



Tajikistan

Highlights

- **The economy is growing rapidly.** In the first half of 2024, real gross domestic product (GDP) posted solid growth of 8.2 per cent year on year. Growth was broad-based, with services, industrial production and investment activity emerging as the main drivers.
- **The International Monetary Fund (IMF) has approved a Policy Coordination Instrument (PCI) for Tajikistan.** This programme is designed to strengthen fiscal resilience and economic policies and help the authorities to make progress in the area of structural reform.
- **Measures have been introduced to green the economy.** In order to reduce emissions, public transport in the capital, Dushanbe, is set to switch over to e-vehicles. Moreover, the government plans to have renewable energy sources provide up to 1.5 GW of power by the end of 2027.

Key priorities for 2025

- **Cross-border cooperation and trade should be enhanced.** Full resolution of the longstanding border dispute with the Kyrgyz Republic will enhance security and support investor confidence, and the authorities should take steps to enable closer regional cooperation in the areas of energy, transport and water management.
- **Further efforts are needed to improve the investment climate.** Areas where measures could be introduced include the protection of property rights, the consistency of law enforcement mechanisms and the streamlining of bureaucracy. If successful, these measures could help the country to attract the investment it needs to complete the Roghun project.
- **The authorities should support the reintegration of returning migrants.** Initiatives in this area should focus on both: (i) economic opportunities (reskilling, job placements, fund matching programmes for entrepreneurs, and measures incentivising employers to hire migrants); and (ii) addressing the social and psychological needs of returnees.

Main macroeconomic indicators (per cent)

| | 2020 | 2021 | 2022 | 2023 | 2024 proj. |
|-----------------------------------|------|------|------|------|------------|
| GDP growth | 4.4 | 9.4 | 8.0 | 8.3 | 9.0 |
| Inflation (average) | 8.6 | 9.0 | 6.6 | 3.7 | 4.9 |
| Government balance/GDP | -3.4 | 0.2 | 0.5 | -0.3 | -1.8 |
| Current account balance/GDP | 4.1 | 8.2 | 15.6 | -0.7 | -2.1 |
| Net FDI/GDP [neg. sign = inflows] | -1.3 | -0.9 | -1.6 | -1.2 | na |
| External debt/GDP | 81.6 | 74.5 | 59.0 | 51.8 | na |
| Gross reserves/GDP | 27.5 | 28.0 | 36.7 | na | na |
| Credit to private sector/GDP | 13.0 | 10.3 | 10.4 | 12.4 | na |

Macroeconomic developments and policy response

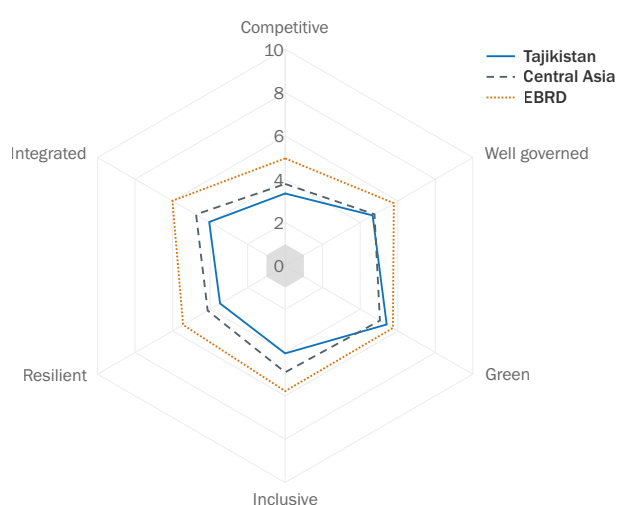
The economy posted strong growth in the first half of 2024. Real GDP rose by 8.2 per cent year on year, with domestic demand being the key driver. Growth in real wages (which rose by 19.6 per cent year on year from January to August 2024) boosted demand for hotels, restaurants and catering (which saw year-on-year growth of 14.4 per cent in the period from January to August 2024) and retail and wholesale trade (which rose by 11.8 per cent year on year). Increases in minimum wages, public-sector salaries, pensions and stipends, which took effect in July 2024, will provide further support for domestic purchasing power. Strong domestic demand facilitated import growth in January to August 2024 (with imports rising by 21.5 per cent year on year). As a result, the country recorded a trade deficit of US\$ 3.2 billion (26.5 per cent of 2023 GDP), despite a significant uptick in exports of precious and semi-precious metals. Industrial production (which rose by 13.2 per cent year on year) was another driver of growth, supported by gains in mining (up 23.7 per cent year on year) and manufacturing (up 6.7 per cent year on year). On the expenditure side, fixed capital investment was up 8.1 per cent year on year, reflecting ongoing Roghun-related construction work and progress with other infrastructure projects.

