completion of the Rogun HPP, based on sound governance, financial, and macro-fiscal framework. The construction of Rogun HPP and the repayment of the Eurobond in 2025–2027 will continue to place pressure on the state budget. Tajikistan is also highly vulnerable to climate change and natural disasters. This requires implementing the measures outlined in the National Strategy for Adaptation to Climate Change 2030 and the Green Economic Development Strategy 2023–2037.

---

<sup>13</sup> See Tajikistan Economic Update (Summer 2023 edition) for more detailed analysis and policy recommendations to resolve these structural weaknesses.

# SPECIAL TOPIC:

## Assessment of the Footprint of State-Owned Enterprises and Competitive Neutrality

*This special focus chapter seeks to complement the Tajikistan Integrated State-Owned Enterprises Framework (iSOEF) Assessment (World Bank 2023b). The analysis provides a comprehensive understanding of the potential impact of SOEs on private sector development in Tajikistan by violating competitive neutrality principles and causing market distortions.*

**Government interventions can influence the competitive pressure in the domestic market in various ways and thereby affect the performance of firms operating in the market.** Firms operating in a competitive environment are more likely to innovate and increase their productivity, which, in turn, boosts investments, generates employment, speeds up economic growth, and improves overall welfare.<sup>14</sup> Government interventions can influence competition by incentivizing firms to enter, compete, and grow through two channels. The first channel is direct, involving government participation in the market through SOEs and ensuring fair competition by applying the principle of competitive neutrality. The second channel is indirect, where governments can foster or deter competition by acting as regulators, setting the rules under which firms can enter and compete, and as referees, enforcing antitrust rules to deter, prosecute, and sanction anti-competitive practices. This chapter examines the most recent evidence regarding the extent of direct involvement of the Tajik state in the market through SOEs and assesses to what extent the country has been able to create a level playing field between SOEs and private market actors. While there may be a rationale for state involvement through SOEs<sup>15</sup>, such engagement can distort market functioning by giving preferential treatment to SOEs that are not offered to private companies.<sup>16</sup> Complementary to the recommendations on SOE governance and fiscal management presented in the 2023 iSOEF assessment, the current assessment intends to distill recommendations to streamline the state's involvement in the economy and to put in place safeguard mechanisms to ensure fair competition between SOEs and private peers.

---

<sup>14</sup> Aghion and Griffith 2005; World Bank 2023c.

<sup>15</sup> Such may be the case when the market cannot supply a public good or service (market failures caused by externalities) or in “natural” monopoly industries with significant scale economies, a single producer or supplier, such as an SOE may be needed to achieve optimum efficiency.

<sup>16</sup> Due to the focused nature of this chapter, a broader assessment of competition outcomes, e.g., market dynamics in terms of firm level entry or growth, or the legal and insitutional capacity to implement an effective antitrust framework are not covered.

### 3.1 State Footprint and Implications for Competition

SOE footprint is heavy, encompassing sectors with unclear economic rationale for state presence.

**3.1 Despite the privatization efforts of past decades, Tajikistan’s economy continues to maintain a substantial presence of SOEs.** According to official statistical data as of 2023, more than 1,000 enterprises with public equity are registered in the republic, of which more than 600 are majority-owned by the state. Following independence from the Soviet Union in 1991, many Tajik enterprises lost their economic viability due to a sizeable change in relative prices, a sharp drop in demand, and a collapse of trade arrangements among countries of the former Soviet Union. The privatization process commenced with small-scale enterprises in the 1990s and continued with the sale of state equity stakes in medium-scale enterprises in the 2000s. By 2023, Tajikistan had privatized and liquidated over 13,000 enterprises, primarily in agriculture, trade, and services, leaving about 1,000 enterprises with state participation (World Bank 2023b, p 1). Even though there were continued efforts to sell government assets in the 2000s, the pace of privatization has slowed in the past decade. Moreover, the establishment of new SOEs has somewhat undermined previous privatization efforts. Despite the privatization of hundreds of enterprises, the overall number of SOEs declined only modestly, indicating a concurrent creation and liquidation of such entities. Detailed information on these developments remains limited, underscoring the importance of conducting a separate study to draw lessons from past privatization experiences and to address the potential risks in relation to future privatization endeavors in Tajikistan. Identifying the political economy constraints that may have slowed the government’s privatization efforts in recent years warrants a dedicated analysis. Although this topic extends beyond the scope of the current assessment, it remains important to highlight a few stylized facts informed by experiences from other countries (Box 4).

#### Box 4. Political economy factors in SOE privatization processes

Privatizations of SOEs in developing countries typically encounter a range of political economy factors. First, political will or public support is vital to any successful privatization program, which may be lacking due to concerns over job losses and the potential for increased tariffs on services.

In general, gains from privatization have been harder to achieve and sustain in sectors where the social implications of tariff adjustment make private participation more of a challenge, such as water. Second, inadequate regulatory frameworks can lead to market monopolies and discourage investor interest. Reviews show that privatization or private sector participation yields benefits when accompanied by proper policy and



regulatory frameworks. Third, the SOEs may be overvalued due to optimistic revenue projections or undervalued due to political pressures to privatize fast, even under unfavorable macro conditions, complicating the sale process. At times, inefficient and failing SOEs get bailed out rather than liquidated, delaying privatization until it has to be carried out for fiscal reasons, which, however, suppresses privatization revenues – due to high interest rates (caused by budget deficit) and the fire-sale effects. Fourth, there can be a lack of transparency and accountability paired with weak institutional frameworks in the privatization process, leading to public distrust and potential legal challenges. For example, in some European countries, privatization at discount prices created a class of powerful oligarchs, turning public opinion against it. Lastly, the macroeconomic instability of a country can deter investment and complicate the valuation of assets, as the case of Bulgaria’s privatization process in the 1990s showed, where the country faced significant economic turbulence, including high inflation and political instability.

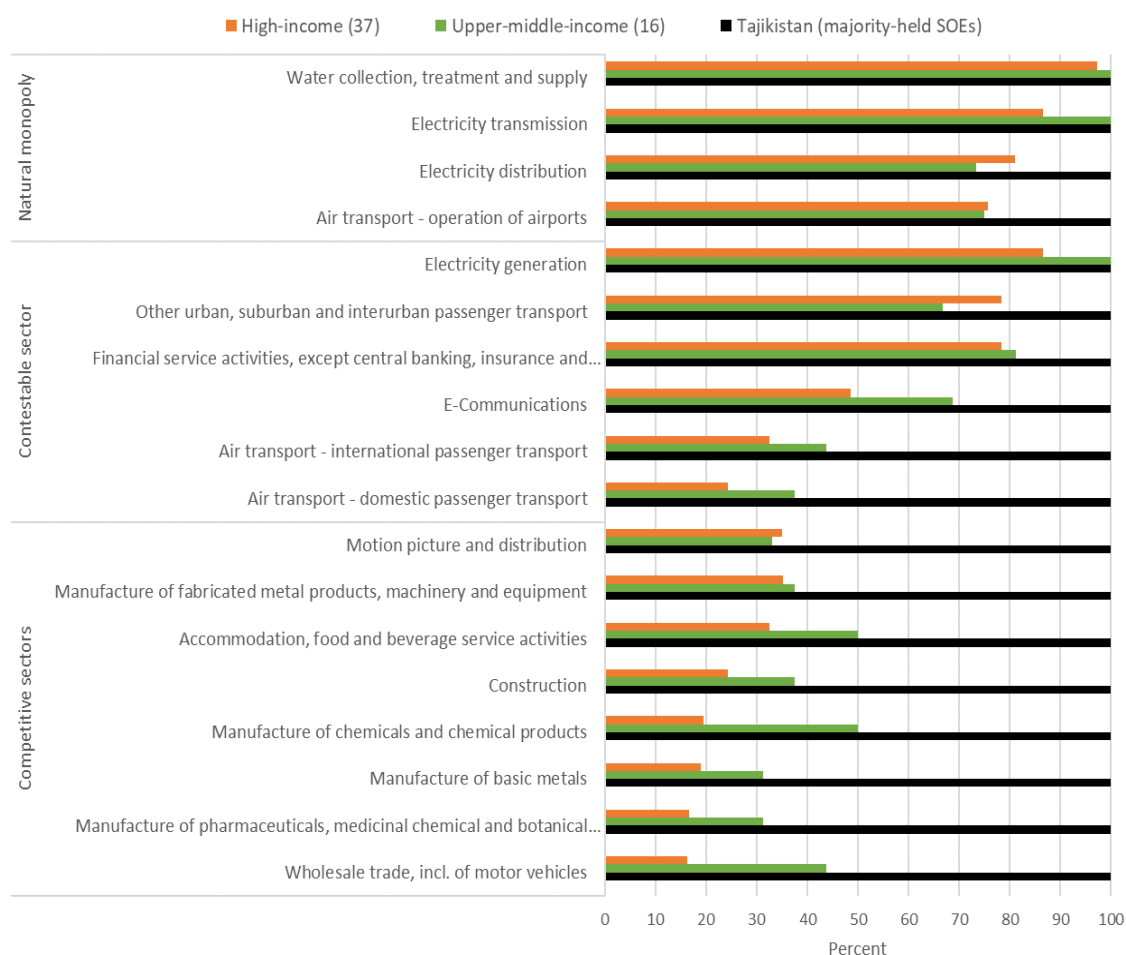
*Sources.* World Bank 2023c; Megginson and Netter, 2001; Boubakri and Cosset, 1998; Shirley and Walsh, 2000; Birdsall and Nellis, 2003, Cook and Uchida, 2003, Nellis 2001; Kikeri and Kolo 2005; Estache 2004, Guriev 2017.

