

# COOPERATION BETWEEN THE REPUBLIC OF TAJIKISTAN AND THE INTERNATIONAL MONETARY FUND: PRELIMINARY RESULTS

Sobir KURBANOV

*Economic program coordinator  
at the Swiss Office on Cooperation in Tajikistan  
(Dushanbe, Tajikistan)*

---

I n October 2003, a regular IMF mission visited Dushanbe to review its second Poverty Reduction and Growth Facility (PRGF) Arrangement in the country. If it fulfilled the reform conditions/goals designated under this arrangement, the Tajik Republic could draw an amount in several installments equal to \$89 million. The mission held several meetings with the Tajikistan government and representatives from several sponsor states. These meetings resulted in an assessment of the level of economic and structural transformations in the republic. The official chronicles were peppered with brief statements on the achievements, as well as with positive responses by the mission's experts. But along with the mutual compliments, there were also statements of blatant displeasure on both sides. And what is more, the mass media provided very scant coverage of their viewpoints, the mission's activity, and the course of the negotiations. The mission worked behind closed doors, which has already become a certain tradition. The press did not publish a single interview with its members, or any statements by government officials, or any of the discussions and talks. The public was presented with only very laconic reports from the information agencies, and the population has very little idea about the authors, areas, course, and strategy of the economic reforms.

Admittedly, in private conversations, government officials and economists are usually quick to assure that there can be no doubt about the IMF's authority, that it is the so-called "exclusive owner of the author's rights," and sets the rules of the game for these reforms. So in order to understand how the socio-economic reforms are developing in the republic and predict their progress, we must first take a look at how cooperation is being established between our country and the IMF. This is particularly important since during the aforementioned negotiations, a whole host of problems was exposed, which can no longer be kept under wraps. The underlying lack of correlation between the sides' viewpoints and their barely

restrained irritation have come to the surface, which naturally did not feature in the sparse official chronicles.

The government has found itself faced with a difficult choice between either accepting the IMF's rather heavy-handed approach, known as the Washington Consensus, or dealing on its own with the burden of its immense foreign debt, which is creeping up to one billion dollars. Most likely, Tajikistan will have to "place itself at the IMF's mercy." If this happens, the country can expect the fate of the "banana" republics, which do not have any competitive industries or investment base, but have "stable macroeconomic indices," an unwieldy foreign debt, and, as a result, political instability.

It is also worth noting that since 1993 Tajikistan has been a member of most international institutions. It began cooperating actively with the main ones in 1996, when peaceful settlement in the country made it possible to start market reforms. The experience of economic transformation in the transitional economies of the Central and East European states, as well as of the CIS countries, shows that their support by international financial institutions (IFI) is playing an important role as a reform catalyst and an important element in official foreign financing.

The International Monetary Fund is one of the key IFIs. It stands to reason that its main "clients" are the poorest countries with low credit ratings on the open market and an unfavorable investment climate. What is more, these countries do not have their own raw material and resource potential, which forces them to focus exclusively on official foreign financing from international financial institutions operating worldwide. The fact that IFIs are the preferred form of partnership is graphically shown by the situation in Central Asia, where ties with the IMF are most closely supported by countries with a chronic payment balance deficit, Kyrgyzstan and Tajikistan. Kazakhstan, Uzbekistan, and Turkmenistan with their strong domestic resource and export potential are less dependent on IFI programs.

What is more, cooperation with the Fund is used as a tool of political pressure on the recipient countries, and along with the economic component, its programs are seen as an important index of how stable the reform process is, which helps to keep other financial sponsors firmly anchored in the country. This applies in particular to Tajikistan where the IMF, as the leader, clearly manipulates the positions of other foreign investors. After all, everyone understands that if the Fund's program falls through due to non-fulfillment of the current obligations this could lead to financing of the program being cut off. And this in turn will most likely stop other foreign sponsors and international organizations from allocating funds, thus dealing a catastrophic blow to Tajikistan's investment-deficit and demonetized economy. So the IMF has essentially unlimited ways of putting pressure on the country's authorities.

