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# Quarterly Report



## ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS

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## Significant issues affecting implementation:

- No significant issues during the reporting period.

## Significant meetings with counterparts & donors:

- Mr. Ari Aisen, New Country Representative of the IMF.
- Mr. Ulf Hindstrom, Country Representative of the EBRD. The members of the Mission for assessment of the financial sector also participated in the meeting.
- Ms. Claire McGuire, Senior Financial Sector Specialist.
- Mr. Sharif Rahimzoda, Chairman of the National Bank of Tajikistan.
- Mr. Geoffrey Minott, Director of the Office of Economic Growth.
- Mr. Brett Coleman, Chief of the World Bank Mission and
- Mr. K. Damodaran, Senior Financial Sector Specialist.

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

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

- Continued to introduce the FinA Off-site Surveillance system in the microfinance deposit taking institutions. Six additional microfinance deposit taking organizations (MDO) were included in the off-site surveillance database. Conducted on-the-job training for accountants and reporting personnel of these organizations and reviewed the Uniform Bank Performance Report for two quarters of 2009 and 3 quarters of 2010. Also conducted the IFRS training for the microfinance organizations accountants and reviewed the FinA reports filled out by the accountants and assisted accountants of the MDOs that already introduced the FinA in correcting mistakes and in filing corrected reports at the NBT.
- Assisted NBT analysts in preparation of the 2010 third quarter analysis of individual banks financial condition and Tajikistani's banking system. Analysts continued using CAEL risk-based supervisory approach to identify risks in their respective banks and to make recommendations on how to improve banks' financial condition. The BSLD requires that banks develop and submit plans on corrective actions that will result in improvement of their balance sheet composition, increasing profitability, stabilizing liquidity and preparing capitalization plans as deemed necessary.
- Commenced a training course on financial reporting and IFRS requirements for financial disclosure for three newly hired and two medium term employees of the BSLD.
- Reviewed programming instructions for implementation of the new Chart of Accounts in the FinA input reports for banks and microfinance institutions. The NBT's team is preparing these new input reports to include all changes into the IFRS requirements. The new Chart of Accounts will be introduced at the beginning of 2011. Also assisted in preparing instructions for banks that will support reporting and filing according to the new rules.
- Conducted risk based supervision training for the BSLD's newly hired employees. The training included review of the regulatory reporting, basic interpretation of the Uniform Bank Performance Report (UBPR) ratios and overview of the banking sector's financial condition.

- Supported the banks that received the government bonds in calculating discount adjustments in order to properly account for these new instruments and to reflect the difference between the market and bond price.
- Assisted the NBT in preparing letters to the banks asking for detailed plans for improving banks' financial condition and bringing all banks in compliance with the prudential norms required by the NBT. The IMF included these requirements into their conditionality for making the Effective Credit Facility available to the government.
- Held meetings with micro finance providers and the Association of Micro Finance of Tajikistan (AMFOT) and conducted in-depth interviews with the staff of the Micro Finance Supervision Unit (MFSU) of the National Bank of Tajikistan (NBT), aimed to assist the NBT in developing procedures for examination of the deposit taking microfinance institutions.
- Based on the conducted research of the MFI market, EREC Project advisor prepared recommendations on making reforms in the MFI sector and streamlining reporting requirements of non-deposit taking microfinance institutions, provided assistance to the NBT MFSU in developing procedures for examination of deposit taking microfinance institutions and supported the MFSU with ongoing supervisory issues.

## 2. Future activities & events

- EREC Project will continue supporting the BSLD in implementation of the Off-site surveillance system for the MDOs, building capacity of the Microfinance Supervision and Off-site Supervision Units and supporting the on-site examination process.

### *B. Assistance to commercial banks*

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

- EREC Project advisor visited two commercial banks in order to discuss change in the accounting treatment of foreign exchange revaluation.
- EREC Project visited newly licensed microfinance commercial bank in order to discuss banks' operations, plans and cost structure.

## 2. Future activities & events

- EREC Project will continue supporting banks in implementing the new Chart of Accounts and preparing the new regulatory reports that reflect these changes.