### **3.2 Tajikistan maintains a state presence across various economic sectors, with at least one SOE present in each key economic sector where it holds a controlling majority.**

More importantly, SOE presence in the economy spans competitive sectors where private sector operations are viable. Most SOE assets are concentrated in the 27 largest public interest entities (Annex 2), with the top 10 SOEs holding 97 percent of total SOE assets (World Bank 2023b, p 15). These SOEs are primarily in important sectors, such as mining, chemicals, finance, energy, telecoms, and transport. Considering all SOEs in the economy—and not only the largest ones—evidence suggests their presence spans a much wider set of sectors, including those where the rationale for state presence is unclear (Box 1). Notably, SOEs are not confined to natural monopoly sectors—characterized by high barriers to entry, economies of scale, or subadditive cost structures that preclude the viability of multiple operators—but also are found in partially contestable sectors, where market imperfections, such as externalities, could result in service under-provision. Furthermore, their presence extends to competitive sectors, where few to no barriers to entry are present and which are commercially viable for multiple firms to operate within, thus raising concerns about the necessity of state involvement. OECD Indicators of Product Market Regulation (OECD 2024) benchmarking data show that SOE presence across economic activities in Tajikistan is significantly higher than most upper-middle-income or high-income countries (Figure 15), especially in contestable and competitive sectors. Sectors in Tajikistan such as the manufacturing of chemical products or pharmaceuticals, manufacture of basic metals, or accommodation—where state presence has diminished in many upper-middle-income- and high-income countries—still have SOEs. Additionally, the country maintains SOEs in

sectors like telecommunications and the production of construction materials (e.g., Cementi Tojik).

**Figure 15. Probability of Having at Least One State-Owned Enterprise Present in a Sector or Subsector**



Source: World Bank staff elaboration, based on OECD (2024) data.

Note: OECD-WBG benchmarking data is available for 37 high-income and 16 upper-middle-income countries. For the definition of competitive, contestable, and natural monopoly sectors, see Box 1. Air transport: Tajik Air still exists as a legal entity; however, the company went bankrupt in recent years and is no longer operating. E-communications includes a teleradio company.

## Box 5. State-Owned Enterprise Footprint Mapping: A Sector Taxonomy

Analysis of the state-owned enterprise (SOE) footprint mapping applied here follows the innovative approach of *The Business of the State* (World Bank 2023c) and introduces a novel sector taxonomy. This taxonomy classifies, under NACE standards<sup>1</sup>, four-digit sectors into three categories based on their economic structure, underlying market failures, and rationale for state participation: competitive, partially contestable, and natural monopoly. This unique classification not only provides a comprehensive understanding of the sectors but also tailors potential reform options for the SOE sector. The rationale and specific underlying methodological principles of this taxonomy are detailed in Dall’Olio et al. (2022). The three main categories of SOE activities are defined as follows:

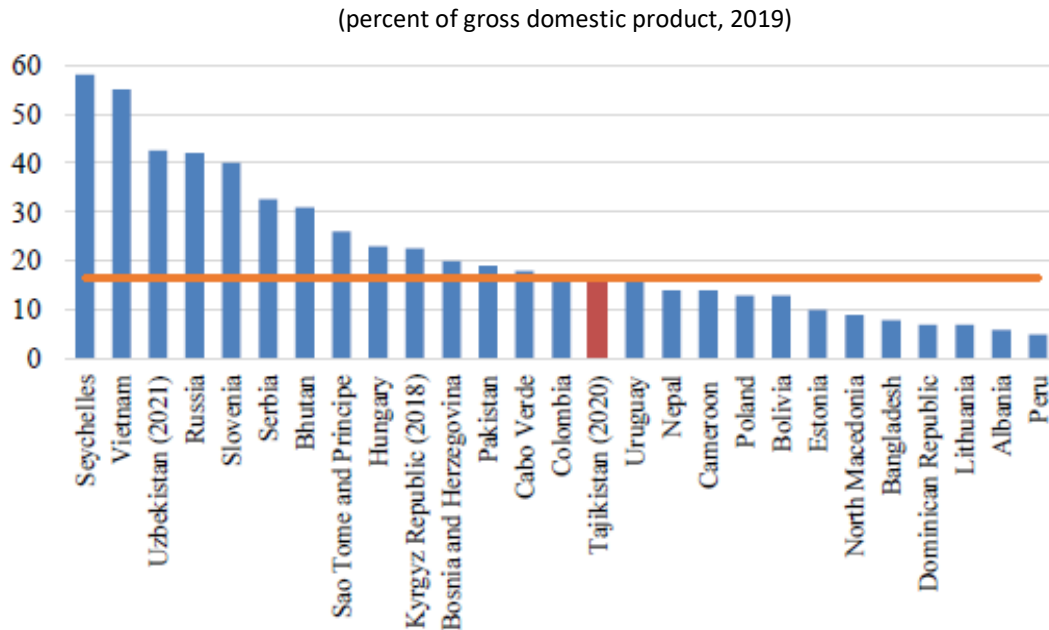
- **Competitive sectors** comprise activities that can be efficiently provided by the private sector (e.g., with little to no entry barriers and commercially viable for multiple firms to operate). Examples are the manufacture of food and apparel.
- **Partially contestable sectors** include activities that exhibit some market failures (e.g., externalities) that may lead to under-provision of service. Examples are aviation and banking.
- **Natural monopolies** cover activities that are not economically viable for more than one operator (e.g., high entry barriers, scale economies, or subadditivity cost structures). Examples are water distribution and electricity transmission.

<sup>1</sup> Standard Statistical Classification of Economic Activities in the European Community (NACE) (European Union 2023).

