TAJIKISTAN: Country Assistance Strategy

We find the assessment of the Tajik economy in general quite frank and its performance during the past several months, when it operated in the context of a limited Bank Group Country Assistance Strategy very candid. By and large, macroeconomic performance has been mixed as a result of the continued conflict and because of weak institutional capacity. On one hand, GDP growth in 1997, estimated at 2 percent, the first positive growth rate since 1991, was driven by increased production in agriculture. On the other hand, Industrial production declined by 2.5 percent in 1997 despite the expansion of activities in textile and gold mining. Furthermore, demand for increased public spending on the military as a result of the deterioration in the peace and security situation raised the budget deficit to 10 percent during the first half of 1997. It is therefore encouraging to note that Government and the UTO were able to sign a peace agreement and that the IMF has approved an ESAF for Tajikistan last month.

We particularly welcome the participatory approach that has been taken in the economic management of the country, including the preparation of this CAS. We are pleased to note that this document was extensively discussed with the major political players and other segments of civil society in Tajikistan.

However, we note with concern the slow pace of reforms to address the rising incidence of poverty. Tajikistan faces many unique challenges, such as the continued tension that divides its people on narrow ethnic lines; a mountainous terrain, and weak road and communications network that hinder any interactions between groups even within a locality; and structural rigidities that exacerbate regional differences in incomes. We would, therefore, urge the Bank to take special note of these unique circumstances in helping the people of Tajikistan. With about 80 percent of the poor owing their circumstances to a collapsed economy, the need to stimulate employment-generating growth as a medium-term measure can not be over emphasized. This is equally necessary for sustainable peace, particularly if the government's objective of demobilizing soldiers and integrating them into civil society is to be realized. On the issue of demobilization, we wonder whether staff has any information on assistance other players. Closely related to the problem of poverty in Tajikistan is the issue of equitable distribution of productive assets in the economy. In this regard, while we commended the government for a number of major actions to ameliorate the incidence of poverty, including the proposed policy...
responses outlined in Table 1, we believe that some fundamental longer-term issues have to be cautiously tackled alongside the creation of jobs, the restoration of basic services and the targeting of community-based services and jobs to the poor. These include the distribution of agricultural land, which should also take account of the fact that a large number of female-headed households which are currently experiencing a higher incidence of poverty than average have been created by the war. In the same vein, the Tajik privatization program should consider the issue of equity and economic balances when transferring productive enterprises to the private sector. While it is prudent to allow market forces to allocate productive assets in the economy, we also believe that some socio-political issues have to be taken into account, given important relationship between stability and economic balance in a society that is ethnically and regionally divided by natural as well as man-made conditions.

We find the proposed CAS to Tajikistan broadly in line with the government's policy objectives, and we therefore have no difficulty in supporting it. We also have no difficulty in endorsing the lending levels and their associated triggers as outlined in Table 4 of the CAS.

We can also support the accompanying structural adjustment credit to the Republic of Tajikistan. This credit is consistent with the objectives of CAS as it seeks to address issues such as macroeconomic stability, privatization and financial sector reform while at the same time aiming at lessening the adverse impact of adjustment on the poor by enhancing budgetary provisions for health, education and social safety net.

In closing, we would like to commend the staff for the detailed and comprehensive CAS and SAC documents. We wish the Tajik authorities a successful implementation of their programs.