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### **IMF Executive Board Completes Sixth Review Under ECF Arrangement for Tajikistan and Approves US\$20.2 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) has completed its sixth review of Tajikistan's economic performance under a program supported by the Extended Credit Facility (ECF) arrangement. The decision enables the authorities to draw an amount equivalent to SDR 13.045 million (US\$20.2 million), bringing total disbursements under the arrangement to an amount equivalent to SDR104.4 million (US\$161.9 million). The Board's decision was taken on a lapse of time basis<sup>1</sup>.

The three-year SDR 104.4 million ( US\$161.9 million) ECF arrangement with Tajikistan was originally approved by the IMF's Executive Board on April 21, 2009 and subsequently augmented on June 7, 2010 (see Press Releases [No. 09/136](#) and [No. 10/230](#)).

Adherence to the policies agreed under the Fund-supported program has played an important role in helping Tajikistan maintain solid growth despite adverse external shocks. Stronger than expected agricultural production and a robust rise in inward remittances helped fuel real GDP growth in excess of 7 percent in 2011. Headline inflation has also returned to single digits, due in large part to declining international food prices. A relatively stable exchange rate in the second half of the year likely helped to moderate inflation expectations and could, together with a more benign outlook for non-energy commodity prices and prudent fiscal and monetary policies, lead to a lasting decline of inflation rates.

Program performance through end-2011 was strong, with all quantitative targets met and most structural benchmarks completed. A treasury single account was introduced at the beginning of April to strengthen public financial management, a fiscal risk assessment related to the condition of state owned enterprises was completed and published on the ministry of finance website, and a draft of a revised tax code, incorporating a number of recommendations from IMF technical assistance, was submitted to government. An external

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<sup>1</sup> The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

financial audit of the Roghun Open Joint Stock Company (OJSC) is also near completion, and is expected to be published soon.

The outlook for 2012 and the medium-term is positive, but not without risks. High oil prices and recent increases in electricity tariffs will add upward pressure on energy prices. Trade disruptions and higher rail transport tariffs at the beginning of 2012 highlight risks to import prices. Decisive action is needed to address financial sector weaknesses, which represent a quasi-fiscal risk. Key will be minimizing taxpayer cost and addressing the root causes of the problem—directed lending, weak corporate governance, and regulatory forbearance. Over the medium-term, steady budget consolidation will be needed to maintain fiscal sustainability and rebuild buffers drawn down during the crisis. Further reform of tax policy and tax administration will also be needed to support private sector-led growth and job creation.