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## ***Recovering Yet Vulnerable Economy of Tajikistan***

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Following review of Tajikistan's economic performance, the IMF approved allocation of \$20m to this country. This is the fifth review under the ECF program with total disbursements of \$141m. Approved in 2009 this program provides for the financial assistance to Tajikistan's economy in exchange for economic reforms. The IMF said in the review that Tajikistan's economy continues to recover, but is still vulnerable to external economic shocks.

While speaking to Ari Aisen, Head of the IMF Representative Office in Dushanbe, I asked him to illustrate the recovery of Tajikistan with [some] figures.

**Answer:** "The GDP grew 7.5 percent in 2011 and the inflation declined being at the end of the year at 9.3 percent. In my opinion, these numbers are credible and they show that the economy is recovering. As for the economic growth, I would like to point that such sectors as services, agriculture and construction contributed to the good performance. The remittance of migrants' cash benefits also increased around 30 percent and the value of the national currency stayed within moderate limits. Therefore, we saw good macroeconomic indicators at the end of 2011.

### **WHAT ARE THE ACUTE PROBLEMS?**

**Question:** However, the IMF also says that despite of this [progress], there are acute problems in the country's economy. Which of these problems are the deepest?

**Answer:** Despite of the progress, there are still some problems. In general, Tajikistan's economy remains very vulnerable in the face of the external factors and one of the causes of this vulnerability is a small private sector, which at the times of external economic shocks could help significantly in mitigating these shocks. Another reason is the low level [or rate] of financial interbank transactions in Tajikistan, whose banks should improve their involvement, reduce unprofitable loans and increase interaction with each other. Tajikistan also has higher debt to GDP ratio. I don't say that the debt is very high, but it is high enough not to allow Tajikistan to borrow more, especially if loans are not concessional.

I would also like to mention the NBT's small forex/gold holdings. One part of the IMF program is to continue [our] assistance to the NBT to increase its forex/gold holdings, because they are very important in confronting the effects of external economic factors. Now the forex/gold holdings of Tajikistan are approximately \$400 mln that is sufficient only for

1.5 months of imports. This reserve is small even for low income countries and should be bigger. It is good [when] the reserves are sufficient for 2.5 and/or 3 months. This is a long process and taking into consideration the recent achievements and financial discipline [or system], we expect that Tajikistan will increase its forex/gold holdings in future”.

### **IS TAJIKISTAN’S ECONOMY DEPENDENT ON THE ECONOMY OF RUSSIA?**

**Question:** We’ve talked about external effects, [but] during this global financial turmoil what does threaten Tajikistan’s economy?

**Answer:** I think the real threats for Tajikistan’s economy are connected with the economic situation in Russia, because the remittances are important for the economic growth and help to facilitate demand and trade. The remittances are also one [of the] very important source[s] of forex/gold reserves and the stability in the forex market depends on the inflow of the remittances. Secondly, Russia’s demand in Tajikistan’s exports is also high and in case of serious effect on the Russian economy from the changes in the global economy, this [Russian] demand decreases, another thing is the inflow of foreign direct investments to Tajikistan. If Russia has positive economic growth, Tajikistan’s economy will not suffer. Tajikistan’s economy can also be affected through other directions, including through the prices and volumes of goods and commodities. Tajikistan has two major export commodities: aluminum and cotton, the both are big sources of foreign exchange earnings (that may reduce). However, if the price of crude oil goes down, [it will be] good for Tajikistan, because the prices will go down here, but, on the other hand, the Russian economy will suffer. Therefore, we have to take into consideration all these interdependencies.