**3.3 Although Tajik SOEs operate across multiple sectors, their economic impact remains constrained by operational inefficiencies.** Data from TajStat and the Ministry of Finance indicate that in 2020, 349 SOEs collectively generated gross revenue exceeding TJS 13.5 billion, equivalent to 16.1 percent of GDP, which was at a median for comparator countries where data was available (Figure 16) (World Bank 2023b). Although many SOEs operate in water supply, real estate, and other commercial activities, their revenue contribution is relatively low, accounting for approximately 3 percent of total SOE revenues. In contrast, despite fewer SOEs operating in the energy sector and mining, their combined revenue constitutes around 13 percent of total SOE sector revenue or sales turnover (World Bank 2023b). Some SOEs have diversified structures, which complicate the delineation of their activities across various business lines. Due to data constraints, determining the exact role of SOEs in national employment remains challenging; however, available data suggest that SOEs contribute significantly. According to the World Bank (2023b), SOEs employ 3 percent, while the World Bank’s jobs diagnostics of Tajikistan (Strokova and Mohamed 2017, p 50) calculate that SOEs provide approximately

14 percent of formal jobs and IMF data suggest 24 percent (IMF 2021). Currently, only the largest SOEs are monitored, so these figures are likely to be a lower-bound figure. Taking into consideration the minority-owned SOEs (i.e., companies that are owned with a stake of more than 10 percent), as well as those indirectly owned or owned by subnational entities (e.g., municipalities), the economic impact in terms of revenue and employment likely would be considerably larger.

**Figure 16. State-Owned Enterprise Footprint in Terms of Their Revenues in Tajikistan and Comparator Countries**



Source: World Bank (2023b).

Note: The Orange line denotes the median for comparator countries where data was available.

**3.4 Most large SOEs are unprofitable and loss-making, posing serious fiscal risks for the country's financial stability.** The cumulative account payables of the 27 public interest entities, which are monitored by the Ministry of Finance of Tajikistan, amounted to TJS 60.8 billion (46.5 percent of GDP) at the end of 2023. Topping the list is former power energy holding Barki Tojik, which exclusively managed electricity production capacities as an open joint-stock company (OJSC). Following the restructuring of Barqi Tojik Holding, two independent companies were created: Shabakahoi Taqsimoti Barq (Electricity Transmission Networks) and Shabakahoi Intiqoli Barq (Electricity Distribution Networks), both are OJSCs and are engaged in supplying and distributing energy to end consumers. The total debt of the former energy holding, including loans for energy projects, exceeds TJS 37.4 billion (around US\$3.4 billion). The total debt of all electricity consumers to Barqi Tojik, however, amounts to only around TJS 3.6 billion. Next on the list in Annex 2 is Rogun HPP, also an OJSC, whose total debt was TJS 9.3 billion. Other notable debtors include

Talco (aluminum plant), Tajik Railways, and Tajik Transgas, all OJSCs whose combined debt stood at TJS 2.3 billion as of the end of 2023.

**3.5 Significant and escalating liabilities of Tajik SOEs are not officially acknowledged in public debt records.** The largest SOEs consistently register annual net losses averaging approximately 4.5 percent of GDP, while their outstanding gross liabilities represent about half of GDP (World Bank 2023b). Despite the substantial allocation of around 40 percent of the government budget toward capital expenditures, major government projects executed through SOEs, such as the Rogun Dam, have faced periodic delays.<sup>17</sup>

**3.6 SOEs receive more funding from the government budget than they contribute.** The government borrows external loans for specific purposes and then on-lends these funds to SOEs. Moreover, the government provides loans to SOEs from its budget resources, although these are considerably smaller than external loans. As the World Bank's *Integrated State-Owned Enterprise Framework (iSOEF) Assessment* (World Bank 2023b) for Tajikistan asserts, on average during the 2019–2021 period, total disbursement of sub-loans and other budget loans to SOEs amounted to around 2 percent of GDP. Repayments of these loans by SOEs to the budget, however, were only about 0.2 percent of GDP during this period, indicating that SOEs lack sufficient financial resources to repay their loans in full. Additionally, the government occasionally makes ad hoc capital transfers to SOEs. For instance, in 2020, it converted nearly TJS 5 billion of debt owed by Barqi Tojik into equity.

## 3.2 Competitive Neutrality

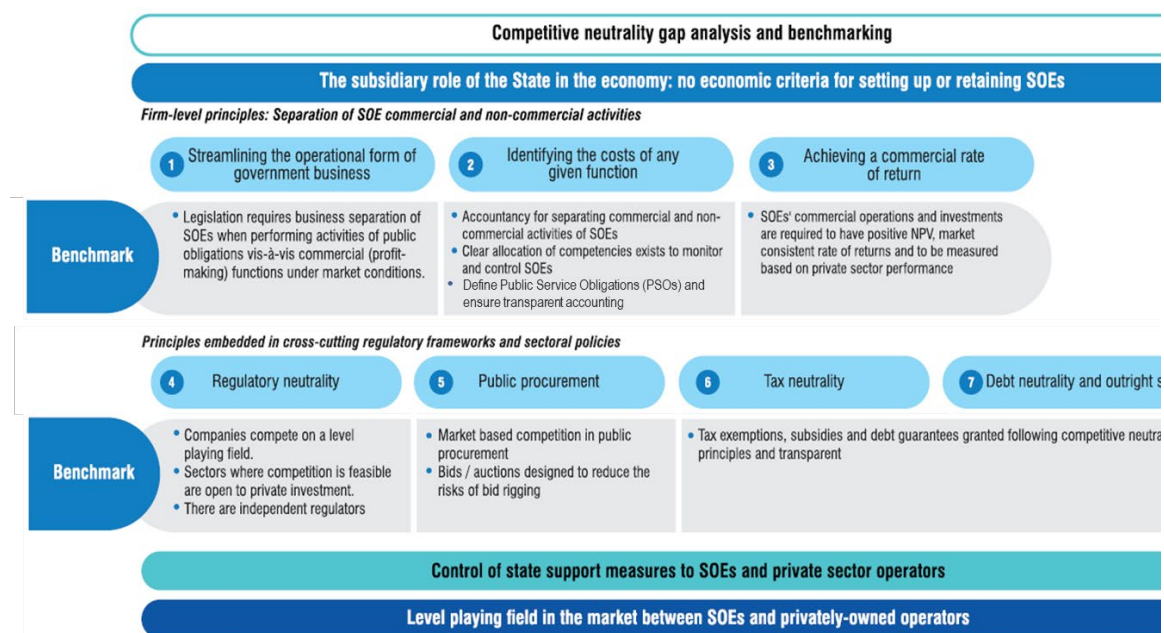
**3.7 Given the substantial presence of SOEs in Tajikistan, ensuring a level playing field for all businesses is crucial.** While there may be valid reasons for state involvement through SOEs, such engagement can distort market functioning. This occurs when SOEs or politically connected firms receive preferential treatment compared to private players, leading to market distortions and inefficiencies in SOE performance. Preferential treatment for SOEs may arise, for instance, when they are not mandated to keep separate accounts for their commercial operations and non-commercial activities (public service obligations). Without clear mechanisms to compensate SOEs for fulfilling public service obligations, there is a potential for inappropriate cross-subsidization of their commercial functions. Furthermore, preferential treatment is evident when SOEs are allowed to compete in markets without the requirement to achieve commercial rates of return. This situation discourages private companies from entering the market, as they are bound to meet commercial return thresholds and thus cannot compete effectively with SOEs. Other examples of preferential treatment include tax breaks, subsidized loans from government and state-owned banks, debt guarantees, low fees and tariffs, exemptions

---

<sup>17</sup> As reported by OGREsearch (2023), an international consultancy firm, relying on data from the Ministry of Finance of Tajikistan, World Bank, and IMF.

from certain regulations, and preferential treatment in public procurement. Such preferential treatment creates an uneven playing field, sustains inefficient connected firms, and discourages more efficient private players from entering markets dominated by SOEs. This ultimately hampers the efficient allocation of resources and impedes private sector development. Figure 17 sets out the framework for assessing whether competitive neutrality principles are embedded in the economy of Tajikistan. This section details findings about instances where evidence indicated potential infractions of competitive neutrality principles. Data constraints were the limiting factor for those elements of the competitive neutrality framework that were not examined.

