

POVERTY AND SOCIO-ECONOMIC CONDITION

A. Introduction

1. This report presents the socio-economic and poverty situation in the project areas of the National Disaster Risk Management project in Tajikistan. The project covers all the country and aims to assist the Committee of Emergency Situations and Civil Defense (CESCD) through three interrelated outputs: (i) disaster risk management (DRM) mainstreamed in government institutions; (ii) capacity to manage natural hazards and minimize losses strengthened; and (iii) roadmap (2022–2030) for investments and sustainable financing developed. The impact of the project will be Tajikistan’s resilience to disasters enhanced, aligned with the (i) National Development Strategy 2016–2030 and Midterm Development Program 2016–2020¹; (ii) ADB’s Country Partnership Strategy for Tajikistan 2016–2020²; and (iii) National Disaster Management Strategy.³ The proposed project will (i) support efforts of the Government of the Republic of Tajikistan (the Government) in mainstreaming DRM in development planning; and (ii) lay a foundation for establishing a sustainable institutional and financial mechanism that enables Tajikistan to effectively deal with disasters in the long-term.

2. The objective of this poverty and social assessment is to (i) examine the socio-economic condition in the country; and (ii) identify the population that may be impacted by the proposed project. This assessment identifies the disaster situation related to poverty condition of the existing population and presents the poverty situation in terms of the poverty rate and vulnerable population.

B. Development Scenario and Socio-economic Development Policies and Plans

3. In 2017 the growth accelerated to 7.1% from 6.9% a year earlier, reflecting higher exports and remittances as conditions improved abroad and continued heavy public investment. On the supply side, industry growth accelerated to 21.3% from 16.0% in 2016 with gains in mining at 22.5%, manufacturing 22.7%, and electricity generation 16.7%. Aluminum production plunged by 22.0% because input supplies were unstable and production facilities were under renovation. Gold extraction increased by 11.2%. Agriculture rose by 6.8%, up from 5.2% in 2016 as favorable weather and additional cultivated area boosted cotton production by 35.8%. Higher remittances increased disposable income by 10.0% and retail trade by 6.6%, reversing the service sector’s 0.3% contraction in 2016 with 1.8% growth. On the demand side, higher public spending helped expand investment by 4.1%, while private consumption rose by 2.4%. Net exports improved by 8.6% as higher output and external demand boosted exports while import substitution further reduced imports.

4. Tajikistan’s development challenges arise from a narrow economic base and its territory covering 93% high mountains. The country has always been reliant on exports of two commodities

¹ Ministry of Economic Development and Trade. 2016. *National Development Strategy and Midterm Development Plan*. Dushanbe.

² ADB. 2016. *Country Partnership Strategy: Tajikistan, 2016–2020*. Manila Source: <https://www.adb.org/sites/default/files/institutional-document/190300/cps-taj-2016-2020.pdf>

³ One of the stated objectives of the National DRM Strategy (2010 – 2015) is the “integration of disaster risk reduction into all development activities of the Republic of Tajikistan.” This National Strategy also clearly articulates the need and priority for ex ante disaster risk reduction and preparedness, also articulating what needs to be done but not explicitly how or with what resources. Similarly, the new National DRM Strategy 2018–2030 (approval is expected by end of 2018) also has a well-defined focus on DRM mainstreaming and ex ante risk management.

(raw cotton and unwrought aluminum, which account for more than two-thirds of total exports) and inflows of remittances from Tajik migrant workers, mainly from the Russian Federation especially since 2002. Tajikistan is the eighth richest country in the world in terms of hydropower resources.⁴ Weakly performing economy and damage caused by the civil war, compounded by problems of neglect and deterioration, pushed Tajikistan's energy sector to the verge of collapse. Many components of generation, transmission, and distribution systems reached the end of their economic life and became technically obsolete.

5. Sustained growth rates saw Tajikistan achieve lower-middle-income status with a gross national income (GNI) per capita (Atlas method) of \$1,240 for 2015.⁵ The pattern of growth has however increased susceptibility to volatile international commodity prices and trajectory of the Russian economy, leading to periodic macroeconomic challenges. Effects of this volatility and dependency are compounded by its landlocked location and regional geopolitics that affect connectivity. Transition to market economy after independence in 1991 was set back by a 5-year civil war that saw the economy contract by an average of 17.1% during 1991–1996 before peace was restored in 1997.