The Fund is in the habit of using a "technocratic," rather than a pragmatic approach to resolving the economic problems of its client countries, by applying a standard set of measures aimed at accelerating liberalization, privatization, and introduction of elements of an open market economy, that is, the Washington Consensus principle mentioned above. Its ideas are most vibrantly summed up in works by economist Gérard Roland.<sup>1</sup> Relying on the provisions of this study and applying them to the conditions of our country, the economic reform program promoted by the Fund can be characterized as follows: the revolutionary measures adopted in 1997-2002 by the government with active assistance from IFIs (the IMF and the World Bank) to bring about stabilization, reduce inflation, and promote rapid privatization of more than half of all the republic's enterprises were not accompanied by support of the social sector, which led to even greater property stratification of society and did not permit recovery of the economic situation (with the exception of the macroeconomic indicators) or raising of the population's standard of living. Tajikistan is still the poorest country in the CIS and does not have any real prospects of improving its status.

The idea of an evolutionary reform process, which presumes a credit of trust from the population, the development of local power institutions, an active dialog with civil society (and not only with the government), and an attitude toward privatization that does not consider it an end in itself, as well as support of post-privatized programs, the formation of an attractive investment image for

---

<sup>1</sup> See: Gérard Roland, "Ten Years After: Transition and Economics," *IMF Staff Papers*, Vol. 48, Issue 4, 2001.

the state, and so on, was not taken into account by the Bretton Woods System sponsors. Nor can it be denied that the government failed to prepare itself for drawing up and conducting economic reform, made several mistakes, and in particular did not fully analyze the long-term effect of the measures adopted. By the same token, the arguments of IFI representatives to the effect that all the reform plans were coordinated with the country's leadership do not hold water, since the sponsor clearly saw the government's level of readiness (or to be more precise, lack of readiness) and institutional potential from the very beginning.

As already noted, the IMF program in Tajikistan is unfortunately very technocratic in nature and does not take into account our state's specific features. The Fund is setting demands, conditions, and program goals which the country must fully correspond to. Of course, these methods are accelerating the structural reforms. But the undeveloped and inefficient institutional environment and total poverty in Tajikistan require the most flexible approaches, which take into account the specifics of the initial conditions and reform rates.

The unfortunate history of economic reform in the republic looks as follows: finding itself up against a brick wall, it accepted the Fund's conditions, but fulfilling them is not yielding the anticipated results. The reforms are grinding to a halt and the country is faced with a renewed crisis, which is once more throwing it into the IMF's embrace. The IMF in turn is insisting that the reforms be conducted with even greater diligence and determination. So a vicious circle of dependence has formed, which is primarily aggravating the deep-seated social problems, including the spread in poverty, which is the absolute opposite to the declared idea of reducing poverty and the so-called "pro-poor" (i.e. primarily in the interests of the poor strata of the population) development of the economy.

The "Tajik experience" confirms the trend developing in the world with respect to the IMF. The authority of the International Monetary Fund, which just recently was considered a kind of equivalent of world government, is rapidly declining today. Such CIS countries as Russia and Kazakhstan stopped asking this organization for credits several years ago. And Thailand, Indonesia, Brazil, Turkey, Ecuador, and Bulgaria have decided not to use its loans starting from next year. During the past five years, the total debt of developing countries to the Fund decreased from 80 billion dollars to almost 50 billion.

Rejection of the credit is explained first of all by the fact that many countries with a transitional economy going the reform route, traditional IMF borrowers, have ample opportunity today to find similar funds on the world market without compromising their domestic economic policy and bending it to fit the IMF's tough demands. According to the JP Morgan Bank, during the first half of 2003, nongovernmental investments in the debt obligations of developing countries increased by 37% (compared with 2002) and came close to 10 billion dollars. Between 1995 and 2001, money was only removed from developing markets. Many experts are already leaning toward gradual transformation of the IMF from a credit into a consultation and analysis organization. But the problem is that even the Fund's forecasts have been less and less reliable recently. The U.S. Audit Chamber conducted an investigation of its activity, and in its report noted the low reliability of the forecasts the IMF made between 1991 and 2001. During this time, the developing countries have experienced economic slumps, even crises, 134 times, whereas in 119 of these cases, the IMF predicted growth.