Inflation has dropped significantly, falling to low levels. Price controls and a conservative monetary policy have helped bring inflation down, with a rate of just 3.4 per cent being recorded in July 2024, prompting the central bank to lower its policy rate by 25 basis points to 9 per cent in August 2024. Supported by strong export revenues, the Tajik somoni gained 2.5 per cent against the US dollar in the first eight months of 2024.

The country's fiscal position has improved. In the first eight months of 2024 budget revenues increased by 10.9 per cent year on year, supported by an increase in tax revenues (which rose by 12.4 per cent year on year). Effective revenue mobilisation supported budget expenditure, which increased by 10.6 per cent year on year and was mainly allocated to education, social security and energy. In February 2024 the IMF Executive Board approved a 22-month PCI for Tajikistan. That instrument is designed to assist the authorities with structural reforms and make the country's fiscal framework more resilient. In August 2024, citing the country's strong growth performance, the ratings agency Standard & Poor's (S&P) upgraded Tajikistan's long-term rating from "B-" to "B", with a stable outlook. According to S&P, Tajikistan is expected to record modest fiscal deficits and maintain sufficient foreign currency reserves in the coming years.

The strong growth is set to continue. Real GDP is projected to grow by 8 per cent in 2024 and 7 per cent in 2025 on the back of sustained domestic demand, robust export revenues and ongoing investment in infrastructure. At the same time, the country remains vulnerable to interruptions in remittance inflows.

Assessment of transition qualities (1-10)



Structural reform developments

Significant progress has been made with the resolution of the longstanding border dispute with the Kyrgyz Republic. By August 2024, the two countries had agreed on 94 per cent of the disputed territories. Full resolution of the border issue will enhance cross-border cooperation, improve security and facilitate investment and trade.

Efforts to green the economy have been stepped up. In January 2024 city authorities in the capital, Dushanbe, announced that all of the existing fleet of buses would be replaced with e-buses in the coming years in order to reduce CO₂ emissions. Concurrently, all taxis would be replaced with electric vehicles by 1 September 2025. To prevent electricity shortages, the authorities now require (as of April 2024) all new and renovated buildings to be equipped with solar panels. Reflecting Tajikistan's commitment to further developing renewable energy sources, the country's president announced at the "Voice of the Global South" summit in August 2024 that Tajikistan was aiming to obtain 100 per cent of its electricity from green sources by 2032. As part of that endeavour, the authorities plan to increase the country's renewable energy capacity to 1.5 GW by 2027.

Tajikistan is aiming to achieve greater inclusivity and climate resilience. In May 2024 the country signed the UNICEF Declaration on Children, Youth and Climate Action, signalling its commitment to adopting more inclusive climate policies and ensuring the wellbeing of children and young people. UNICEF will assist Tajikistan with the implementation of the declaration by helping the country's Committee for Environmental Protection to strengthen its education, healthcare and social protection systems and make them more resilient to climate change risks.

Digital solutions for the education system are being rolled out. In March 2024 the government introduced a programme aimed at implementing information and communication technology in general educational institutions over the period 2024-28. That programme seeks to improve the quality, recognition and effectiveness of the country's education system by modernising teaching methods, enhancing educational services and improving the technology and other equipment that is used by educational institutions.

The digitalisation agenda is gaining traction. Following the issuance of a decree on measures to increase non-cash payments in August 2023, numbers of non-cash payments have risen significantly. By June 2024 the number of holders of bank payment cards had increased by 30 per cent year on year, the number of point-of-sale terminals had risen by 71.2 per cent year on year, and transaction volumes for payment cards had grown by 49.5 per cent year on year. The World Bank's E-GATE programme, which was launched in 2023, is likely to facilitate e-commerce through capacity building, technical assistance to help the government to develop necessary legislation, and measures to help local micro, small and medium-sized enterprises to join global e-commerce market places.

Efforts to enhance infrastructure are under way. In July 2024 the government established the Committee of Housing and Communal Services to help improve infrastructure service delivery and the management of communal facilities. That new committee has been tasked with overseeing water supply and waste management, conducting research, and drawing up strategies for optimising resource use. It will also monitor and enforce compliance with legal requirements, propose tariffs, and manage finances, public engagement and investor relations within the water sector. ●