

February 3, 2009

### **IMF Resident Representative Answers to Questions from Newspaper *Tojikiston***

1) Tajikistan has cooperated with the IMF for many years. However, the misreporting case with regard to the utilization of funds under PRGF caused a contradiction. Presently, what is the status of cooperation?

As you know, Tajikistan was under an IMF Staff Monitored Program (SMP) in the second half of 2008, without our financial assistance (the relevant documents are on the website of my office: [www.imf.org/external/country/tjk/rr/rus](http://www.imf.org/external/country/tjk/rr/rus)). Progress under the SMP was good, but the final formal assessment of the SMP is yet to be made, for which an IMF mission will be here February 5-18. If that assessment will also be positive, we could start discussing with the government about a new (longer-term) program with financial assistance, as we had already indicated at the start of the SMP.

2) The IMF proposed to audit several large companies of Tajikistan. What is the result of these audits?

One of the measures under the SMP was for TALCO and Barki Tajik to issue a tender for a financial audit by an internationally recognized auditing company, so that more insight could be given into the financial operations of these two most important (state-owned) companies of Tajikistan. Both companies issued this tender, and thus complied with the relevant SMP measure. In the mean time, the audit of Barki Tajik has finished, and the government is currently analyzing the results together with the World Bank in the context of the World Bank's Energy Loss Reduction Project. TALCO is still finalizing appointing the auditor, and we expect it to be one of the big four international audit companies as conform the terms of reference that we agreed with TALCO and the government.

3) Sharif Rahimzoda mentioned in one of his speeches that the gold and currency reserves of Tajikistan reduced from \$350 mln to \$198 mln. Will this influence international financial institutions in their providing of loans?

NBT reserves declined because the NBT deposits that were pledged as guarantees for foreign bank lending to Kredit Invest were all taken by those foreign banks last year. However, abstracting from those pledges, which NBT extended well before Mr. Rakhimzoda became its Chairman, NBT reserves actually increased, by more than \$ 100 mln, which is a good performance. Nevertheless, the level of reserves is still low, which, everything else equal, for the IMF is usually an argument to be more flexible regarding the level of financial assistance.

4) Many Tajik officials said that the global financial crisis will not affect Tajikistan. However, President Emomali Rahmon at the large Government meeting said that the impact of the crisis was already felt in TJK long ago. In your opinion, what is the way out of the crisis and how can the IMF help in overcoming it?

No country is isolated from this crisis, which is truly global. For example, the IMF just adjusted downward its GDP growth projection for Russia to -0.7 percent in 2009 and 1.3 percent in 2010, which obviously cannot remain without consequences for Tajikistan, which receives about 90 percent of its workers' remittances from Russia, which constituted almost 50 percent of GDP last year. We therefore now expect 2009 GDP growth in Tajikistan to be lower than the 5 percent we projected in our last report. On the positive side, inflation would also be lower than the end-2009 figure of 11 percent that we then projected. The global crisis reinforces the need for a reform agenda that stimulates private sector investment and job creation within Tajikistan, for example through development of small and medium enterprises, and agricultural sector reform, including true freedom for farmers to grow what they want, and resolution of the cotton sector debt. The reform agenda thus has not changed much, but its implementation has become even more urgent. The IMF can assist the government putting together a macroeconomic framework that safeguards stability, combined with financial assistance to alleviate the impact of the global crisis and make it less painful to implement difficult measures. That is essentially what the IMF was devised for. A new IMF program would obviously be shaped in the context of the global financial crisis including proposals by the government. However, we first need to discuss during the upcoming mission.