Created as a bureaucratic organization, the Fund frequently does not take a state's individual characteristics into account in its assessments, and approaches its prediction of the economic situation in a specific country and in the world from an extremely technological standpoint, at times relying on theoretical models, and not on specific facts.<sup>2</sup>

Of course, the IMF holds an important position in Tajikistan as the key international financial institution providing official foreign financing against the background of limited private foreign capital and a weak domestic investment climate under conditions of the country's post-conflict economy. But all the same, the aspects arousing criticism should also be kept in mind, which are typical of the Fund's activity

---

<sup>2</sup> See: K. Frumkin, "MVF nikomu ne nuzhen, strany mira otkazyvaiutsia ot ego kreditov," *Nezavisimaia gazeta*, No. 151 (2983), 25 July, 2003.

not only in Tajikistan, but also in other countries. The main aspect of this criticism is that the IMF's policy frequently does not promote economic growth and an investment boom, but only ensures short-term macroeconomic stabilization. However, the price to be paid for this is aggravation of social problems and the threat of social upheaval, which makes the investment climate even worse and the recipient country dependent on the Fund's next credit installments.

The IMF has a traditionally specific and closed style of working with a country's leadership, which does not take into account the latter's institutional potential and entirely disregards the interests of civil society, alternative business associations, and the population as a whole. Naturally this does not help to develop responsibility or nurture feelings of ownership in the reformers, and undermines the stability of the reforms, which of course the Fund couldn't care less about. What is more, it is suggested that by working with non-transparent institutions and weak partners, while failing to take into account the opinion of the representatives of civil society, the IMF as a closed organization is indirectly promoting corruption. This makes it surprising that the Fund's mission, which recently visited the republic, was very dissatisfied with the level of cooperation, as well as with the quality of the statistical and factual information the country's authorities presented it with. I do not think that closed and unequal negotiations are very conducive to providing objective and honest information.

When analyzing this cooperation, the opinion of many specialists unwittingly comes to mind, who believe that many of the economic problems of the post-Soviet states have been caused, paradoxically, by the vast amount of foreign financial aid they have been allotted (and are still being allotted). During their independent existence, the republics of the former Soviet Union have received a grand total, according to different estimates, of between 40 and 80 billion dollars. No one can give precise figures, since at the initial stage, at the peak of the euphoria aroused by the collapse in the Soviet Union, the generous financial flows were essentially not controlled. But the decade that passed under the "golden rain of charity" ended in disappointment: the CIS countries cannot boast of any economic reforms, or democratic transformations, whereas they have become swamped with exorbitant debts, which more than one generation is going to have to pay off.

Thomas Weis, a professor of political science at New York City University, was the first to talk about a phenomenon he called the "dark side of aid." The fact is that "gift money" promotes an abrupt increase in corruption in countries with very vague legislative boundaries and extremely unstable democratic traditions, since bureaucrats are not engaged in what they should be doing, but in redistributing the aid for bribes. What is more, in these states, criminal bosses have access to foreign support programs and participate in official business, bringing the morals of the criminal world into this sphere with them. At times, when various power and criminal structures are striving to participate in the distribution of finances, foreign aid can even give rise to political and military conflicts, that is, foreign charity is becoming a way for the local semi-criminal elites to get rich and helping them to hold onto the reins of power.

In the meantime, the economies of the young states were not only failing to thrive, they were even disintegrating. Without the resources engendered by economic growth to cover their former debts and the reduced interest rates on them, the governments of some CIS countries have re-borrowed money more than once, which is only making their situation worse.

World Bank specialists David Dollar and Lant Pritchett, after analyzing the situation with international aid in 113 countries, came to the regrettable conclusion that it is usually obtained by countries with corrupt governments, and not by states with reform governments.<sup>3</sup>

Of course, the IMF and the World Bank are not ideal tools of the world economy. The Asian financial crisis exposed many shortcomings in these organizations. Some believe that the IMF upholds principles that do not help and even directly harm developing countries. This applies to imposing market relations in essentially every sphere of the economy.

