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February 24, 2023

**Statement by Mr. Zhang and Mr. Lam on Republic of Tajikistan
(Preliminary)
Executive Board Meeting 23/13
February 27, 2023**

We thank staff for the comprehensive report and Mr. Peter and Mr. Rajabov for their helpful Buff statement. We broadly agree with staff's assessment and policy recommendations and would like to make the following remarks.

We welcome Tajikistan's strong economic growth despite various external challenges.

The authorities have taken timely and appropriate measures in response to the inflation pressure and keeping the economy on track for strong growth. While there is a clear threat to Tajikistan's economy and external position arising from its close economic linkage with Russia, the risk did not come to fruition during the year. *Could staff comment on potential ways to mitigate this concentration risk?* We urge the authorities to keep the situation under close monitoring and take decisive measures to support the economy if the situation deteriorates.

We encourage the authorities to maintain the strong fiscal discipline and improve debt sustainability.

The authorities have been successful in the past years in maintaining a relatively low fiscal deficit while supporting social development. The debt-to-GDP ratio is expected to be on continued decline with the strong economic growth. However, staff has assessed that there is a high risk of debt distress with vulnerabilities to exports shocks and contingent liabilities. We encourage the authorities to further improve its fiscal and debt position, so as to minimize the risk for going into debt distress.

We welcome the authorities' continuous work in enhancing the financial stability.

In the past years, the authorities took up various measures to strengthen supervisory and regulatory work. The resolution of the two banks was turned from a potential crisis into an opportunity. There was no significant adverse impact to the overall banking system, while the depositor confidence has been enhanced. Legacy NPL has also been cleaned up in the process. The

authorities should continue to step up its work, including seeking suitable technical assistance as suggested in the Financial Sector Stability Review, which would in turn reinforce the resilience of the banking system and ultimately safeguard macroeconomic stability.

With these remarks, we wish the authorities all the success in their future endeavors.