Tajikistan Monthly Risk Monitoring & Warning Report
December 2009

FAST FACTS

- **Weather Warning:** The amount of monthly precipitation in January 2010 is expected to be 30-120% above the norm. This level of precipitation may increase the risk of avalanches in the western GBAO and on the southern slopes of the Hissor Mountains.
- **Energy:** Potential cold weather this winter may decrease the water level in Vakhsh River, which will in turn decrease the electricity generation of Nurek and Sangtuda-1 HEPS. The unresolved issue of transit of electricity from Turkmenistan and the risk of Sangtuda-1 reducing electricity supply due to debts raise the prospect of worsening electrical shortages in the mid of winter through early Spring 2010. Between January and March 2010, local authorities may introduce a strict regime of restrictions.
- **Food Security:** Despite a favorable harvest, chronic food insecurity remains at the same level as in October 2008. The level of severe food insecurity in the country remains at around 9% of the rural population. Food prices and the economic crisis still threaten the fragile progress made by some households over the past years.
- **Remittances:** Remittances over the last 11 months are 33% lower than last year. The significant decrease in remittances in 2009 and the continuing inflation — especially for foodstuffs and services – raise concerns about households' buying capacity, and thus about their food and health security.
- **Health:** the Ministry of Health reported the detection of 16 lab-confirmed cases of the H1N1 virus in Tajikistan. The actual figures may be significantly more.

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I. WEATHER CONDITIONS

1.1 Weather Forecast for January 2010

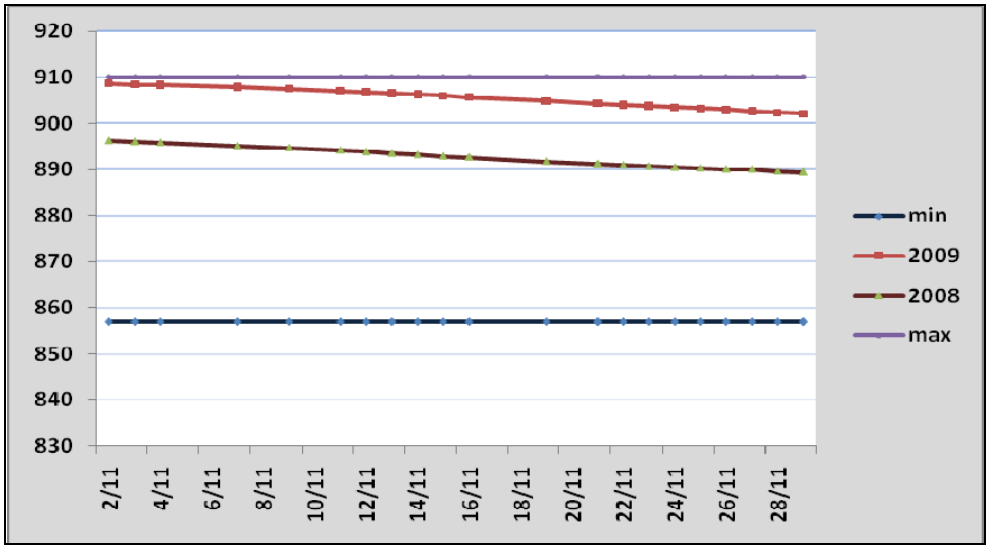
For January 2010, the State Hydro-meteorological Agency of Tajikistan forecasts that the average monthly temperature of air is expected to be 1 to 3 °C above the climatic norm (around 4 to 6 °C). At low altitudes, the average temperature will be about 2 to 5 °C and in high altitudes from -3 to -7°C. The amount of monthly precipitation is expected to be above the norm by 30-120%.[1] Such heavy precipitation may lead to avalanches in the western part of GBAO and the southern slopes of the Hissor Mountains. *(Further localized details on expected weather in January 2010 can be found in Annex A.)*

The current weather and conditions over the next four months in Tajikistan may be influenced by the El Niño event in the Pacific Ocean and corresponding events in the Indian Ocean. A summary report on the possible impact of El Niño on Tajikistan is contained in *Annex B.*

II. ENERGY

2.1 Electricity

As in October-November 2009 the water level in the Nurek reservoir was much higher than last year, this has improved the generation capacity of the Nurek and Sangtuda-1 HEPS along the Vakhsh river cascade.



In November 2009 Tajikistan generated 1.3 billion kWh of electricity, which is 8% more than produced in November 2008. On daily average, 43.4 million kWh of electricity was produced, compared to 40.3 million kWh in November 2008.

