

**TAJIKISTAN*****GULOMJON BABAEV, Governor**

It is a great honor for me to speak to you about the problems of the Republic of Tajikistan. In last decade, Tajikistan has faced terrific shocks caused by civil war and has been constrained by the collapse of the economy, numerous natural disasters, and losses of \$7 billion, which is equivalent to almost 15 years of the country's budget. The Tajikistan Government was able to resolve these difficult problems and achieve peace and transform the economy, simultaneously.

Since independence, Tajikistan has experienced a significant decline in the value of production. Gross domestic product (GDP) in 2000 was 44% less in real terms than in 1989. During this time, significant external debt was formed and now constitutes almost \$1.0 billion.

As a result the standard of living of the population of Tajikistan abruptly dropped. Before gaining independence, for instance, only one of 15 citizens of our country was categorized as poor. Then for the last 10 years, poverty, which is identified not only on the level of income but also on access to basic social services, particularly to education and health, became a widespread phenomena and takes in about 80% of the population. The Government openly recognizes the problem and has made its solution the basis of its policies, with wide participation of all levels of the population and support of international finance institutions: the Asian Development Bank (ADB), World Bank, Islamic Development Bank, and International Monetary Fund. The National Strategy for Poverty Reduction in the country is being finalized. I would like once again to express the gratitude of the Government to ADB for the assistance and support provided to develop the poverty reduction strategy paper and implement projects that would reduce poverty in Tajikistan.

Talking about economic reforms, I would like to point out, that despite tremendous difficulties due to geographic location and resource insufficiency, Tajikistan is working to transform the economy to one that is market-oriented and in line with its basic principles. Due to the implementation of these measures, GDP has increased approximately 30% since 1997.

However, notwithstanding all the positives in the development of our country there still are a lot of unresolved problems. A major problem is reducing poverty and

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practically implementing the poverty reduction strategy paper. In this regard, the Government places all its hopes on successful development of a new five-year country strategy and program of ADB, which will be based on implementation of the poverty reduction strategy paper in Tajikistan.

The Government understands that an impediment to resolving problems of poverty is the big external debt, which is a heavy stone for the country. And the burden of servicing this debt is increasing. Due to this, the Government is actively working on debt restructuring and has accomplished, on a bilateral basis, significant success on debt restructuring with the republics of Uzbekistan and Kazakhstan, and negotiations are ongoing with the Russian Federation. Our country intended to resort to the assistance of multilateral international institutions (Paris Club) and international finance institutions to solve the problems of external debt restructuring. The Government hopes that ADB will fully understand and give its support to this issue.

To solve the problem of external debt, Tajikistan is actively working to improve mechanisms for debt management and complete a full debt guaranty inventory. Additional efforts will be undertaken to attract grant and other soft funds to implement the poverty reduction strategy in the country.

For more rapid and sustainable development of Tajikistan, the stabilization of the situation in Afghanistan will have a positive impact. It is assumed that the international community will provide assistance to Afghanistan to rehabilitate the economy and make several billion-dollar investments in the next three years. It would be expedient to arrange production and supply of many essential goods by Tajikistan to Afghanistan, such as power supply. Tajik specialists have much to offer in rehabilitating the Afghan economy and there is practically no language barrier between Tajikistan and Afghanistan. Transport costs could be minimized. This would be a distinct contribution of Tajikistan to the rehabilitation of modern Afghanistan. The Government hopes that this initiative will find understanding and support of the international donors of Afghanistan and Tajikistan, as well as ADB.

Considering these issues, as well as the great interest of ADB in the development of the economies of Asian and Pacific countries, as well as helping resolve their social and economic problems, the Government express its confidence that in the near term ADB will contribute a lot to the development of Tajikistan's economy, improvement of the standard of living of the population, and acceleration of the process of the poverty alleviation in Tajikistan.