**Figure 17. Competitive Neutrality Framework**



Source: Markets and Competition Policy team, World Bank.

### 3.2.1 Firm-Level Principles: Separation of State-Owned Enterprise Commercial and Noncommercial Activities

**3.8 Tajikistan currently lacks a clear policy for SOE creation, sphere of activities, and ownership policy, and the Subsidiarity Principle is not applied.<sup>18</sup>** As a result, SOEs

<sup>18</sup> The Subsidiarity Principle systematizes the role of the state in the economy: If there are—or could be—private agents interested in performing an economic activity or participating in a given market, the state does not need to participate as an economic agent (i.e., operating an SOE/Business of State (BOS)). Instead, it is typically more efficient and effective for the state to act as a regulator. The Subsidiarity Principle is grounded not only on economic but also on social considerations. The state's resources are limited and must be assigned to the most valuable objectives. If private agents are interested and capable of supplying goods and services to attend demand in an adequate way, then the best means for the state to intervene in those markets is by supervising and controlling the behavior of those private agents. Meanwhile, the

operate across all sectors without considering the necessity to address market failures. Given this, SOEs require special attention from competition agencies, especially in markets where the private sector might be better positioned to deliver products or services more efficiently, such as in competitive markets. Under Tajikistan legislation, state unitary enterprises—or noncorporate SOEs—are defined as a form of government-owned commercial organization (GovTajikistan 2004). Accordingly, state unitary enterprises, besides noncompetitive state services, can operate within a diverse range of competitive sectors. These include the (i) production and distribution of medications, medical equipment, and instruments; (ii) provision of essential utility services, such as electricity, water, heat, and gas; (iii) management of railway and public transportation systems, aviation cargo, and passenger services; (iv) management of postal and telecommunications; (v) management of communal and housing infrastructure; and (vi) involvement in banking, insurance, and various financial activities, among others (GovTajikistan 2004b, Art. 20). Such an arrangement allows the state to intervene directly in competitive sectors of the economy through the creation and maintenance of an SOE, which may result in crowding out private investment and potential undue political interference.

### **3.9 The absence of clear separation between SOEs' commercial and noncommercial activities heightens the risk of cross-subsidization, discouraging private investment.**

With no legal mandate and minimal structural or accounting division between these activities, SOEs may divert funds from noncommercial endeavors to subsidize commercial ventures, particularly those facing private competition.<sup>19</sup> Additionally, there are no established methodologies for determining compensation for public service obligations (PSO) or mechanisms to ensure that the compensation received by SOEs for fulfilling PSOs aligns with the incremental costs incurred. This lack of separation increases the likelihood of unjustified cross-subsidization, posing potential fiscal burdens and dissuading SOEs from maintaining clear financial distinctions. This scenario consequently dampens private investment and competition.

### **3.10 In Tajikistan, the principles of competitive neutrality are breached by SOEs operating in competitive markets without being required to achieve a commercial rate of return.** SOEs in Tajikistan are not consistently mandated to achieve a commercial rate of return for non-PSO activities, and their transactions are not typically benchmarked

---

direct intervention of the state shall focus on (i) supplying essential goods and services that will not be provided by private agents (i.e., the social role of the state, driven by distributive and welfare objectives); or (ii) those activities that, according to the country's highest ranking laws, cannot be performed by the private sector.

<sup>19</sup> The Law on Natural Monopoly, Article 10 (GovTajikistan 2007) stipulates that one form of state regulation of activities of a natural monopoly entity is carried out by approving the procedure for maintaining separate accounting of income, costs, and assets involved for each type of regulated goods (i.e., works, services) and, in general, for other activities. However, the extent of application of this provision, in practice, is unclear.

against those of private operators. From a competition standpoint, this is especially troubling in competitive sectors where SOEs compete directly with private sector players. The fact that SOEs are not required to achieve commercial rates of return gives them a competitive advantage over private peers.<sup>20</sup> At least 25 SOEs operate in competitive sectors, ranging from cement production to mineral mining and warehouse and retail. These SOEs have generated losses, collectively amounting to TJS 4.2 billion (3.2 percent of GDP) in 2023.

**3.11 The weak financial performance of most SOEs operating in competitive sectors poses a significant risk of market distortion.** Unlike SOEs in contestable and natural monopoly sectors, whose profitability may be influenced by factors such as PSOs or politically capped fees and tariffs, SOEs in competitive sectors do not face such constraints. In competitive sectors, the availability of financial support from the state budget can create an unfair advantage for SOEs over privately owned companies. For instance, the law allows the state to provide financial support (in its capacity as a shareholder) to SOEs in cases of pre-trial reorganization at the expense of the state budget (subject to the approval of the same by the law on the state budget for the respective year) (GovTajikistan 2003). While the same right is provided to private companies, the possibility of access to the state budget may place SOEs in an advantageous position.

### *3.2.2 Principles Embedded in Cross-Cutting Regulatory Frameworks and Sectoral Policies*

#### **Conflicting roles of SOEs in oversight, policymaking, and market participation**

**3.12 The various roles of SOEs in oversight, policymaking, and market participation can lead to market distortions.** In sectors such as railways, dominated by non-corporatized SOEs (e.g., Tajik Railways), SOEs effectively act as arms of the government agency, blurring the lines between policymaking and market operation. Similarly, in sectors like public telecom, while the retail mobile sector exhibits relative competitiveness with four mobile network operators holding GSM licenses, Tajik Telecom dominates the fixed-line and wholesale segments. Its dominance was established in 2015 when the government mandated that all operators route their internet traffic through a state-owned hub, the Unified Communication Transit Center, controlled by Tajik Telecom, citing national and

---

<sup>20</sup> Comprehensive research into legislative acts has yielded no direct or indirect obligation requiring SOEs to produce a commercial rate of return. Article 24 of the Law on State Enterprises (GovTajikistan 2004) stipulates that state enterprises are financed through their own revenue, according to a financial plan approved by the owner (Cabinet or any other government authority) and, any profit remaining after-tax payments—earned by the unitary enterprise—is distributed autonomously according to the regulations outlined in the enterprise’s charter. The same article, however, allows for financing from the state budget, creating a legal safe haven for state enterprises from going bankrupt in cases of inability to self-finance. Furthermore, legislation requires that only 10 percent of the profits be transferred to the state budget as dividend payments (GovTajikistan 2023e).



information security reasons. Additionally, since 2011, regulatory, policymaking, and commercial functions (through Tajik Telecom) in the telecommunication sector have been concentrated under one government entity, the Communications Service, creating significant conflicts of interest and raising significant concerns about conflicts of interest.

### **Specific legal provisions favoring SOEs contribute to actual or perceived market distortions**

**3.13 The government’s discretionary powers, facilitated by legal loopholes, allow for preferential treatment, such as tax advantages, lenient insolvency procedures, and access to land resources.** For instance, corporate SOEs may receive shareholder funding from the state budget as part of pre-trial reorganization efforts, which may help them avoid mandatory liquidation. Noncorporate SOEs are not subject to the Insolvency (Bankruptcy) Law (GovTajikistan 2003) and are directly controlled by the state while operating within a wide range of competitive sectors. Moreover, the government’s Tax Code (GovTajikistan 2021) does not categorize tax deferral (installment payment) as a tax benefit (GovTajikistan 2021, Art. 32(2)). This effectively alleviates the pressure on large SOEs to fulfil their tax obligations on time.<sup>21</sup> This policy could have significant implications for SOEs.<sup>22</sup> Firstly, it allows them greater flexibility in managing their cash flows by allowing them to spread their tax payments over time. This can be particularly advantageous for SOEs that may face periodic financial constraints or fluctuations in revenue.