---

<sup>3</sup> See: V. Vassileva, D. Satpaev, "Temnaia storona pomoshchi: pokupaia loial'nost stran SNG, Zapad ukhudshaet ikh ekonomicheskoe polozhenie," *Nezavisimaia gazeta*, No. 25 (2858), 10 February, 2003.

The privatization methods espoused by the IMF were also severely criticized at the summit on sustainable development held in Johannesburg. According to many experts, as the result of privatization of state enterprises, a small stratum of society is getting rich, whereby this is occurring along with a rise in prices and tariffs and an increase in unemployment. The Russian experience is a classic example of failure here. Well-known economist, Nobel-Prize Winner of Economics in 1999, Joseph Stiglitz, agreeing that in itself privatization is of course not a cure for poverty, believes that its defective side emerges when there are no institutions (or they are not sufficiently developed) that protect society from its negative consequences.

The main positive aspect of privatization should be considered an increase in business efficiency. And although in the short term, the financial load on consumers increases, in the long run they gain due to the more flexible policy of private companies (along with the competition always present in the sphere). For example, after electricity and telephone companies were privatized in Chile, Peru, Bolivia, and Argentina, the number of their clients drastically increased, whereby mainly among the poor strata of the population in these countries. And the main stimulus for developing countries to conduct the policy designated above was credits already issued by the IMF (92 billion dollars). The Fund's opponents maintain that a system called upon ideally to finance economic reform has turned into one that finances the countries' foreign debt, in which new credits are used to cover old debts and their interest rates. The IMF, on the other hand, believes that it is all a matter of insufficient honesty and professionalism on the part of the local authorities, which are squandering international money.<sup>4</sup>

Let us return to the situation in Tajikistan. The Fund's last mission noted obvious progress in macroeconomic management. The increase in real GDP over the first nine months of 2003 amounted to 7.9%, and at year end, according to preliminary data, to 9%. But these indices do not tally up with the Fund's forecasts, which for more than four years has stubbornly restricted growth to a "ceiling" of 5%. Correspondingly, these artificially low forecasts are leading to low inflation targets, while its real indices are arousing constant concern among IMF experts.

The government announced achievements in fiscal policy. For example, according to the Finance Ministry, for the first time a fiscal surplus was achieved, as well as additional revenue into the budget of 50 million somoni. The first nine months of 2003 were also marked by a record assignation of currency transfers from migrants working outside the country. It is particularly pleasing that this money (more than 170 million dollars, which amounts to almost 2/3 of the country's annual budget) has entered citizens' accounts via the country's banks, and has not come into the country as "black cash" that evades taxation. But during this period inflation amounted to 8.6%, which the IMF bitterly complained about. In so doing, 7.1% of this rise in inflation was caused by an abrupt increase in the cost of energy, which was done in correspondence with the Fund's demands.

Despite the announced innovations and placing the priority on pro-poverty, broad dialog, and nurturing a feeling of ownership in the authorities of the client country, the Fund's programs are still exclusively standardized and "technocratic." They are based on a traditional set of prescriptions from the "Chicago boys," the role of which is played by the dear members of the Fund's mission. In Tajikistan (where there is no argumentative criticism of the IMF's work), a program of accelerated stabilization is being carried out, as well as demonetization of the economy, which are leading to structural cataclysms that are drastically aggravating the social problems. This is essentially impossible to ignore, and the illusions of stability in monetary and fiscal policy are not achieving any real improvement in the population's life and are hindering development of the real sector.

