

March 18, 2011

**Questions of Ms Mavluda Yunusova, Journalists of the NBT's Magazine "Banking", to
Mr Ari Aisen, IMF Resident Representative in Tajikistan**

Mr Aisen,

We sincerely congratulate you on "Navruz" ("New Day", the spring holiday celebrated in TJ as the New Year during March 21-24) and wish you to be healthy, distinguished and successful.

1. We would like to learn your opinion about the performance of the IMF Representative Office in 2010. How was the year of 2010 for the IMF?

First of all, taking this good opportunity I would like to congratulate the readers of the "Banking" magazine and all people of the Republic of Tajikistan on the upcoming holiday "Navruz" and wish well-being and prosperity to every household.

The year 2010 was challenging but generally successful in our relations with Tajikistan. In 2010, the IMF completed three reviews under the ECF arrangement on the back of good progress on economic reforms. Total disbursements in 2010 amounted to a little over US\$ 58 million. Growth has rebounded and inflation remained under 10 percent, although it increased in the later part of the year.

2. As we know, President Rahmon and Mr Todd Schneider, Head of the IMF mission for TJ, discussed cooperation prospects between IMF and TJ. What could you add regarding this meeting?

The meeting was constructive and both sides agreed to continue the close cooperation of the last year. The discussion centered on such issues as the need to address inflation and to ensure a sound monetary policy that would not add upward pressure to prices. President Rahmon and Mr. Schneider also agreed on the need to continue with the reform program with new efforts directed on maintaining stability and building confidence in the financial sector, and tax policy reforms.

3. Mr Schneider had also a meeting with Mr Rahimzoda, the NBT Chairman. Could you tell what issues were discussed at the meeting?

The main issue discussed was the need to ensure that monetary policy strikes an appropriate balance between fostering the economic recovery while not adding to inflation or exchange rate pressures, which are especially detrimental to the poor. In this context, Mr. Rahimzoda and Mr. Schneider agreed on steps to reduce liquidity

loans to banks including by raising the interest rates charged for these loans. Both sides also discussed at length the current state of the financial sector, and vulnerabilities in the commercial banks. There was consensus on the need to reform the financial sector so banks can improve their soundness and play a leading role contributing to economic growth and development.

4. As the expert in economics, how do you assess the performance of economic sectors, including TJ banks?

Economic performance in 2010 was strong with real GDP growth reaching 6.5 percent. Growth was spurred by higher hydroelectricity production, agriculture, industry, construction, and inward remittances. Most banks have improved their performance with higher profits and lower non-performing loans. Nevertheless, reforms are needed to ensure banks are on a strong footing so that the recent improvements in financial sectors indicators become permanent.

5. Economic experts think that the prices of all commodities, including foodstuffs, will continue to increase. What is the reason behind this?

Price increases are partly related to supply disruptions due to weather-related shocks in the case of foodstuffs, and geopolitical instability in the case of fuels. They also depend on the value of the US dollar vis-a-vis other currencies, as commodities are priced in US\$. But the IMF Research department, through the World Economic Outlook, forecasts that prices of several commodities could stabilize in the second half of 2011 and possibly reduce in 2012.

6. What are the future plans and prospects of the IMF - TJ cooperation?

Prospects for cooperation are good and future plans are to continue remaining engaged, advancing on the reform agenda. We expect the Tajik government to continue pursuing the reform agenda agreed with the IMF to promote macroeconomic stability with higher economic growth, development, and poverty reduction.