**3.14 Noncorporate SOEs, regardless of whether they operate in competitive or non-competitive sectors, are excluded from the scope of the Tajik Insolvency Law (GovTajikistan 2003, Art 2).** Without the threat of insolvency, noncorporate SOEs may continue receiving government subsidies or support, even if they are not economically viable. This can lead to a misallocation of resources since funds are directed toward inefficient or uncompetitive entities rather than being allocated based on market demand and efficiency. It also creates an uneven playing field in markets where these entities operate. Competitors, especially private firms, may face unfair competition as noncorporate SOEs may not face the same consequences for poor financial management or inefficient operations. As a result, private investors may be discouraged from investing in sectors where their competitors are not required to operate under commercial conditions and achieve market-confirmed profitability benchmarks. This discrepancy arises because privately-owned companies are expected to generate sufficient revenues to yield a profit, while SOEs are not held to the same standard. The absence of provisions in the law requiring Tajik SOEs in competitive sectors to achieve market-conforming

---

<sup>21</sup> As of January 1, 2024, tax arrears for 17 large SOEs amounted to almost TJS 533 million (US\$48.8 million). Data provided by the Ministry of Finance of Tajikistan.

<sup>22</sup> The same rule applies to the private sector; however, due to their size and sectorial dominance, SOEs seem to benefit from this rule disproportionately.

profitability, coupled with the lack of performance benchmarking for SOEs, suggests significant market distortion.

**3.15 Regarding public procurement, Tajikistan’s legislative and regulatory framework is comprehensive, primarily relying on competitive bidding, but SOEs are reported to circumvent the provisions.** The methods and conditions for procurement are outlined in the law and largely align with international standards. Electronic procurement was introduced in 2013 and updated from 2016 to 2018 to enhance transparency and accountability. It has been reported that despite these efforts, compliance with public procurement regulations, particularly among SOEs, remains low (World Bank 2023, p 50). Many SOEs (state-owned open joint stock companies) and joint ventures with majority state ownership often circumvent the electronic procurement system, posing challenges to fair competition, equitable vendor access, and overall transparency and accountability in the procurement process.

**3.16 The government provides direct financial assistance to SOEs under conditions inaccessible to private counterparts.** As per the World Bank (2023), the Government of Tajikistan extends external loans to SOEs obtained for specific purposes. These loans constitute a sovereign liability, and the government receives partial SOE repayments (World Bank 2023, p 25). Furthermore, it provides smaller loans to SOEs from its budget allocations. The total distribution of sub-loans and other budgetary loans to SOEs averaged approximately 2 percent of GDP during the 2019–2021 period. Repayments made by SOEs to the budget for these loans, however, only accounted for approximately 0.2 percent of GDP during the same period, indicating that SOEs lack sufficient financial resources to meet their loan obligations in full. Additionally, the government has undertaken sporadic capital transfers to SOEs. For instance, in 2020, it converted nearly TJS 5 billion of debt owed by Barqi Tojik into equity. Furthermore, it permitted several SOEs to settle their receivables owed to other entities, including those in the private sector, by offsetting them against the latter’s tax liabilities to the budget.

**3.17 The absence of a well-defined state aid control framework facilitates this provision of financial support to SOEs, posing risks to market competition.** Tajikistan’s provision of state aid through various mechanisms, including tax exemptions, budget subsidies, and preferential customs tariffs, constitutes a significant portion of its GDP, estimated at 10 percent in 2022 (World Bank 2023a, pp. 55–57). Tax incentives alone are provided through various means, including the Tax Code, Customs Code, and laws governing the state budget, along with incentives outlined in investment agreements. In 2019, the Government of Tajikistan approved a decree outlining the procedure for tax and customs incentives effective from December 31, 2020 (GovTajikistan 2019). Annex 1 of the decree delineates a comprehensive list of tax and customs incentives for the sectors of the economy. In 2022, the monetary value of all tax and customs incentives provided to commercial entities was TJS 12.7 billion, which was equal to 10.9 percent of GDP (GovTajikistan 2023e, p. 6). While the decree has provided a level of systematization for

tax and customs-related incentives, the provision and enforcement control of other forms of state aid remains weak. The regulatory landscape for state aid control in Tajikistan is further complicated by inadequate provisions addressing market failures, thus justifying aid in certain sectors (e.g., agriculture, labor, and small- and medium-sized enterprise promotion).

**3.18 Additionally, there is a lack of a clear methodology for granting state aid, and the law does not foresee the provision of a transparent register of state aid.** There is no methodology for an ex-ante assessment of applications for state aid nor for the ex-post evaluation of positive and negative impacts of state aid measures.<sup>23</sup> Furthermore, there is no established system for public access to information regarding aid distribution. As of March 2024, no comprehensive registry of state aid is granted to firms, further hindering transparency and oversight efforts. To address these deficiencies, Tajik authorities should consider updating by-laws to clarify procedural steps for authorization, monitoring, and reporting on state aid, along with developing guidelines to assess aid impacts on competition. Establishing an inventory of state aid measures granted would enhance transparency and facilitate effective monitoring while moving forward.

### Restrictions and challenges about foreign investment and ownership

**3.19 Even though Tajikistan’s Investment Law guarantees equal rights for local and foreign investors, the government has wide-ranging discretion to limit foreign investments in sectors with an SOE presence (GovTajikistan 2016b).** It allows foreign investment through various means, such as joint ownership, creating fully foreign-owned companies, or agreements with Tajik entities. Tajikistan’s legislation allows all foreign and domestic ownership forms to establish businesses without sector-specific restrictions. Article 5 of the Investment Law, however, does include a general safeguard clause, permitting limitations or prohibitions on foreign investments based on national interest considerations. The Law fails, nevertheless, to define what constitutes these national interests nor does it provide any criteria for such restrictions. Moreover, as noted by a recent report by UN Trade and Development (UNCTAD 2023, p 7), the content of the Investment Law is not fully harmonized with other legislation, particularly regarding the definitions of “investment” and “investor.” The report further emphasizes, among others, the bureaucratic hurdles in tax laws that hinder nonresident companies from utilizing double taxation agreements, particularly regarding dividends, interests, and royalties. This involves a mandatory initial application process for such benefits to be accessed.

---

<sup>23</sup> With the exception of tax- and customs-related incentives, on which the Ministry of Finance published a report outlining the cost-benefit analysis of such incentives (GovTajikistan 2023e).

Several other impediments to foreign investors were identified as part of this assessment, but they do not necessarily represent a competitive disadvantage vis-à-vis SOEs.<sup>24</sup>

### Outdated methodologies of price regulations of natural monopolies exerted by SOEs can undermine efficiency.

**3.20 The prices of goods and services in natural monopoly sectors, heavily dominated by SOEs, are regulated.** Yet, the regulatory framework in Tajikistan fails to integrate pro-competition principles and adapt to market dynamics. Although the Law on Natural Monopolies allows firms to transition from natural monopolies to competitive markets when appropriate conditions arise, Tajikistan has not capitalized on this opportunity, nor has it aligned its policies with the global deregulation trend. The current economic activities designated as natural monopolies—comprising industries such as electricity generation, internet data transmission, postal services, airports, and domestic air transportation—may encompass markets open to competition. The predominance of SOEs within this list of natural monopoly sectors suggests a tendency to insulate these entities from competitive pressures. In light of this, Tajikistan's policymakers may consider confining the classification of natural monopolies strictly to those activities that exhibit genuine monopolistic features. Additionally, the Anti-Monopoly Service could remove entities from this designation based on market analysis confirming the absence of natural monopoly conditions. Furthermore, the Anti-Monopoly Service should update its methodology to incorporate pro-competitive efficiency-enhancing elements in regulating prices for natural monopolies, particularly in network industries. This involves distinguishing between consumer service prices and access fees to essential facilities and adopting tariff-setting methods that will incentivize cost efficiency and operational performance improvements for natural monopolies.