Even if the budget execution indices were pretty good, the government would not be able to obtain the Fund's consent to raise the extremely low social payments and wages of civil servants. At the same time, the clearly superfluous supply of dollars on the currency market cannot be balanced by issuing national currency in the corresponding amount (again because the IMF does not approve). This resulted in re-evaluation of the national currency from 3.2 to 2.6 somoni to the dollar. A classic scheme of monetarist

---

<sup>4</sup> See: *Boleznyemye protsessy pozadi program MVF i Vsemirnogo Banka* [www.lenta.ru], 30 April, 2003.

policy is being carried out, which in recent years was severely criticized by several well-known economists, including Professor Joseph Stiglitz mentioned above. This policy caused a deep economic depression in several Latin American, African, and CIS countries.

The IMF is closely following the slightest signs of macroeconomic imbalance, and is not striving for long-term revival of the economy by means of moderate inflation, which is absolutely normal for revival within the framework of the Keynesian evolutionary economic model and creation of a normal domestic investment climate. Otherwise there can be no rational explanation for the IMF's lack of consent to a reinforced additional emission proposed by the Tajikistan government, which would help to raise the level of social payments and mitigate dollar intervention on the currency market. In both cases, the economy would gain an additional investment resource, and the export items would be extended by means of cheaper products, while the domestic manufacturer would become more competitive.

The deceptive illusion of an inflation threat is particularly interesting, which is almost the Fund's Bible, one of its key arguments against controlled emission, both fiscal and monetary. The IMF clearly does not fully understand the specifics of the local consumer market and the levers for forming inflation mechanisms in a not-very-open economy that is extremely dependent on import, as is the economy of our country. In a normal economic environment, an increase in the Consumer Price Index (CPI) or inflation means an increase in the money supply with a constant amount of produced commodity values. But in Tajikistan, where 80-90% of the consumer market consists of imports, an increase in price on basic commodities from the CPI group is frequently related to reasons that have nothing whatsoever to do with an increase in money supply on the market. This increase is generated by a temporary deficit of importable commodities and problems of their transportation, which arise with particular frequency on the borders with neighboring Uzbekistan and Kazakhstan, a rise in product prices in manufacturing countries, and prohibitive and restrictive measures of a non-economic and, what is more, non-inflationary nature. The IMF takes absolutely no account of the specifics of the situation typical of Tajikistan. Everything is put down to inflation pressure, and the economy is deprived of its justified monetary equivalent (with a clear surplus of cost cover and lack of additional monetary pressure as such). In recent years, demonetization of the economy has increasingly become the leading trend in its development, which is confirmed by the lack of funds for crediting post-privatization programs, the low level of credit assets in the banking sector, and the miserly social benefits. The IMF appears to be afraid that an increase in pensions will overrun the currency market, and the subsequent inflation will cause the economy to erupt.

Within the framework of the activity of the IMF's October mission, its reprimands of the government concerning lack of transparency and artificially high spending in the social sector were taken particularly grievously. Due to "inflation fear," the IMF insistently proposed that the government decrease "unjustified" spending by reducing the number of teachers in secondary schools by almost one third (100,000 of the 430,000 currently employed), and by canceling all categories of benefits, including those on utility payments for labor veterans and participants in the Great Patriotic War of 1941-1945. In other words, the mission showed a lack of understanding of the significance and meaning of the principles of sustainable human development declared by the U.N. and leading sponsor countries as a basic strategy, as well as disregard for the importance of investments in human capital. Everything Tajikistan is proud of, free basic education and 100% literacy, is being sacrificed for the sick ambitions of technocrats from the IMF, who may have diplomas from the world's leading schools of economics, but are far from experts in sustainable development.

What arguments and fiscal advantages can explain depriving veterans of the Great Patriotic War who saved the world from fascism of their benefits? There are only a few hundred of them left in the country, and depriving them of their benefits will not save the republic from inflation, but is bound to deeply insult and humiliate all of us. Nevertheless, under pressure from the IMF, the government adopted a resolution on canceling benefits on utility payments for labor veterans and participants in the Great Patriotic War on 1 January, 2004, replacing them with a monetary compensation of 15 somoni (5 dollars). Rejecting common sense in favor of a standard set of stabilizing measures offered by the IMF

