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GRAY/04/1607

July 20, 2004

**Statement by Mr. Misra on Republic of Tajikistan
(Preliminary)
Executive Board Meeting 04/71
July 21, 2004**

- We thank the staff for a fair review and Mr. Zurbrügg for very useful Buff.
- The performance under the PRGF continues to be satisfactory, with all quantitative performance criteria met by very large margins and two of the structural performance criteria having been met successfully. A waiver on deviation observed in respect of the criterion prohibiting directed credit, is justified on the ground that it was due to an operational error and it has already been reversed by authorities. The other deviation in regard to benchmark for audit of the SFCC is more technical and became inevitable, with the substitution of World Bank's twinning arrangement. Furthermore, the new arrangement is expected to provide more hands-on diagnostics and implementation support. We, therefore, support the staff recommendation for the completion of third review under the PRGF and granting of waiver sought for non-observance of one structural performance criteria.
- The GDP growth continues to remain favorable. Inflation has been brought under control to well below the targeted level. We are however concerned that unfavorable commodity price shocks could trim income and fiscal revenues causing possible depreciation pressure on the domestic currency.
- Maintaining a supportive monetary and exchange rate policy is likely to come under pressure, with the need to contain growth in reserve money to achieve the targeted inflation. Apart from flexibility in exchange rate staff observes that NBT policies would aim at further reducing the liquidity ratio to banking system. We request the staff comments on how far this strategy is consistent with the objective of containing liquidity expansion.
- We are broadly in agreement with staff observations on fiscal policy and external policies and debt management and request the authorities to pay particular attention to steps for improving greater fiscal accountability and transparency.
- It is encouraging to note that with growth reaching high levels and inflation under better control, poverty reduction had followed significantly benefiting the poor. The change in Gini coefficient between 1999 and 2003 by 3 basis points does not appear to be

statistically significant, whereas the poverty rate had come down substantially significant, by about ten percentage points.

- We commend the authorities for taking steps towards accepting obligations under Article VIII.
- We wish the authorities continued success in their policy endeavors.