

## **IMF Concludes Staff Visit to Tajikistan**

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An International Monetary Fund (IMF) mission led by Mr. Todd Schneider visited Dushanbe June 13-17, 2011. The mission met with President Rahmon, Head of President's Office Mr. Davlatov, NBT Chairman Rahimzoda, Minister of Finance Nadjmuddinov, and Minister of Economic Development and Trade Mr. Hamraliev.

At the conclusion of the visit, the mission issued the following statement:

"Economic activity in Tajikistan continues to recover from the effects of the global economic crisis. Real GDP growth is estimated at about 6 percent year-on-year through May, despite lower electricity production and drought affecting agricultural yields in some areas. Growth has been buoyed by high prices for Tajikistan's key exports, as well as a continuing recovery of inward remittances, which support domestic trade and services. Real GDP growth for the year is projected to be in the range of 6 percent.

The recovery faces a number of challenges. Higher world prices for commodities are contributing to a surge in domestic prices and a higher import bill. The consumer price index increased by 14.8 percent year-on-year through May, with virtually all of the increase driven by higher food and fuel costs. The impact of global price rises has been exacerbated since early May by higher tariffs on Russian exports of fuel products. Given Tajikistan's reliance on imports of basic commodities, the trade deficit has deteriorated. For the year as a whole, the external current account is projected to reach a deficit of about 4 percent of GDP, compared to a surplus of 2 percent of GDP in 2010.

Looking ahead, monetary policy and fiscal policy should be carefully coordinated with a view to limiting inflationary pressures. The mission welcomes the authorities' commitment to avoid such measures as blanket subsidies, export restraints, and price controls, and urges the government to accelerate development of targeted cash-transfer systems to protect the poor. Adjustment to the recent rise in the price of imported food and energy should be sought through measures to boost competitiveness, diversify the economy and sources of inputs, lower the cost of trade, and exchange rate flexibility.

An IMF mission will return to Dushanbe later in the year to evaluate performance under the program supported under the Extended Credit Facility (ECF) through the first half of the year and to discuss with the authorities the budget and other macroeconomic policies for 2012. Mr. Ari Aisen, the IMF Resident Representative in Dushanbe, will ensure our continued presence on the ground.

The IMF Executive Board completed on May 11 the fourth review under Tajikistan's Extended Credit Facility (ECF)<sup>1</sup> arrangement. The Board's decision enabled the authorities to draw an additional amount equivalent to SDR 13.045 million (US\$20.9 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 78.31 million (US\$125.3 million)."

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<sup>1</sup> The ECF is a concessional IMF facility for low-income countries. ECF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in the country's Poverty Reduction Strategy Paper. ECF loans carry a zero interest rate until end-2011 and an annual interest rate of no more than 0.5 percent thereafter. The loans are repayable over 10 years with a 5½ -year grace period on principal payments.