shows an absolute lack of desire to understand the republic's real problems, pay attention to the critically dangerous poverty level, and orient the programs toward real benefit for the ordinary people, which the Fund's leadership so loudly declares. Incidentally, in no way should the number of teachers in schools be reduced, keeping in mind that the size of the reduction suggested by the IMF was clearly taken out of mid air. After all, the plan to reform the republic's education sphere is at the development stage, which is confirmed by the World Bank. Why are teachers to be reduced by 100,000, and not by 60,000 or 120,000? In remote mountain areas, several schools may be left without teachers altogether, and in a few years, 50% of the country's children will be illiterate, while the other 50% insufficiently educated. After all, in small village schools a biology teacher will also have to teach physics, history, and mathematics, as well as his/her own subject.

I would also like to share some thoughts on the way the IMF team holds a dialog. As we have already noted, the IMF is an extremely closed and centralized structure, its representatives meet with a narrow circle of government, National Bank, and Finance Ministry officials, offer unadapted macroeconomic scenarios, and insistently object to their broad and open discussion in society and business circles. This style of decision-making cannot justify the Fund's stance, which claims that its programs are coordinated and adopted by the country in question.

It is unlikely that the IMF mission employees working in the republic received alternative information from other sources, stepped beyond the offices of the National Bank or Finance Ministry, or took trips out of the capital. If they had, they would have gained a more realistic feel for the true dimensions of the social problems in the country and made a more adequate assessment of the consequences of their proposals.

I think it is time to change the working style of the IMF mission, for without feedback and without broad discussion in society, the programs offered by the Fund are still having a direct effect on the life of the Tajik people and even becoming detrimental to the country.

By way of example of measures that are detrimental to the republic's stability, I can present the Fund's initiative regarding the debts of agricultural producers. Members of the mission asked the cotton-growing farms to transfer their land to futures companies financing the manufacture of cotton to cover their outstanding debts guaranteed by the government and National Bank. I won't go into detail about the extremely complicated and difficult situation of these farms, which essentially led to the bankruptcy of Argoinvestbank, to the accumulation of debts (150 million dollars), backed by the National Bank, and brought tens of thousands of peasants to the brink of starvation, particularly since the investors themselves clearly understood the risk of speculative investments under the conditions of institutional restrictions and a high level of corruption, and in such a strategically important sphere as cotton growing. But it is not difficult to guess that depriving peasants of land and transferring it to companies to cover debts, as the IMF proposes, would cause a social upheaval and destabilize the country for a long time to come.

Against the background of the reform policy conducted, or more precisely imposed by the IMF, the personal qualities and methods of holding negotiations by the key members of its team working in the republic are dubious, particularly with respect to Mr. Robert Christiansen, the head of this mission. Many members of the negotiation group from Tajikistan have complained more than once about the inadequate negotiation procedures, the inability of the mission members to listen, and their attempts to impose their opinion and other tools of pressure, thus creating an unconstructive atmosphere at the talks. This is resulting more in a monologue by the Fund employees than a dialog with the Tajik officials. On the whole, the IMF is not very interested in whether the country's leadership agrees with the proposed measures, or is forced to accept them under the mission's pressure at the risk of undermining the program and of deserv- ing the reputation of a non-market state.

I would like to take a closer look at the risks involved, which will make it possible to assess the degree of pressure exerted by the presence (or absence) of the Fund's programs in the republic. It has already been noted that the poorest, particularly post-conflict countries, which applies to Tajikistan, with their limited opportunity to attract private investments (due to their weak investment image), are usually

forced to toe the line with official sponsors in order to obtain soft loans and grants. Among other sponsors working in the country, on the other hand, there is a firm rule: an agreement with the IMF is a kind of license of recognition that this state is going the true route of market reforms. What is more, this “license” is one of the key conditions for the presence of other foreign investors, particularly those working on development programs. In this way, the risk of an agreement with the IMF being terminated essentially means the risk of “freezing” all other development projects financed by the World Bank, regional financial structures, U.N. institutions, as well as Japan, Great Britain, Switzerland, and other sponsor countries, which traditionally carry out significant grant financing of the most important projects in Tajikistan. In this way, the republic’s government and the IMF are very well aware that the rules of the game have been set, and any lack of agreement with the Fund will mean an immediate disaster for the country’s economy.