6. While robust growth was registered since 1997, it started from a low base and only from 2012 onward did comparable rates to pre-independence levels for per capita gross domestic product (GDP) resume.⁶ Sustained growth contributed to a drop in poverty from 81% in 1999 to 47% in 2009 based on the living standards survey, down to 35.6% in 2012 using the household budget survey that factors seasonal changes and further to 30.3% in 2017.⁷

7. The priorities of the Government's National Development Strategy 2016–2030 are energy security and efficient use of energy, improved communications and reposition as a transit country, food security, nutrition and improve public access to quality food, and creation of jobs through increased private investment, economic diversification, and competitiveness. Three medium term development programs will be sequenced, with the first phase covering 2016–2020, where strategic directions will include developing an institutional support system, improving the business environment for private sector development, and increasing human capital productivity. The second phase (2021–2025) is planned for rapid growth of investments; while the third phase (2026–2030) is projected to mark the transition from industrialized growth strategies to diversified production and knowledge-based innovation.

8. The Government configured its approaches to reduce poverty through improving living standards and expanding the emerging middle class. The 2013–2015 Living Standards Improvement Strategy included an action matrix with financing estimates. An average of 12.3% of GDP was spent on education, health, water supply, and sanitation in 2010–2017. Since low-productivity employment was identified as a factor for poverty, education and skills training for women were prioritized⁸.

⁴ The country possesses 4% of the world's and 53% of the Central Asia's hydropower resources, with enormous hydropower potential (about 527 terawatt-hour [TWh] per year). Yet these resources remain to be sufficiently developed and the country's internal power output in 2016 was only 17.25 TWh with an internal consumption of 15.7 TWh. Source: Ministry of Foreign Affairs of the Republic of Tajikistan. *The energy sector of the Republic of Tajikistan*, <http://mfa.tj/?l=ru&cat=28&art=201>

⁵ As of July 2016, lower-middle-income economies were those with GNI per capita (Atlas method) of between \$1,026 and \$4,035 in 2015. Tajikistan's 2015 GNI per capita is \$1,240.

⁶ Asian Development Bank (ADB). 2016. *Tajikistan: Promoting Export Diversification and Growth*. Country Diagnostic Study. Manila.

⁷ Under the household budget survey, households are visited 4 times a year and less subject to bias, while the living standards survey is administered once.

⁸ National Strategy of Tajikistan for Education Development, 2012–2020.

C. Socio - economic Condition

1. Poverty

9. High economic growth along with macro-economic policies, including various initiatives reflected in the poverty reduction strategy papers, has helped reduce poverty in Tajikistan. Likewise, rapid and large increases in the remittance inflows since 2004 have been another factor that contributed to reducing poverty. To fight poverty, migration for temporary work abroad has appeared to be the key strategy among poor households. During 2007, 25% of households had at least one member working abroad, and remittances accounted for about 35% of households' income and an even larger share of income among households in the lower consumption decile (World Bank 2011). Since remittances primarily finance consumption, their impact on poverty reduction has remained substantial. Remittances account for about 80% of consumption requirement of the poorest rural households, and for about 50% of that of urban households. According to World Bank estimates, a 10% increase in remittances led to a 1% reduction in poverty (World Bank 2009). However, remittance inflows also carry with them an element of uncertainty, thus requiring the government to also fight poverty through other means and, more importantly, by providing decent employment opportunities in the formal labor market. As a large majority of migrant workers come from rural areas and send remittances back to rural areas (70% of remittances), the impact of remittances became more visible in the dramatic decline in extreme poverty (PRSP 2010). Extreme poverty declined from 41.5% in 2003 to 17.1% in 2007 and further to 14.3% in 2012. Similarly, the poverty rate in both urban and rural areas has also declined. Poverty incidence in urban areas has declined from 68.6% in 2003 to 49.4% by 2007. It further declined to 28.5% in 2012. During 2003–2012, urban poverty fell by 40.3 percentage points. During the same period, on the other hand, poverty in rural areas declined by 34.6 percentage points, from 73.8% in 2003 to 39.2% in 2012.

10. Tajikistan's key poverty and social indicators are given below:

Indicator	Latest		OECD average	
Population living on less than \$1.90 a day (2011 PPP, %)	4.7	2009	...	
Population below national poverty line (%)	30.3	2016	...	
Underweight children under 5 years old (%)	10.0	2015	...	
Net enrolment ratio in primary education (%)				
Total	97.6	2011	95.9	2014
Female	95.7	2011	96.0	2014
Male	99.5	2011	95.8	2014
Adult literacy (%)	99.8	2015	...	
Maternal mortality ratio (per 100,000 live births)	44.0	2015	14.0	2015
Infant mortality rate (below 1 year/per 1,000 live births)	38.5	2015	5.9	2015
Life expectancy at birth (years)	69.8	2015	80.3	2015
CO ₂ emissions (metric tons of CO ₂ per capita)	0.44	2013	9.7	2013
Population with access to safe water (%)	73.8	2015	99.3	2015
Population with access to sanitation (%)	95.0	2015	97.8	2015
Human Development Index	0.627	2015	0.887	2015
(Rank)	(129)		(23.4)	

Source: Tajikistan Country Information Note, May 2018.