[1] The precipitation norm at low altitudes, such as in Khatlon and the Districts of Regional Rule, is between 40 and 82 mm; in Sughd, it is between 15 and 38 mm; in mountain areas, the norm is about 6-40 mm. Source: State Hydro-Meteorological Agency of Tajikistan

Although import of electricity in November has fallen by 66%, with the reduced export, the balance of electricity (production + import - export) still remains positive, with 8% more than in November 2008. Such increase in electricity generation occurred mainly thanks to the launch of Sangtuda-1 (670 MW generation capacity) and increased generation capacity of the Kayrakkum HEPS.

Table#1 Electricity generation of Hydro-Power Stations in Tajikistan in November 2009

HEPS	Daily average of electricity generation in Nov.2009 (in million kWh)	Percent of total generation in Nov. 2009	Total generation capacity (in MGW)
Nurek	29	66.1	3,000
Baypaza	6	13.3	600
Sangdtuda-1	5	12	670
Golovnaya	3	5.7	210
Perepadnaya	0.5	1.3	30
Central	0.1	0.3	18
Kayrakkum	0.5	1.2	126
Varzob Cascade	0.1	0.2	25
Total	44	100	4,679

In October 2007 through February 2008 the population of Sughd, including main administrative cities, experienced strict restrictions. This year, with the increased generation capacity of the Kayrakkum HEPS and the launch of North-South 500 kWh electric transmission lines, electricity supply in the north seem to be improved.

2.2 Cuts and Restrictions

The main power distributing company Barqi Tojik states that no official limits/restrictions on electricity supply have been introduced yet this season. However, due to a lack of electricity supply to the regions, local electric departments have reduced electricity supplies accordingly. Following Uzbekistan's decision to stop electricity exports to Tajikistan on 31 October, most regions of the country began facing electricity restrictions and cuts.

In Khatlon province, only Kurgan-Tyube receives 10 to 12 hours of electricity per day. Other main cities of the province receive 4 hours per day, 2 hours in the morning and 2 hours at night. Some remote villages receive 1-2 hours of electricity per day or, at times, are completely out of electricity for several days in a row.

In Sughd, only the main cities such as Khujand, Kayrakkum and Chkalovsk are unaffected by the restrictions. Villages and rural areas have the same restriction schedule as in Khatlon. In both provinces main administrative and socially vital buildings, such as hospitals, buildings of local authorities and banks, receive electricity 24/7.

GBAO has been much better off in terms of electricity supply for the past 2 years, as this province, including very remote areas such as Shughnan, Rushan, Roshtkala and Ishkashim, receives electricity 24 hours a day.[2]

Many transformers are outdated and cannot bear the winter overload occurring due to increased electricity consumption for heating and cooking. Therefore, even if sufficient amounts of electricity are generated, Tajikistan will face electricity cuts during cold periods due to continuing high transmission and distribution losses.

In November 2009, 1.4 billion kWh[3] of electricity was consumed in Tajikistan. On daily basis, users in southern Tajikistan consumed 35.6 million kWh, 50%[4] of which was consumed by Tajik Aluminum Company (TALCO) and 22% of which by Dushanbe city alone. Users in the north consumed around 7 million kWh. Based on rough calculations[5], the average deficit of electricity in the south was 3.3 million, in the north-874 thousand kWh of electricity.

Daily average of electricity consumption in November (in million kWh)

South	**35.6**	TALCO	**17.8 (50%)**
		Dushanbe	**7.8 (22%)**
		Khatlon and DRR	**10 (28%)**
North	**6.9**		
Total	**42.5**		

According to the head of the local electric department of Khatlon province, the current restrictions are considered to be moderate. From January to March 2010 local authorities may have to introduce a "strict regime" of restrictions, meaning further reductions in electricity supplies.

2.3. Combined Heat and Power Plants (CHPP)

On 10 December, the Dushanbe CHPP (Combined Heat and Power Plant) launched only one out of its 4 lines to heat part of Dushanbe city. On daily basis, it produces 30,000 kWh of electricity (only 20% of full capacity and 0.1% of total electricity generation) and 50-120 Gcal of heat. The CHPP has been instructed to operate with the same capacity up to 15 January 2010. According to the Chief engineer of THPP "Dushanbe", the thermal power plant consumes 14 tons of mazut (low sulphur residual fuel oil) and 2500 m^3 of gas on a daily basis. For full capacity operation the CHPP needs 1.5 thousand tons of mazut and 200,000 m^3 of gas. In November 2009, CHPP "Dushanbe" had 14.6 thousand tons of mazut in the reserves, whereas for three

[2] 86% of the population of GBAO is served by electricity produced by Pamir Energy
[3] As in November 2009 1.3 billion kWh of electricity was generated, the remaining 1 million was imported from Uzbekistan for the areas not connected to the 500 kWh South-North line such as Ayni and Penjikent
[4] At full capacity, TALCO consumes 19-20 million kWh of electricity per day, which is 50% of total c consumption. However, due to reduced production, TALCO's electricity consumption also has decreased.

months full capacity operation it needs 135 thousand tons of mazut and 18 million cubic meters of gas.