But it can be maintained that this disaster could also happen if the Fund’s recommendations are followed to put into practice monetary measures while ignoring the need to lower the poverty level, revive the real sector, and create prerequisites for stimulating the domestic investment climate. The experience of implementing these IMF schemes in essentially every client country shows that in so doing the poorest countries lose their domestic levers for regulating and reviving their economic potential, while the burden of their foreign debt grows, making them entirely dependent on foreign assistance. And if the Tajikistan government fails to understand these risks and does not adjust its economic reform policy, based on the country’s strategic interests and not in favor of the Fund, the consequences will be horrendous.

This is the time to note a certain positive dissonance shown in the positions of many sponsors who do not agree with the monopoly stance of the IMF, which was openly demonstrated during the meeting of the consultative group of sponsors for Tajikistan that took place in May 2003 in Dushanbe. For example, since the situation in the country has been improving, the sponsors decided (an unprecedented case) to allot it 900 million dollars, 700 million of which was to be in grants. In turn, the republic’s government drew up a program of state investments, which designated the main areas for using these funds, keeping in mind the document’s priorities to reduce poverty (the World Bank). In this respect, the polemics between Mr. Christiansen and Mr. Johannes Linn, vice president of the World Bank, are of interest. The latter voiced the opinion of many sponsors, who indirectly expressed the notion that the restrictive approaches of the IMF are retarding sustainable growth and revival of the Tajikistan economy, which is undermining the efforts of other sponsors. In particular, the matter concerned limiting (under pressure from the IMF) foreign loans to 3% of the GDP, as well as other fiscal and monetary measures. It is encouraging that other sponsors recognize the risks to their programs if the Fund’s schemes are used. In this respect, the prospects for harmonizing sponsors are realistic, that is, for a new and actively progressive approach in the investor community, which, unfortunately, the IMF is still ignoring, at least in our country.

Thus, the republic’s government currently has a unique opportunity to bring its relations with the Fund out into an open discussion with strong and influential sponsors, and not submissively consent to the IMF’s conditions. It would also be expedient to organize a referendum and ask the people what they think about the reforms and the country’s relations with the Fund. What is more, the republic’s leadership should argumentatively formulate and justify its position, taking into account the economic and social consequences of the measures adopted and the real interests of the republic’s residents. But this is where a problem arises, expressed by the phrase “institutional potential and professionalism of the authorities,” which largely explains the standpoint of the IMF with regard to Tajikistan.

After the first program to reduce poverty and facilitate growth fell through, due to insufficient reporting on the state of the country’s outstanding foreign debt, the image and reputation of its authorities, as reliable and professional reformers, was dealt a hard blow. The IMF mission is complaining that nowadays it must exert greater efforts to adopt and approve decisions on monitoring the indices of the current program. On the whole, however, the Fund’s directors have rather a cautious attitude toward the republic today, which explains their tough negotiation stance. They are dissatisfied with the quality, authenticity,



and tardiness with which the statistics are presented, which frequently vary a great deal from department to department, as well as with the lack of coordination in the work of responsible government institutions. Quite often the government reports on the execution of a certain aspect of the program, after which the IMF is forced to recheck these statements, since previous experience shows that such statements at times do not correspond to reality. Institutional potential also arouses doubt, that is, the efficiency and level of training of civil servants. The number of professional economists in the state administration and ministries capable of working in a highly professional manner and defending the country's interests, in this case in a dialog with the IMF, can be counted on one hand. The non-professionalism of the local officials the Fund comes in contact with, on the one hand, helps it to lobby its radical monetary ideas, but, on the other, arouses mistrust in the information and statistics presented, and as a result, in the possibility of establishing effective monitoring, which on the whole undermines the IMF's confidence in implementing its ambitious programs.