2. Employment

11. Despite average growth of 7.2% from 1997 through 2016, Tajikistan is not creating enough jobs. Annually from 1991 to 2016, the working-age population increased by 3.0% but employment

rose by only 0.7%. Economic growth has come largely from improved labor productivity and higher domestic consumption financed by remittances from Tajik migrant workers. Meanwhile, large-scale labor migration not only boosted household income and purchasing power but also took the spotlight off domestic job creation.

12. Since 2013, both labor migration and remittances have fallen significantly, despite some recovery in 2017, heightening pressure to create jobs for young entrants into the labor market and returning migrant workers. Growth in jobs must supplement higher labor productivity in the years ahead.

13. A report last year to the Ministry of Economic Development and Trade of Tajikistan suggested that some 900,000 productive jobs—jobs able to lift households out of poverty—needed to be created in the next 10 years to 2025 to reduce the 2025 poverty rate to 18% from the current 30%, based on a national poverty line set at TJS175.2 per month. More than two-thirds of these jobs, about 660,000, are needed for the large number of young people entering the labor force in the coming years. A further 233,000 jobs are needed for the working poor whose current incomes fall below the poverty line. Providing these jobs will require upgrades to current employment through productivity gains from on-the-job training and workplace reorganization, along with workers shifting to new and more productive jobs elsewhere in the economy.

14. Besides the informal sector, two parallel labor markets exist: the domestic labor market and the migrant labor market. The size of the domestic labor market was estimated at 2.30 million in 2015. The shares of agriculture, industry, and services on employment during 2014 were 65.5%, 4.1%, and 30.4% respectively⁹ (footnote 4). The central issue in the domestic labor market is that a structural transformation to create job opportunities in nonfarm sectors has yet to take place. Besides limited job creation in the nonfarm sectors, wage differentials with other countries in the region are significant. Consequently, limited job opportunities in the nonfarm sector and the high wage differentials especially with the Russian Federation expanded the migrant labor market. Estimates from 2009 Living Standards Survey point to the informal sector accounting for 31% of the country's labor force. Informal employment, which is unreported or not registered as legal entities, includes individuals working on *dehkan* farms (mid-sized, privately owned commercial farms distinct from household plots), personal farms, or leased land. Official statistics reported a 2.5% unemployment rate for 2017, although this is estimated to be much higher.

3. Inequality

15. Inequality in Tajikistan increased due to drastic cutbacks in the provision of basic social services like education and health and a drop in the minimum wage level because of the collapse of the Soviet Union in 1991 and the civil war in 1992. The income Gini index increased from 29.5 in 1999 to 33.6 in 2004. From 2004, however, remittances from workers abroad started to expand, resulting in a decline of the income Gini index to 31.0 in 2012. (Table 1.)

Table 1. Income Gini Index, 2003–2012

Year	Gini
1999	29.5
2003	32.7
2004	33.6
2007	32.2

⁹ ADB. 2016. *Tajikistan: Promoting Export Diversification and Growth. Country Diagnostic Study*. Manila.

2009	30.8
2012	31.0

Sources: Gini coefficients for 1999 to 2009: World Bank. World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators> (accessed April 2015). Gini coefficient for 2012: Agency on Statistics under the President of Tajikistan. 2015. *Poverty Measurement in Tajikistan: A Methodological Note*. Dushanbe.

16. Comparison of Tajikistan with other regional economies reveals that its income distribution is relatively more equitable. Among the comparator countries, Tajikistan has one of the lowest income Gini coefficients, ranking below Armenia and Moldova (Table 2). However, an analysis based on Tajikistan Living Standard Measurement Surveys suggests that the aggregate inequality masks a notable expenditure inequality dynamic by locality. Although in urban areas, expenditure inequality is more pronounced and has declined along with the Gini index at the national level, in rural areas the expenditure inequality moved in the opposite direction.

Table 2. Income Gini Index in Selected Countries, Latest Years

Country	Latest Year	Gini Coefficient	Share of Top 20%	Share of Bottom 20%
Armenia	2012	30.3	39.2	8.8
Georgia	2012	41.4	47.1	5.3
Kyrgyz Republic	2011	33.4	41.4	7.7
Moldova	2011	30.6	39.3	8.5
Mongolia	2008	36.5	44.0	7.1
Tajikistan	2012	31.0	39.4	8.3
Uzbekistan	2003	35.2	43.3	7.4

Sources: World Bank. World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators> (accessed April 2015). Income Gini for Tajikistan was sourced from Agency on Statistics under the President of Tajikistan. 2015. *Poverty Measurement in Tajikistan: A Methodological Note*. Dushanbe.