

**Statement by the IMF Staff Representative
July 21, 2004**

The following information has become available since the staff report was issued on July 8, 2004. It shows that economic conditions in Tajikistan continue to be buoyant and that the financial program remains on track. This information does not alter the thrust of the staff appraisal.

- Real GDP grew by 11 percent in the first six months of 2004 (compared to the same period a year earlier). This is significantly above the 8 ½ percent annual growth projected for 2004 and appears to be due to the stronger-than-expected contribution of high commodity prices and remittances to domestic demand. However, cotton spot and future prices have declined sharply recently. Because cotton spot prices were higher than programmed in the first half of 2004, the implied annual average cotton price for 2004 remains in line with program projections. Consumer prices rose by 6.2 percent in June (12-month basis), in line with the objective of keeping annual inflation under 7 percent.
- Preliminary data indicate that the authorities met the key quantitative targets for end June, 2004. Reflecting the strong growth of remittances and the favorable fiscal position, net international reserves exceeded the revised program floor, and gross reserves reached 2.4 months of imports. The net domestic assets of the central bank were below the ceiling, possibly because the anticipated seasonal high in budget expenditures did not occur and the revenue performance continued to be strong. Also, the stock of reserve money at end-June was below the revised program target. The somoni exchange rate continues to be stable.
- On July 6, the respective governments agreed in principle on the specific terms of the restructuring of Tajikistan's \$299 million debt to the Russian Federation. This will exchange the debt for existing property valued at \$237 million, including the Nurek space tracking station, and the remainder as investment in the Sangtuda hydro-power plant under construction.
- On June 30, the authorities passed the "Plan for Implementing Education Reforms for 2004-09" (referred to in July 2004 MEFP paragraph 9, and December 2003 MEFP paragraph 17). This includes, starting September 1, increasing the teachers' class time per week, reducing the number of teachers by 5 percent (a structural benchmark, end-July 2004) and using the savings to increase teacher salaries by 25 percent, and setting out the itemized costing for reforms. The details of this plan will be reviewed by the World Bank and other stakeholders. Based on the aggregate information now available, the plan appears to be consistent with the 2004 fiscal framework and the PRSP objectives.



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IMF Completes Third Review of the Republic of Tajikistan's Three-Year PRGF Arrangement and Approves US\$14.5 million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the third review of the Republic of Tajikistan's economic performance under the three-year Poverty Reduction and Growth Facility Arrangement (PRGF). In doing so, the Board approved a request for a waiver for the non-observance of the continuous structural performance criterion prohibiting the National Bank of Tajikistan from issuing directed credits. The decision enables the Republic of Tajikistan to draw an amount equivalent to SDR 9.8 million (about US\$14.5 million) under the arrangement.

The IMF's Executive Board approved the three-year arrangement on December 11, 2002 (see [Press Release No. 02/54](#)) for amount equivalent to SDR 65 million (about US\$96 million). Completion of the latest review will bring total disbursements under the program to SDR 35.6 million (about US\$53 million).

The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in a [Poverty Reduction Strategy Paper \(PRSP\)](#). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½-year grace period on principal payments.

Following the discussion of the Executive Board, Agustín Carstens, Deputy Managing Director and Acting Chair, said:

“Tajikistan's performance under the Poverty Reduction and Growth Facility arrangement has been satisfactory. As a result of program implementation and the favorable economic environment, growth has remained robust and inflation has fallen sharply. These developments have contributed to a decline in poverty.

“The authorities have made improvements in the overall implementation of monetary policy, especially the more effective management of reserve money, which have led to a significant reduction in inflation. Going forward, it will be important to sustain these improvements, while