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JULY-SEPTEMBER 2010

# Quarterly Report



## ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS

CONTRACT NUMBER EEM-I-00-07-00005

*This report was produced for the United States Agency for International Development (USAID). It was prepared by the Economic Reforms to Enhance Competitiveness project, implemented by Deloitte Consulting LLC. Views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.*

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## **Significant issues affecting implementation:**

- The recent dynamic growth of the microfinance institutions in Tajikistan (there are currently 120 licensed institutions) has increased a pressure on the NBT to develop and strengthen its supervisory regime for these organizations. It has been agreed with USAID and the NBT that the EREC project will provide specific guidance and support for the on-site and off-site microfinance supervisory unit which is currently facing increased challenges from ever growing number of regulated entities and lack of effective procedures and processes to provide appropriate oversight.
- EREC Project Macroeconomist intended to leverage prior USAID-funded work conducted during 2007 under the Economic Policy Reforms project, where modeling approaches to targeting inflation and monitoring the real exchange rate were designed and implemented. Based on those successes, the objective of the current assistance was to build further capacity in the area of macroeconomic forecasting through the institutionalization of improved econometric modeling techniques. Upon a review of the model and required data it was clear that one crucial data series was missing making the existing Inflation Forecasting tool previously developed unusable in its current form and requiring the development of a new forecasting model. There is a demonstrated and expressed need to future training in econometrics at the NBT. However, short-term discrete missions are not likely to be beneficial to the NBT.
- Project activities in Tajikistan during Q3, 2010 were limited due the resident banking supervisors leave and extended assignment with the Kazakhstan Financial Supervision Agency.

## Significant meetings with counterparts & donors:

- Jamshed Yusufiyon, First Deputy Chairman
- Mahmadyusuf Tashrifov, Head of Monetary Policy Department.

### *A. Budget Development & Execution*

- EREC Project technical assistance to the Ministry of Finance (MoF) concluded in May 2009.

### *B. Tax Administration*

- The program of technical assistance in tax administration was completed in February 2010.

### *C. Assistance to the National Bank of Tajikistan (NBT)*

#### 1. Highlights & accomplished tasks/activities against the work plan

- EREC Project analyzed the data used by the Inflation Forecasting tool previously developed and determined that the Reserve Money data series was redefined in October of 2007 requiring a re-estimation of the key equation used to forecast inflation

to be consisted with the new data series. However re-estimation of the model is not currently possible, because there is no historical series to describe the movement of the new measure of Reserve Money prior to October 2007.

- The EREC project supported the NBT in the review of the final draft of the Banking Activities Law and newly developed Law on Bankruptcy.
- Support was provided to the IMF Mission in the review of Banking Supervision post-crisis activities and in the preparation of the assessment of effective banking supervision according to the Basel Core Principles.
- The EREC Project assisted management of the NBT in the preparation for the XXIV Meeting of the Club of Managers of Central Banks of Central Asia and the Black Sea Region.

#### Future activities & events

- The EREC Project's Regional Banking Supervision Adviser will return to Tajikistan in November 2010 to recommence technical assistance to the NBT.
- A micro finance development advisers will be deployed to Tajikistan in late October to:
  - conduct a review of all regulatory reporting of non deposit taking microfinance institutions and assist the Supervision in streamlining these reporting requirements;
  - assist the Supervision in the development of the on-site supervision procedures for the examination of deposit taking microfinance institutions; and
  - work with the management of the Supervision to provide support with the ongoing supervisory issues.

#### *D. Assistance to commercial banks*

- No activities during the reporting period.