

Situation Report – Tajikistan

20 February 2009

I. Electricity supply

Supply of electricity to population and businesses still remains a major problem in Tajikistan. Supply from Turkmenistan is still stalled (unilaterally) by Uzbekistan since 1 January 2009 due to unresolved transit issues.

In the capital Dushanbe, electricity provision is restricted to 11 hours only, while supply to most of rural areas has completely stopped since 1st of January 2009. Some other major towns, such as Khujand in the north, Kurgan Tube in the south receive 1 to 3 hours of electricity a day only.

Water level in Kayrakum reservoir in the north has gone down by 2.5 meter below the dead level (dead level is 347.5 meters). For the first time in the past 10 years water volume in the reservoir has decreased from 3.5 billion to 2.3 billion cubic meters. According to some experts, this is going to cause severe water shortages in vegetation period not only in Tajikistan, but also in 200 thousand HA of Uzbekistan's cotton fields and 80 thousand HA of Kazakhstan rice fields. In order to avoid this situation, it is important to start saving water in the reservoir already now by halting the work of few generators in the station. However, this seems to be impossible due to energy situation in the region.

Water volume in Nurek reservoir during January and February 2009 remained low. Solving the transit issue of Turkmen electricity through Uzbekistan can help to start saving water in Nurek and Kayrakum reservoirs today, and will benefit downstream countries during the vegetation period. In addition, temperatures dropping below zero (- 15 to -25 as in February 2008) for a short period of time during February month may cause another energy/economic crisis in Tajikistan. Official statements in Tajikistan have warned about possible need to limit water passage during vegetation period to neighboring countries through the reservoirs.

Kazakhstan has extended a hand of support by providing 1.5 million Kwt/hour of electricity to Tajikistan through Single Regional Energy System, starting 10 February. This arrangement will be valid until electricity supply is ensured from Tajikistan stations.

Meanwhile, Sangtuda HEPS-1 (75% of shares held by Russia) has filed law suite against state energy system of Tajikistan "Barqi Tojik" for electricity debts of over 16 million Somoni (USD 4.2 million) for the electricity generated in 2008.

II. Additional hurdles

Given the lack of direct transport routes to Turkmenistan, Kazakhstan and Russia, Tajikistan's traffic routes go through Uzbekistan's territory, which this year increased

transportation transit rates. These new tariff rates came after Tajikistan signing agreement to pay increased prices for gas of USD 240 per 1,000 cubic meters (compared to USD 145 paid in 2008). Despite this agreement, Uzbekistan reduced gas supply to Tajikistan due to debt of USD 16 million. In addition, internal electricity tariffs were increased in Tajikistan by 25% starting from 1 January 2009. All of these will negatively affect already strained household budgets.

III. A hope for light at the end of tunnel...

At the time when political situation seemed to be getting tense between two neighboring countries, a delegation of diplomats from Uzbekistan visited Tajikistan to discuss a number of issues, such as demarcation, delimitation of borders, economic cooperation, regional water and energy resources management and electricity transit issue through Uzbekistan. This is reportedly an official visit after 8 years of stalled activities of the Intergovernmental Commission on Trade and Economic Cooperation. The two neighboring countries have strict visa regime, and there are no flights between Tajikistan and Uzbekistan for over a decade now.

Reviewing medium term options to solve electricity supply, Government of Tajikistan is planning to construct 50 additional small hydro-power plants by the end of 2009.

In a longer term, Tajikistan's hopes for financial support for building major HEPS from one of its major strategic allies, Russia, has been diminished when president Medvedev, during his visit to Uzbekistan in January 2009, stated that Russia will consider the interest of other Central Asian countries while investing into major projects (including HEPS) in Kyrgyzstan or Tajikistan. This statement contradicted Moscow's previous position, which had been in favor of hydroelectric projects in Tajikistan. President of Uzbekistan, Mr. Islam Karimov has reportedly stated, during the government's annual meeting in Tashkent, that his country is willing to support neighboring countries by investing in major national projects, including construction of HEPS. But, according to him, this can be done only if the possible environmental impact and other "water management" related matters are evaluated independently.

IV. Impacts on food prices and remittances

Food prices have been slightly decreasing, but remain high throughout the country following sharp increases late 2007 and 2008. The food security monitoring conducted by UN in October and November 2008 identified almost 650,000 people as severely food insecure and 1.5 million as food insecure in Tajikistan. Food Security Appeal remains underfunded.

Following a 50% increase in remittances for the whole of 2008 compared to 2007 (2008 = over 2,2 bln USD), IMF projects a decrease by 30% in 2009 due to impact of global financial and economic downturn in Russia. Remittances in January 2009 has totaled to USD 96 million, which is 22% less compared to January 2008, and a decrease of 50% compared to December 2008. In 2008, remittances made up 45% of the country's GDP,

thus a decrease in the volume of remittances will have serious impact on Tajikistan's economy this year.

