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## **IMF PLANS MISSION TO TAJIKISTAN AS BAILOUT TALKS ADVANCE**

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The International Monetary Fund will send a mission to Tajikistan in the next few weeks, in a sign that talks over a bailout package for the former Soviet Unions poorest country are gaining urgency.

Masood Ahmed, director of the Middle East and Central Asia department at the IMF, told the Financial Times that a Fund delegation would visit Dushanbe, the countrys capital, in the coming weeks to see if we can reach agreement on a programme.

Tajikistan, a small, mountainous country bordering Afghanistan and China, is in the midst of a growing financial crisis as remittances from migrant workers in Russia □ which traditionally account for about half of the countrys GDP □ fall sharply due to the collapse in the rouble. Prices for its main export commodities, cotton and aluminium, have also fallen.

They do face major challenges, Mr Ahmed said. Their financial condition has been strained, both because of the returning migrants as well as because of lower prices of cotton and aluminium.

Tajikistans deputy central bank governor told the Financial Times in February that Dushanbe was in talks with the IMF for a bailout worth as much \$500m. Mr Ahmed said it was too early to comment on the size of any possible loan.

Tajikistans economic woes highlight how the fall in commodity prices and recession in Russia are causing ripples across the economies of the former Soviet Union. In its most recent World Economic Outlook this month, the IMF predicted that economic growth in the Central Asia and the Caucasus region would fall to a two-decade low of just 1.2 per cent this year.

With commodity prices remaining low, a protracted period of economic weakness could test the political grip of authoritarian leaders who have in some cases ruled their countries for more than

two decades.

Mr Ahmed predicted that growth across the region over the next five years would be 3.5-4 per cent — less than half the rate of the past decade and a half.

This is a difficult time both from oil exporters and oil importers. They've been hit by a variety of shocks — not just low oil prices but intensifying spillovers that are working their way through Russia, and also the slowdown in China, he said.

Kazakhstan, the regions largest economy, is set to grow just 0.1 per cent this year, according to IMF forecasts, while Azerbaijan is predicted to experience a 3 per cent recession — the weakest economic growth for either country since the 1990s.

Mr Ahmed said that Tajikistan would have to take early and substantial policy actions in order to secure a bailout from the IMF.

The countrys GDP growth slowed to 3 per cent this year, the weakest since 1997, and the Tajik currency, the somoni, has fallen 40 per cent against the dollar since the start of 2014.

Tajikistans banking sector has been weakened by the economic slowdown, with overdue loans rising from less than 15 per cent of total banking sector assets in mid-2014 to 30 per cent at the end of last year, according to the IMF. Talco, the state aluminium plant that is the countrys largest exporter, last week announced it would cut 7 per cent of its workforce.

Mr Ahmed listed three key areas for the Tajik government to address: resolving struggling banks and strengthening banking supervision more generally; removing restrictions on the foreign exchange market; and increasing transparency of state-owned enterprises and integrating them into the government budget.

Some observers have speculated that Dushanbe may turn to China — already its single largest creditor — rather than submit to tough IMF conditions, but Mr Ahmed said the Tajik government had indicated a determination to address the issues.

I do sense a degree of commitment, he said.

Previous IMF assistance to Tajikistan has been mired in scandal: in 2008 the Fund ordered the country to repay a loan when it discovered that Dushanbe had been misreporting its central bank reserves. Asked if the fund risked creating moral hazard by approving further loans to Tajikistan, Mr Ahmed replied: I want to start from where we are rather than worrying about the history.

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