

BUFF/09/62

April 17, 2009

**Statement by the Staff Representative on the Republic of Tajikistan  
Executive Board Meeting  
April 21, 2009**

1. This statement provides information on recent developments in Tajikistan that has become available since the staff report was circulated to the Board on March 31, 2009. This information does not change the thrust of the staff appraisal.

**I. RECENT DEVELOPMENTS**

2. **Economic developments in the first quarter of 2009 were broadly as expected.** Remittance inflows declined by 30 percent year-on-year, in line with our projection for the year as a whole. Real GDP growth reached 3½ percent, mainly driven by non-cotton agriculture, trade, construction, and services. Inflation slowed further to 10 percent year-on-year at end-March.

3. **Based on preliminary data for end-March, the authorities appear broadly on track toward meeting their end-June quantitative performance criteria:**

- While *net international reserves* declined, they did so by less than expected and stood at \$171 million at end-March, using current exchange rates. Staff estimates that, at constant exchange rates, this is higher than the projections under the program.
- *Net domestic assets* were also contained below the projections shown in the staff report, and the National Bank of Tajikistan (NBT) refrained from extending new loans to the private sector.
- In the *fiscal area*, revenue collection appears lower than anticipated, mainly reflecting subdued imports. At the same time, the authorities have contained spending by more than projected. The government is in the process of preparing a revised 2009 budget in line with the overall fiscal deficit target of ½ percent of GDP.

**II. PRIOR ACTIONS**

4. **The authorities completed all five prior actions.**

- On April 9, the NBT published the executive summary of the special audit report on its website at [http://nbt.tj/en/files/docs/annual\\_report/rep\\_eng.pdf](http://nbt.tj/en/files/docs/annual_report/rep_eng.pdf).

- On March 26, the NBT adopted an action plan to address the issues and recommendations from the special audit report. The action plan was developed in close cooperation with staff.
- On April 15, the NBT shared the draft report by Ernst&Young on the audit of the NBT's net international reserves position as of December 31, 2008.
- On April 16, the NBT appointed KPMG as their external auditor to conduct the audit of the NBT's financial statements for the fiscal year ending April 30, 2009.
- On March 26, the government submitted to parliament amendments to the National Bank of Tajikistan law and a new commercial bank law in line with program commitments.

5. **The audit of the NBT's net international reserves position provides the necessary assurances to the Fund.** The auditors noted the excellent cooperation from the NBT, but also emphasized weaknesses in the accounting systems and procedures. They identified certain assets that should not be included in net international reserves as defined in the technical memorandum of understanding, although this would not have a bearing on the performance criterion on net international reserves. These assets amount to around \$4 million out of the reported net international reserves stock of \$181 million. Going forward, staff advises the authorities to implement the auditors' recommendations on net international reserves accounting and enhance on-going net international reserves monitoring; the authorities have already expressed their intentions to do so. In addition, staff will propose to the authorities to conduct regular external audits of their net international reserves position until the weaknesses in the accounting systems have been addressed.