V. Economic indicators

According to IMF Staff Monitored Program (SMP), despite the spreading global crisis, economic performance in Tajikistan was generally strong in 2008. Due to strong macroeconomic policies and a 50 percent growth in remittances (in 2008 compared to 2007), real GDP grew by 8%. With increased revenues, the government achieved an estimated overall fiscal surplus of 1% of GDP. Inflation receded to 12 percent year-on-year comparison, as international food prices reduced.

However, as IMF and WB estimate, the deteriorating external environment is reflecting on the outlook for 2009. The global slowdown - and especially the downturn in Russia - is expected to impact Tajikistan through declining remittances and falling prices for its key exports, cotton and aluminum.

The impact of the financial crisis has been already observed in the production of aluminum by TALCO (Tajik Aluminum Company), which has reduced by 25-30%.

In general the industrial production in Tajikistan has decreased by 5% in January 2009 compared to the same period of 2008.

Due to such factors, IMF projects GDP growth to slow by 3% in 2009. However, inflation should stabilize at around the level of 12-13%.

Banks in Tajikistan are facing major liquidity problems (supposedly caused by reduced remittances), and the exchange rate between USD and local currency (Somoni) has increased from 3.45 Somoni/1USD (in December 2008) to 3.85 Somoni/1USD (20 February 2009). IMF estimates GNP growth will drop from 7% to 5% in 2009.

To alleviate the poverty and to mitigate the effects of global downturn, International Monetary Fund is considering to provide USD 120 million to Tajikistan. During a mission of IMF specialists in February, an agreement has been reached with the Tajik authorities on an economic program that can be supported by a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF). However, this agreement requires the approval of the IMF Executive Board, which is expected to consider the PRGF-supported program in early April.

VI. Labor migrants

The issue of labor migrants going back to Russia early spring is one of the burning agenda points for the Government in Tajikistan, following statements from Russia to decrease by 50% the total number of labor migrants allowed to enter the country in 2009. This poses a major challenge, as unemployment rate is already quite high (officially 12%), and there is obvious lack of employment opportunities for those who

will not be able to go back to Russia. Press reports in Russia refer to increased criminal rates being caused by unemployed labor migrants fired from their jobs. This may lead to deportation of more migrants from Russia back to Tajikistan.

VII. Response and Recovery measures

The government is developing action plan with counter-measures for the effects of global financial crisis to the economy of the country. The action plan is yet to be finalized.

Despite the planned increase of budget spending by 25% in 2009 (expected 45% increased spending in health, and 35% in education sector), some other social sector spending is being reduced.

The recommendations of the Central Asian Regional Risk Assessment have been presented to the Government and the international community in Tajikistan. Some of the immediate recommendations are being already implemented. For instance, REACT Secretariat (UNDP Disaster Risk Management Programme) has developed a basic monitoring for early warning indicators covering food security, water and energy, initially designed to ensure preparedness for a possible winter 2008 scenario. Despite the challenges, the team is planning to expand the indicators to include macro-economic changes in the country, further monitoring the effects of the global financial crisis on remittances, food and energy prices. Reports are produced on monthly basis.

UNDP has applied for funding to DFID to strengthen the “early warning indicators” and ensure sustainability for this initiative. A “early warning system” is expected to be established either within a governmental institution (e.g. Strategic Research Centre under the President, Committee of Emergency Situations), or with a local NGO/media agency.

Proposal to DFID also includes funding for a Humanitarian Affairs Officer position, to support the Resident Coordinator and UN Country Team in improving coordination within the REACT sectors as well as between government and the international community.

Tajikistan has been selected by UNDP BCPR (Bureau for Crisis Prevention) as one of the six focus countries globally in 2009 to implement early recovery policy at country level. Following this decision, UNDP is starting up an “Early Recovery Initiative” to implement quick impact and labor intensive projects in selected pilot districts. Examples of these recovery interventions will be presented at a donor conference on “Early Recovery” later this year, with an idea to generate more donor interest in 2009 and following years. A BCPR mission to Tajikistan is planned for early March 2009, which will also review possible interventions in other fields, such as Crisis Prevention and Disaster Risk Reduction.

In order to improve UN Country Teams' knowledge in specifics of humanitarian coordination mechanisms accepted globally (eg. Cluster Approach, CAP, Flash Appeal, etc), OCHA is organizing a "Humanitarian Action Training Programme in Central Asia", in Almaty, Kazakhstan, 10-12 March 2009. Heads of REACT sectors as well as some INGO representatives will be attending from Tajikistan and Kyrgyzstan.

INSTEDD (Innovative Technologies for Emergencies, Diseases and Disasters) and Google have expressed keen interest in starting up an early warning project in Tajikistan, bringing in latest technology connected to satellite mapping. The start up phase of this initiative is tentatively planned for mid 2009.

Humanitarian Futures Project, piloted in Tajikistan with the initiative of King's College (in London) OCHA and BCPR, was designed to enhance the capacities of the UN system to develop strategies to plan for longer-term humanitarian threats. Particular attention was given to bridge the gap between humanitarian and development efforts. Assessment of current planning and strategic thinking was made, and recommendations for improvement were developed and submitted to UNCT. This exercise was quite successful, and HFP is currently preparing phase II of its support package to the UN System and Government.

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Disaster Risk Management Programme

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