Board Meeting of July 23, 1998
Statement by Andrei Bugrov

Tajikistan: Country Assistance Strategy

General

We welcome and endorse the proposed Country Assistance Strategy for the Republic of Tajikistan which aims to support a sustainable, employment-intensive growth. We agree with the strategic priorities defined in the CAS and would like to express our high appreciation to the Staff and Management for their efforts in preparing this important document.

A remarkable breakthrough was made a year ago in establishing peace and national reconciliation in Tajikistan: on June 27, 1997 a major peace agreement was signed in Moscow between the Government and the United Tajik Opposition (UTO). We are pleased to note that since then a significant improvement has been achieved in terms of macroeconomic stabilization and some progress has been made on structural reform, including accelerated privatization and important initial steps in the banking sector. As a result, the long-awaited economic growth has resumed.

Notwithstanding these encouraging developments, Tajikistan’s economic recovery is still very fragile, and the agenda for the consolidation of macroeconomic stability and structural reform remains daunting. However, I do share the cautious optimism of the CAS assessment of Tajikistan’s near-term economic prospects. We very much welcome the strengthening of the cooperation between the Government and the UTO in ensuring the political stability which is indeed fundamental to achieving the objectives of economic reconstruction and development outlined in the CAS.

We agree with the proposed IDA lending program and non-lending services. As regards policy reform and performance triggers for the Base- and Core-Case scenarios, we expect that these will be employed with due consideration of the complex post-conflict political, economic and social environment. In particular, as I already underscored on a number of occasions in the past, one should be cautious against a purely quantitative evaluation of the privatization progress.

I have two groups of specific comments and suggestions. The first one relates to the country risk management, the second concerns the role of the IFC.
Country Risk

We agree with the frank and realistic CAS assessment of the risks facing the implementation of the proposed IDA program. We share the notion that the single biggest risk is that of a possible worsening of security situation. But what can be done to mitigate such a risk? I would recommend to pay very serious attention to the issue of the numerous armed groups that remain outside the political framework created by the Peace Agreement. In my opinion, they currently embody the main source of instability.

The best solution to this problem would be voluntary disarmament and disbandment of these groups and subsequent reintegration of their members into productive civilian life. This would also be a major strike against the widespread economic harassment, as these armed individuals make up the main part of those who practice illegal confiscation and extortion of goods and money from the underprotected population and businesses.

Last December I suggested that the country team identify without delay the most urgent activities for Tajikistan which could be supported via the Development Grant Facility of the Post Conflict Program. Today, in elaboration of that suggestion, I am making a concrete proposal to assist the authorities in dealing with the issue of the armed groups left outside the political framework of the Peace Agreement. In the CAS context this targeted grant operation should be seen as an important risk mitigation measure.

IFC’ Role

We wholeheartedly endorse the statement in para. 40 that the IFC has a particularly important role to play in Tajikistan, and agree with the selection of areas of focus for its future activities in the country. At the same time I would appreciate more specific comments on the expected IFC operations. Let me also add that the recent approval by the Board of the recommendations of the Interim Report on the Extending the IFC’s Reach Initiative opens up an excellent opportunity to facilitate the implementation of IFC plans in Tajikistan.

In my opinion, the inclusion of Tajikistan into the Extending IFC’s Reach Program would be fully appropriate since it does not only satisfy the selection criteria, but also requires special attention of the World Bank Group as a post-conflict poor country. Being included into the Program, Tajikistan could benefit from the experience which the IFC has already gained in similar environments in Bosnia-Herzegovina, West Bank&Gaza, Mozambique, and several other countries currently covered by the EIR Initiative.

In conclusion

I must confess that I was very much impressed by the outcome of the public opinion survey mentioned in the CAS paper (para. 27). I think it is really striking that, despite extreme difficulties, the Tajik people give the second highest priority -- after the concern over security-- to education. This fact makes us believe that this
nation has a great future and deserves every support in times of trouble.