

# What is the International Monetary Fund doing, in particular in poor countries, like Tajikistan?

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# Outline

- IMF basics
- What does this have to do with fighting poverty?
- The IMF in Tajikistan
- Conclusion
- Questions/discussion

# Why was the Bretton Woods System, comprising IMF and World Bank, created?

- Avoid past mistakes: disastrous economic policies that contributed to Great Depression of the 1930s and WW II
  - “Beggar-thy-neighbor-policies”
  - Protectionism and tariff wars
- Rebuild confidence in international cooperation and international financial system after failure of League of Nations and two World Wars

# The Roles of IMF, World Bank and WTO

## IMF

- Promotes international monetary cooperation, expansion of international trade, and “orderly” exchange rates; promote global growth and economic stability and reduce poverty
- Financial assistance to its members experiencing balance of payments difficulties
- Macroeconomic

## World Bank

- Reconstruction and economic development
- Project financing
- Microeconomic

## WTO

- Trade liberalization
- Multilateral trade negotiations
- Global rules of trade
- Provides mechanism to resolve disputes
- Legal

# What is the IMF?

- 184 member countries
- Governance Structure
  - Board of Governors
  - Executive Board
  - Management
  - Staff
- Working capital provided by member country's subscriptions or "quotas" in IMF lingo (about US\$300 billion), influencing voting power and access to financing

# Operationalization of the IMF

- Surveillance: Monitoring and policy advice
- Lending: To support reforms to adjust to BOP problems, and reduce external vulnerability
  - Financing provided as part of IMF “program”
  - Financing is collateralized by program “conditionality”
- Technical assistance: Building institutional capacity

In the areas of

- Macroeconomic policies
- Financial sector policies
- Advise on other reforms that have a macroeconomic impact

# What Does This Have to do With Fighting Poverty?

- International trade and stable international financial system also important for LICs
- LICs are members of the Fund with the right to its surveillance, lending, and TA
- Their (potential) BOP problems are structural
- Growth and poverty reduction are at the center of LIC's policy agenda
- Macroeconomic stability is a prerequisite for sustained growth and poverty reduction
- Political economy – Reforms will not be sustained if they are not perceived as broadly equitable

# PRGF Programs – Key Features

- 0.5 percent interest rate; 10-year repayment period
- Explicitly embedded in the overall strategy for growth and poverty reduction (PRSPs)
- Broad participation and ownership
- Focus on areas of expertise, but recognize their impact on growth and poverty reduction, and the need for coordinated help to LICs
- Budgets that are more pro-poor and pro-growth
- Ensuring appropriate flexibility in fiscal targets
- Improved public resource management
- Social impact analysis

# The IMF in Tajikistan

- Surveillance, lending, and TA
- (Second) PRGF arrangement expired in February 2006
- Ex Post Assessment argued for further concentration on core areas of expertise
- In line with this, any new arrangement will, apart from general safeguarding of macro stability, concentrate on the following structural areas:
  - Tax policy and revenue administration
  - Public expenditure management
  - Banking sector
  - Design and implementation of fiscal and monetary policy
- Maybe the central current macroeconomic policy issue for Tajikistan is to make good use of increased donor support to achieve development goals, while avoiding a new cycle of excessive borrowing

# Conclusion

- Work aimed at the goal of poverty reduction in low-income countries is a main preoccupation of the IMF, but the IMF is not a development institution
- The IMF's role more broadly—in guarding macroeconomic and financial stability, working to prevent financial crisis, seeking ways of resolving more effectively the crises that do occur, and promoting durable and equitable growth in the world economy—is also, more than incidentally, pro-poor
- The above also applies to the IMF's work in Tajikistan
- The IMF largely works “top-down” (although also building capacity), NGOs work “bottom-up”
- For sustainable development, both are needed, and complement each other, even though our day-to-day work may have little overlap

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General: [www.imf.org](http://www.imf.org)

Tajikistan: [www.imf.org/external/country/tjk/rr/](http://www.imf.org/external/country/tjk/rr/)



Questions/Discussion