One of the main criticisms of the Washington Consensus approach, the basic scenario of the Fund's PRGF program throughout the world, including in Tajikistan, is that it ignores the priority of evolutionary institutional changes, and gradual reform of the state sector in favor of priority measures of fiscal-monetary stabilization and basic structural shocks. For almost two years now, the IMF has not agreed to an equivalent increase in salaries for civil servants and employees of the Tajikistan ministries and departments. Taking into account the extremely low level of the basic wage scale, this measure is necessary for creating elementary living conditions for bureaucrats and reducing the risks relating to corruption, the dimensions of which cannot be overestimated. According to the data of Transparency International, Tajikistan occupies sixth place (from the bottom) among the 189 countries covered by a survey for 2002. This means that corruption has deeply corroded all strata of our society. The creation of more attractive (primarily financial) working conditions in the civil service could help to attract prospective professional economists with good experience and a western education. The IMF (as already noted, out of fiscal motives and fear of inflation) is against this, suggesting that first the entire state administration be optimized and restructured and only then the pay scale adjusted. And during the polemics on this topic, which have been going on for over a year now, the most promising and capable specialists have left the government and economic ministries, as a result of which the IMF has to deal with the "last of the Mohicans." It is not hard to imagine the feelings aroused in local government officials forced to survive on a salary of \$20 by a well-groomed and well-fed international Fund expert during discussion of the problems relating to corruption.

The question of what should come first, raising wages or optimizing the state administration, is radically incorrect. Of course, if the government has the opportunity today to raise civil servants' salaries, it should do this. The government is not an abstraction, but real people with families, problems, and ambitions, and measures aimed at improving the current situation should take the upper hand. Optimization of the state administration, including its cutback, objectively depends on the political will of several high-ranking officials who do not want to lose their "cushy position." Under Tajikistan's conditions, it is unlikely that this process can be significantly accelerated.

The Fund's classic principle is also in operation here: the ultimate interests of the ordinary people are of no significance when the risk of fiscal emission arises, even if it is backed by real funds. In this case, all responsibility for what is going on in Tajikistan must be shifted to the authors of the reforms, that is, to the IMF, which is ignoring the basic issues of the bureaucracy's existence. Nevertheless, according to the author of this article, the IMF experts should stop complaining that the government is not working professionally on the Fund's program. I also suggest that the mission members try living on a salary of 50 somoni (17 dollars) a month, working as director of department X in the republic's Finance Ministry, let's say, in charge of holding negotiations with the IMF and of formulating the government's standpoint.

How can we realistically survive without the IMF, can a not-very-open economy with a chronic payment balance deficit and undeveloped raw material export represented by one or two commodities conduct an independent economic policy and get by with domestic sources? Of course, there is

no alternative to cooperation with international financial institutions. But relations with them must be developed professionally, skillfully defending national interests and standing up for one's own position.

The IMF is also changing. Its website today is overflowing with information about new priorities calling for taking into account the specifics of countries when drawing up its programs. What is more, our republic has the opportunity to defend its point of view and express it through its elected group and executive Directorate, as well as to appeal to other members of the Fund, as to the entire sponsor community, which has its own interests in our country. But this must really be done professionally, the government must talk to its own people, establish traditions of social partnership and be honest with everyone. Of course, we still have a long way to go, but there is no other choice. For being complaisant will only lead to banana-ization of the economy and an increase in the debt load without creating a domestic economic base. This is how the IMF mechanism works.

In the mid-term, we must encourage modernization and sophistication of the financial infrastructure, revive the real economy, develop small and medium businesses, and raise transparency and efficiency of state regulation. These measures will make it possible to manage without credits from the "last resort," which the IMF is commonly called in Tajikistan. What is more, in order to create an attractive image for the national economy, regional cooperation must be stepped up. Without strengthening bilateral relations with our neighbors, primarily with Uzbekistan and Russia, reforms in our republic are unlikely to go far.

The country has the alternative to look for internal sources of growth and the ability to reject the Fund's politicized credit schemes, which compromise it throughout the world. Will the government demonstrate sufficient political will to take responsibility and prove to the world that if necessary it prefers the alternative evolutionary reform path? This question remains to be answered.