## 3.3 Policy Recommendations to Enhance Competitive Neutrality and Competition

**3.21 The current assessment has shown that the Republic of Tajikistan has a significant state footprint across wide areas of its economy—including in sectors where private sector operation is viable—and that competition is potentially impeded by significant violations of competitive neutrality.** The country has established the fundamental elements of a competition policy framework, including institutions that support

---

<sup>24</sup> Foreign companies face operational challenges in Tajikistan, including complex registration processes and real estate acquisition barriers, despite a single-window system aimed at simplification. Registration can exceed the five-day legal limit due to bureaucratic delays. Additionally, foreign investors are constrained by land management regulations, limiting their rights to use, sublet, or use land as collateral, which hinders their competitive edge and access to finance. While foreign suppliers can participate in public procurement and privatization without restriction, certain sectors require local majority in management and regulatory approval for foreign investment, such as in insurance and aviation, potentially deterring foreign investment and affecting market competition.

competition enforcement. Some government intervention areas, however, could be streamlined to level the playing field for all companies, thus opening space for efficient private sector operation while boosting business dynamism and streamlining allocative efficiency in the economy.

**3.22 Pressing reforms to boost competition can be organized under two headings; these are summarized in Table 1:**

- (i) **Formulating a clear policy on SOE creation and ownership and streamlining the state presence across the Tajik economy** by defining types of ownership; the economic rationale for ownership in particular areas/sectors, relying upon the Subsidiarity Principles as a criterion for the creation of new SOEs; and political accountability, as well as ensuring periodic revision of existing SOEs, also based on the Subsidiarity Principles.
- (ii) **Reducing market distortions to enhance private sector growth** by introducing minimum performance targets for SOEs in competitive sectors and ensuring those targets correspond to market benchmarks; fostering competitive neutrality principles in markets established via international best practices and developing and adopting a state aid control framework to limit potential distortions of state support measures benefitting SOEs or select private players.

It is worth noting that the recommendations presented here should be considered alongside the specific reform proposals related to SOE governance and fiscal risk management detailed in the Tajikistan Integrated State-Owned Enterprises Framework (iSOEF Report).<sup>25</sup>

**Table 1. Recommendations to Enhance Competition**

Recommendation	Priority	Responsible Agency
<p><b>Recommendation 1:</b> Formulate a comprehensive state-owned enterprise (SOE) Ownership Policy, including types of ownership; economic rationale for ownership in particular areas/sectors, relying upon the Subsidiarity Principles as a criterion for the creation of new SOEs and political accountability, and ensuring periodic revision of existing SOEs, also based on the Subsidiarity Principles.</p> <p>To this end, strategically map SOE portfolios; carefully review and benchmark their performance; segment SOEs into categories for either (i) continued government ownership, supported by management and</p>	Short term	<p>Ministry of Economic Development and Trade</p> <p>Anti-Monopoly Service</p>

<sup>25</sup> Tajikistan Integrated State-Owned Enterprises Framework (iSOEF) Assessment, p 52. The iSOEF proposals covered issues related to SOE legal, regulatory framework, the corporate governance code, the ownership function, performance management, and monitoring, the board of directors, financial accountability, controls and transparency, and the SOE procurement.

<p>corporate governance reforms; or (ii) consider an alternative management/ownership model, including through public-private partnerships or outsourcing arrangements, divestiture, or privatization; or (iii) reorganize SOEs into government agencies; or (iv) closure.</p> <p>Make the Anti-Monopoly Service responsible for engaging routinely in the ex-ante and ex post Subsidiarity Assessment of new and existing SOEs.</p>		<p>State Committee on Investment and State Property Management</p>
<p><b>Recommendation 2:</b> Foster competitive neutrality principles in markets established via international best practices. To this end, introduce minimum performance targets for SOEs in competitive sectors, ensure those targets correspond to market benchmarks, and use them as performance targets in the incentive systems for SOE executives.</p> <p>Separate commercial and noncommercial activities of SOEs and introduce the concept of public service obligations or other noncore SOE activities for social spending, mandated by the government and separate from commercial activities.</p> <p>Laws or regulations should explicitly prescribe any additional duties and commitments that SOEs must fulfill regarding public service obligations. These obligations and responsibilities should be made known to the public, and the associated expenses should be transparently accounted for.</p> <p>Close any existing legal loopholes in the tax and insolvency laws currently allowing for preferential SOE treatment.</p>	<p>Medium term</p>	<p>Ministry of Economic Development and Trade</p> <p>Anti-monopoly Service</p> <p>The State Committee on Investment and State Property Management</p>
<p><b>Recommendation 3.</b> Develop and adopt a state aid control framework to limit potential distortions of state support measures benefiting SOEs or select private players. Such a framework should include the following:</p> <ul style="list-style-type: none"> <li>• Clear criteria for deciding if aid should be provided and to what extent; and a definition of what constitutes state aid, including through which entities aid may be granted.</li> <li>• A defined process with well-articulated responsibility, including making the Anti-Monopoly Service responsible for confirming that any state aid provided does not have a market-distorting effect, assessing, ex-post and on a regular basis, the effectiveness of the established framework and the provision of state aid.</li> <li>• The requirement to maintain a comprehensive record of state aid, including direct and indirect transfers, subsidies, and loans provided to SOEs and private entities.</li> </ul>	<p>Medium term</p>	<p>Ministry of Finance</p> <p>Ministry of Economic Development and Trade</p> <p>Anti-Monopoly Service</p>
<p><b>Recommendation 4:</b> Establish a transparent and nondiscriminatory legal and regulatory framework for foreign investors. This framework should ensure that foreign investors are treated on par with domestic investors regarding access to markets, state services, legal protections, and investment incentives.</p>	<p>Medium term</p>	<p>Ministry of Economic Development and Trade</p> <p>Anti-monopoly Service</p>
<p><i>Source:</i> World Bank staff elaboration.</p>		

**3.23. To maximize impact, the SOE reform program should be methodically sequenced, considering political economy considerations. It could be beneficial to stagger the implementation of the recommendations and their foundational work, beginning with initiatives that are less ambitious yet more achievable and progressing to more challenging steps.**

- ✓ For example, as the country embarks on drafting the recommended SOE Ownership Policy (Recommendation 1), it is crucial to gather comprehensive data on the various forms of state ownership and to delineate the extent of SOE involvement across different sectors. This involves analyzing operational and financial performance data and comparing it with private sector counterparts. With this foundational analysis, the government can then classify SOEs into distinct groups for: (i) continued government ownership with concurrent management and corporate governance enhancements, (ii) transition to alternative management or ownership structures, such as public-private partnerships, outsourcing, divestiture, or privatization; (iii) conversion into government agencies; or (iv) complete closure.
- ✓ Likewise, the implementation of Recommendation 2 on fostering competitive neutrality principles in markets could be addressed stepwise, e.g., by first identifying and separating SOEs' commercial and noncommercial activities, introducing the concept of public service obligations or other noncore SOE activities for social spending, mandated by the government and separate from commercial activities. Based on the benchmarking results above, the government could define minimum performance targets for SOEs, particularly in competitive sectors, and ensure those targets correspond to market benchmarks. .
- ✓ Last, the implementation of Recommendation 3 on enhancing the state aid control framework could be initiated by identifying the various forms of state support, tracking them in a disciplined way, and making them more available, for example, in an online system. Such state aid flows could be cross-referenced with information on the types of goods and services these SOEs provide, including comparing state aid against the individual SOEs' public service obligations. While defining public service obligations right away might be challenging in the first instance, getting a broad sense of the types of activities the SOEs provide and comparing them with the cost through various forms of state aid and support could be an initial step in the right direction. Such systematic data collection efforts should include data, for example, on tax arrears from the Tax Administration, fiscal data on guaranteed loans to SOEs and related debt service cost, fiscal data on capital infusions, and data from large utilities on arrears from other SOEs.

