Statement by the IMF Staff Representative
February 6, 2006

Since the issuance of the staff report, the following information has become available to staff. This information does not alter the thrust of the staff appraisal.

- **Growth in 2005 was somewhat lower than projected**. Preliminary data indicate that real GDP growth reached 6.7 percent in 2005 (compared to 7.5 percent in the program), owing mostly to electricity supply problems in the last quarter of the year and a weaker than projected cotton harvest.

- **The inflation outturn for 2005 was in line with the program**. Consumer prices rose by 7.1 percent in 2005, compared with the projected program target of 7.0 percent.

- **The authorities have completed the implementation of all outstanding structural benchmarks under the program**. On December 28, President Rahkmonov signed into law the amendments to the Banking Law eliminating major restrictions to foreign capital participation in the financial sector. In addition, staff has confirmed that as of end–2005 the National Bank of Tajikistan had completed the recovery of SM 10 million in loans to the private sector.

- **Monetary targets were met with a margin.** Preliminary data indicate that, in the monetary area, the authorities met all indicative quantitative targets for end-December 2005. Net international reserves exceeded the program floor by $17 million. Moreover, the net domestic assets of the central bank and reserve money were below their indicative ceilings, owing to the strong fiscal performance and as a result of sterilization operations undertaken in late December 2005.

Recent Monetary Indicators

(In millions of somoni; unless otherwise indicated. Using program exchange rates)

	End-September		End-December	
	Performance criteria	Actual	Indicative targets	Actual
Ceiling on net domestic assets of the NBT	101	41	90	36
Ceiling on net credit of the banking system to government	-169	-257	-178	-246
Floor on net international reserves (millions of U.S. dollars)	59	78	71	88
Reserve money (indicative target)	278	277	305	304

Sources: National Bank of Tajikistan; and Fund staff estimates.

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth and Final Review Under the Republic of Tajikistan's PRGF Arrangement and Approves US$14.1 million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the sixth review of the Republic of Tajikistan's performance under its economic reform program supported by a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. Completion of the review enables the Republic of Tajikistan to draw an amount equivalent to SDR 9.8 million (about US$14.1 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 an amount equivalent to SDR 65 million (about US$93.7 million). The disbursement under the sixth review will result in the arrangement being fully drawn.

Following the Executive Board discussion on of Tajikistan, on February 6, 2006, Mr. Agustín Carstens, Deputy Managing Director and Acting Chair, stated:

"The Tajik authorities are to be commended for Tajikistan's robust economic performance in recent years, in the context of strong implementation of the PRGF-supported program. Despite the negative impact of higher energy prices and a weak cotton harvest in 2005, the authorities' macroeconomic policies, coupled with progress on structural reforms, have contributed to high economic growth, relatively low inflation, and a reduction in poverty. They have also helped to maintain a sustainable debt position.

"Looking ahead, the authorities remain committed to keeping fiscal policy consistent with the program's medium-term objectives. The focus should be on strengthening tax administration and effectively enforcing the new tax and customs codes to preserve and expand the revenue base. Any revenue overperformance resulting from higher-than-expected export prices should be transparently used to augment social expenditure, with the ultimate goal of meeting the Millennium Development Goals. The authorities' intention to further strengthen the management of monetary policy by taking steps to broaden the range of monetary instruments and developing a strategy for recapitalizing the central bank is welcome. The maintenance of a managed floating exchange rate regime, with intervention in the foreign exchange market limited to smoothing short-term exchange rate volatility, is appropriate.