**Areas for further analysis and follow-up.** This chapter provides an overview of the state footprint and presents the findings of a competitive neutrality assessment. Given the

significant state presence in the Tajik economy, implementing competitive neutrality principles is essential to enable competitive markets. In the future, a high priority for the Government of the Republic of Tajikistan would be to engage in the WBG-OECD Product Market Regulation benchmarking, as this process could shed further light on whether the regulatory environment restricts competition dynamics in the country beyond the role of SOEs and competitive neutrality issues.



## References

- Aghion Philippe, Bloom N., Blundell R., Griffith R., and Howitt P., 2005. Competition and Innovation: An Inverted-U Relationship. *The Quarterly Journal of Economics*, Vol. 120, No. 2 (May, 2005), pp. 701-728.
- Birdsall, N., & Nellis, J. (2003). Winners and Losers: Assessing the Distributional Impact of Privatization. *World Development*, 31(10), 1617-1633.
- Boubakri, N., & Cosset, J. C. (1998). The Financial and Operating Performance of Newly Privatized Firms: Evidence from Developing Countries. *The Journal of Finance*, 53(3), 1081-1110.
- Cook, P., & Uchida, Y. (2003). Privatization and Economic Growth in Developing Countries. *The Journal of Development Studies*, 39(6), 121-154.
- Dall'Olio, A., T. Goodwin, M. Martinez Licetti, A. C. Alonso Soria, M. Drozd, J. Orłowski, F. Patiño Peña, and D. Sanchez-Navarro. 2022. "Are All State-Owned Enterprises Equal? A Taxonomy of Economic Activities to Assess SOE Presence in the Economy." Policy Research Working Paper 10262. Washington, DC: World Bank.  
<https://documents1.worldbank.org/curated/en/099951412132222133/pdf/IDU0e7057cdf09fa8044eb09d8a058ea7dfe2831.pdf>.
- European Union. 2023. "Statistics Explained—Glossary: Statistical Classification of Economic Activities in the European Community (NACE)." Luxembourg: Eurostat.  
[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Statistical\\_classification\\_of\\_economic\\_activities\\_in\\_the\\_European\\_Community\\_\(NACE\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Statistical_classification_of_economic_activities_in_the_European_Community_(NACE)).
- Estache, Antonio. 2004. Emerging Infrastructure Policy Issues in Developing Countries: A Survey of the Recent Economic Literature. Background Paper for the October 2004 Berlin meeting of the POVNET Infrastructure Working Group.
- GovTajikistan. 1997. Law of the Republic of Tajikistan, No. 464, "On Privatization of the State Enterprises in the Republic of Tajikistan." Dushanbe: Government of Tajikistan.  
[https://tpp.tj/business-guide2017/pdf/pdf\\_eng/07%20-%20Law%20of%20the%20Republic%20of%20Tajikistan%20On%20State%20Property%20Privatization.pdf](https://tpp.tj/business-guide2017/pdf/pdf_eng/07%20-%20Law%20of%20the%20Republic%20of%20Tajikistan%20On%20State%20Property%20Privatization.pdf).
- GovTajikistan. 2003. Law of the Republic of Tajikistan, No. 46, "On Insolvency (Bankruptcy)." Amended in 2019. Dushanbe: Government of Tajikistan. <https://cis-legislation.com/document.fwx?rgn=5837>.
- GovTajikistan. 2004a. Land Code of the Republic of Tajikistan, No. 23. Dushanbe: Government of Tajikistan.
- GovTajikistan (Government of Tajikistan). 2004b. Law of the Republic of Tajikistan, No. 10, "On State Enterprises. Amended in 2020". Dushanbe: Government of Tajikistan.  
<https://cis-legislation.com/document.fwx?rgn=8176>.

- GovTajikistan. 2007. Law of the Republic of Tajikistan, No. 235, “On Natural Monopolies.” Amended in 2022). Dushanbe: Government of Tajikistan.
- GovTajikistan. 2009. Law of the Republic of Tajikistan, No. 508, “On State Registration of Legal Entities and Individual Entrepreneurs.” Dushanbe: Government of Tajikistan. [https://www.icnl.org/wp-content/uploads/Tajikistan\\_LAWtajik.pdf](https://www.icnl.org/wp-content/uploads/Tajikistan_LAWtajik.pdf).
- GovTajikistan. 2016a. Law of the Republic of Tajikistan, No. 1349, “On Insurance Activity.” Dushanbe: Government of Tajikistan. <https://cis-legislation.com/document.fwx?rgn=88120>.
- GovTajikistan. 2016b. “Law of the Republic of Tajikistan, No. 1547, “On Investments.” [http://www.adlia.tj/show\\_doc.fwx?rgn=132261](http://www.adlia.tj/show_doc.fwx?rgn=132261)
- GovTajikistan. 2017. Law of the Republic of Tajikistan, No. 1417, “On Protection of Competition.” Dushanbe: Government of Tajikistan.
- GovTajikistan. 2019. Order of the Government of the Republic of Tajikistan, No. 670, “On the Procedure for Provision, Efficiency Evaluation and Feasibility of Tax and Customs Privileges.” Dushanbe: Government of Tajikistan. <https://cis-legislation.com/document.fwx?rgn=129563>.
- GovTajikistan. 2021. “Tax Code of the Republic of Tajikistan, No. 1844.” Amended in 2023. Dushanbe: Government of Tajikistan. <https://cis-legislation.com/document.fwx?rgn=136979>.
- GovTajikistan. 2023a. “Air Code of the Republic of Tajikistan, No. 1999.” Dushanbe: Government of Tajikistan.
- GovTajikistan. 2023b. “Law of the Republic of Tajikistan, No. 237, “On Joint Stock Companies.” Dushanbe: Government of Tajikistan.
- GovTajikistan. 2023c. Law of the Republic of Tajikistan, No. 118, “On Payment Rate from Net Profit of the State Companies and Economic Societies in Which the State Has Share in the Authorized Capital”. Dushanbe: Government of Tajikistan. <https://cis-legislation.com/document.fwx?rgn=158795>.
- GovTajikistan. 2023d. Law of the Republic of Tajikistan, No. 1955, “On Public Procurements.” Dushanbe: Government of Tajikistan. <https://cis-legislation.com/document.fwx?rgn=148965#:~:text=This%20Law%20determines%20organizational%2C%20legal,all%20participants%20of%20tender%20and>.
- GovTajikistan. 2023e. “Cost-Benefit Analysis of Applicable Tax and Customs Incentives.” Dushanbe: Ministry of Finance, Government of Tajikistan.
- GovU.S. 2024. “Tajikistan - Country Commercial Guide: Investment Climate Statement.” Washington, DC: International Trade Administration, Government of the United

States. <https://www.trade.gov/country-commercial-guides/tajikistan-investment-climate-statement>.

Guriev, Sergei. 2027. Soft budget constraints and state capitalism. European Bank for Reconstruction and Development. Working Paper No. 206. November 2017. London: EBRD

IMF (International Monetary Fund). 2013. *Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6)*. Washington, DC: IMF. [https://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm#:~:text=The%20BPM6%20takes%20into%20account,balance%20sheet%20data%20\(for%20example%20C](https://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm#:~:text=The%20BPM6%20takes%20into%20account,balance%20sheet%20data%20(for%20example%20C)

IMF. 2021. "Tajikistan: Selected Issues. Vol. 21(2021). IMF Staff Country Reports. Washington, DC: International Monetary Fund. <https://www.elibrary.imf.org/view/journals/002/2021/201/002.2021.issue-201-en.xml>.

Kikeri, S., and A. F. Kolo. 2005. "Privatization: Trends and Recent Developments." Policy Research Working Paper 3765, World Bank, Washington DC

Meggison, W. L., & Netter, J. M. (2001). From State to Market: A Survey of Empirical Studies on Privatization. *Journal of Economic Literature*, 39(2), 321-389.

Nellis, J. 2001. "Time to Rethink Privatization in Transition Economies?" In *A Decade of Transition: Achievements and Challenges*, edited by O. Havrylyshyn and M. S. Nsouli. Washington, DC: International Monetary Fund.

OECD (Organisation for Economic Co-operation and Development). 2024. "Indicators of Product Market Regulation." (Online database.) Paris: OECD. <https://www.oecd.org/economy/reform/indicators-of-product-market-regulation>.

OG Research. 2023. "Tajikistan: A Ticking Bomb of SOEs." March 17. Prague: OGRsearch. <https://www.ogresearch.com/news/tajikistan-a-ticking-bomb-of-soes>. (accessed May 29, 2024).

Shirley, M. M., & Walsh, P. (2000). *Public versus Private Ownership: The Current State of the Debate*. The World Bank.

Strokova, V. and A. Mohamed. 2017. "Tajikistan Jobs Diagnostic: Strategic Framework for Jobs." *Jobs Group Papers, Notes, and Guides 27171695*. Washington, DC: World Bank.

UNCTAD (United Nations Conference on Trade and Development). 2023. *Report on the Implementation of the Investment Review: Tajikistan*. Geneva: United Nations [https://unctad.org/system/files/official-document/diaepcb2022d1\\_en.pdf](https://unctad.org/system/files/official-document/diaepcb2022d1_en.pdf).

World Bank. 2023a. *Tajikistan Economic Update: Focusing on Boosting Private Sector Dynamism in Tajikistan*. Washington, DC: World Bank.

<https://thedocs.worldbank.org/en/doc/46328951bdfc3b29c26b4aa8255ea773-0080012023/original/Tajikistan-Economic-Update-2023-ENG.pdf>.

World Bank. 2023b. *Tajikistan Integrated State-Owned Enterprises Framework (iSOEF) Assessment*. Washington: World Bank.

<https://documents1.worldbank.org/curated/en/099062023233046775/pdf/P178333031d3b300308b9c0b290fad45c26.pdf>.

World Bank. 2023c. *The Business of the State*. Washington, DC: World Bank.

<https://documents1.worldbank.org/curated/en/099025011282357844/pdf/IDU06292f8750d6f10488b0b4af0bc626733838c.pdf>.

WTO (World Trade Organization). 2021. *Trade Policy Review: Tajikistan*. Geneva: WTO.

<https://www.wto-ilibrary.org/content/books/9789287050854/read>.

## Annex 1: Select Macroeconomic and Social Indicators

	2021	2022	2023	2024	2025	2026
	actual	actual	est.	proj.	proj.	proj.
<b>National Income and Prices</b>						
Real GDP growth	9.4	8.0	8.3	6.5	4.5	4.5
Private consumption, growth	4.3	15.7	4.7	3.2	2.9	2.8
Gross investment, growth	12.0	11.9	22.5	10.0	3.8	3.8
Consumer price inflation, period average	9.0	6.6	3.7	4.7	6.0	6.0
Average exchange rate (TJS per USD)	11.3	11.0	10.8	...	...	
In percent of GDP						
<b>External Accounts</b>						
Current Account Balance	8.2	15.3	4.8	3.5	3.0	2.4
Goods export	22.5	15.1	15.4	14.2	13.6	12.6
Goods import	41.7	42.7	43.0	37.6	36.2	34.5
Services, net	-4.3	-5.1	-4.6	-4.5	-4.4	-4.2
Remittances, net	31.2	48.2	34.9	31.4	29.9	28.5
Other income	0.5	-0.2	0.0	0.0	0.0	0.0
Foreign direct investment, net	0.4	1.5	0.8	1.5	1.5	1.5
Total external debt	63.2	50.0	47.1	46.1	44.4	44.0
In percent of GDP						
<b>Consolidated Fiscal Accounts</b>						
Revenues	26.7	27.2	29.5	28.7	28.0	28.0
Expenditures	27.9	28.6	30.9	31.0	30.5	30.5
Overall fiscal balance	-1.2	-1.4	-1.4	-2.3	-2.5	-2.5
Total PPG Debt	41.9	32.5	30.9	3.8	30.2	31.2
<b>Monetary Accounts</b>						
Broad money growth	8.2	40.4	-0.8	...	...	...
Reserve money growth	11.6	52.9	-5.6	...	...	...
Private sector credit growth	-5.2	18.3	32.2	...	...	...
Refinance rate, end of period	13.25	13.0	10.0	...	...	...
<b>Social Indicators</b>						
Population, total (millions)	9.8	10.0	10.3	...	...	...
Population growth (percent)	2.1	2.1	2.0	...	...	...
Unemployment rate (ILO-modelled estimate)	7.5	7.0	6.9	...	...	...
International poverty rate (\$2.15 in 2017 PPP)	2.8	2.3	2.1	1.8	1.7	1.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)	14.2	12.4	10.7	9.2	8.6	8.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)	50.6	46.8	43.8	41.3	39.7	38.0
Inequality – Gini coefficient	37.8	...	...	...	...	...
Life expectancy (years)	72.0	...	...	...	...	...

Source: Tajik authorities, and World Bank staff estimates and projections

## Annex 2: List of the 27 Public Interest Entities under the Monitoring of the Ministry of Finance of the Republic of Tajikistan

- 1 Tajik Aluminum Company (Talco)
- 2 Barqi Tojik (electricity generation)
  - Shabakahoi Intiqoli Barq (electricity transmission)
  - Shabakahoi Taqsimoti Barq (electricity distribution)
- 3 Tajik Railway
- 4 Dushanbe International Airport
- 5 Tajik Air
- 6 Tajik Aeronavigation
- 7 Khujand Airport
- 8 Kulob Airport
- 9 Tajik Coal
- 10 Aluminsokhtmon
- 11 Tajik Cement
- 12 Tajik Transgas
- 13 Teleradiokom
- 14 Housing and Communal Services
- 15 Tajik Sughurta (insurance)
- 16 Khujand Water Company
- 17 Immovable Property Registration (SUERIP)
- 18 Dushanbe Water Supply
- 19 Amonatbank
- 20 Chemical Company
- 21 Tajik Telecom
- 22 Aprelevka (mining)
- 23 Rogun Hydropower Plant
- 24 Sangtuda-1 Hydropower Plant
- 25 Sanoatsodirotbank
- 26 Fuluzoti Nodiri Tojik (mining)
- 27 Zarafshon (mining)

**Annex 3: Estimated regression results for Net FDI Inflows and real GDP growth in Countries of the Commonwealth of Independent States (sample period: 2001 – 2022)**

<b>Variables</b>	<b>(I)</b>	<b>(II)</b>	<b>(III)</b>
<b>Net FDI inflows (% GDP)</b>	0.276*** (0.050)	0.319*** (0.055)	0.274*** (0.052)
<b>Constant</b>	4.473*** (0.491)	4.640*** (1.081)	6.406*** (1.779)
<b>Country fixed effects</b>	No	Yes	Yes
<b>Time fixed effects</b>	No	No	Yes
<b>Observations</b>	175	175	175
<b>R2</b>	0.150	0.210	0.525
<b>Adjusted R2</b>	0.145	0.171	0.430
<b>Note: *p&lt;0.1; **p&lt;0.05; ***p&lt;0.01</b>			