The Government of Tajikistan has appealed to the international financial institutions and UN for financial help to purchase some 40'000 tons of mazut. Main concern of the Government expressed in the appeal is that in case Uzbekistan stops supplying Tajikistan with gas during cold periods, Dushanbe CHPP, which provides the capital with heat and some electricity, will have to operate on mazut only (30'000 tons of mazut per month).

As electricity produced by CHPPs is very costly (0.09-0.1 USD per kWh) and there is lack of demand for heat in Yavan, the CHPP "Yavan" may not operate this year. Yavan CHPP is build to support the local chemical factory with electricity and heat. As the chemical factory is out of operation, whereas the percentage of population benefiting from this CHPP is insignificant, the operation of Yavan CHPP is not crucial.

2.4 Natural gas supply[6]

Gas is mainly imported from Uzbekistan, which is now requiring advance payment. This requirement, in addition to price increases and the low purchasing power of commercial and residential consumers, has resulted in a highly variable supply of gas to Tajikistan.

Gas imports in November 2009 were significantly lower than in 2008. In November 2009 Tajikistan imported 28 thousand m^3 of gas from Uzbekistan on a daily basis. Almost all of the gas imported from Uzbekistan is supplied to industrial companies, and only 5-6% goes to households. To import gas from neighboring countries, Tajikistan pays 700-800,000 US dollar every 10 days against future consumption.

The advance payment requirement puts pressure on commercial users who are facing liquidity issues. As a result, some commercial consumers, which have been affected by global financial crisis, may not be able to operate at full capacity.

2.5 Energy outlook

Short-term risks:

The most pressing short-term risks concern the forthcoming winter period. Abnormally cold weather could decrease water inflows into the Nurek reservoir, producing faster-than-expected declines in water levels there. This would decrease the electricity generation of Nurek HEPS. In such a scenario, Tajikistan could face severe electricity shortages in the middle of winter up to the beginning of spring 2010.

Another serious risk to the energy supply system is linked with the situation of CHPP "Dushanbe", as it operates mainly on gas and mazut and cannot therefore use the stocks of coal available in the country. Due to a lack of financing to import sufficient amounts of Uzbek gas and mazut and the unstable political relationship with

[6] Source: Shoimov Sh., First Deputy Director of State Unitary Enterprise "Tajiktransgas"

Uzbekistan, Tajikistan may fail to operate its thermal power plants in times of emergency.

According to Uzbekistan's ambassador to Tajikistan, Mr. Sh. Shoislamov, Uzbekistan is ready to supply electricity to the north of Tajikistan as in previous years. However, Tajikistan will now have to pay 0.37 USD per kWh—double previous levels[7]. Meanwhile, Turkmenistan has agreed to export electricity to Tajikistan through Uzbekistan for 0.02 USD per kWh, which is almost two times cheaper. However, with Uzbekistan's 1 December withdrawal from the Central Asian Integrated Power Grid (more on this below), it is not clear that Turkmen electricity will be able (or permitted) to transit through Uzbekistan. These uncertainties increase energy security concerns in Tajikistan as the cold waves of winter approach.

Another short-term risk is linked with Tajikistan's 9.5 million USD debts to the Russian shareholders of Sangtuda-1. The Russian shareholders have threatened to stop supplying electricity or reduce the amount, pending resolution of these arrears.[8] In the face of such issues, a sharp drop in temperature could result in the collapse of the Tajik electricity supply system (as occurred in the winter of 2007-2008), causing severe damage to social welfare (food, health, water and sanitation, education) and the economy of the country.

Medium-term risks:

As a result of the dissolution of the Central Asian Integrated Power Grid[9], the winter energy situation of the two most fragile states, Kyrgyzstan and Tajikistan, is further complicated, leaving them exposed to substantial power rationing. Now Tajikistan has to rely more heavily on its own electricity generation and the transmission capacity of the 500 kWh "South North" line, as the situation jeopardizes imports of Turkmen and Uzbek electricity. In case domestically produced electricity is not sufficient to meet the demand during severe cold periods, Tajikistan is less likely to have immediate imports from neighboring countries.

The unprecedented energy crisis into which Tajikistan have plunged since 2007 is having drastic social consequences for the populations (a lack of heating in private and public places, closures of schools and companies, slowdown of industrial production), which compounded with the effects of the global crisis is harming prospects of economic development for the country.

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[7]Tajikistan signed annual agreements with Uzbekistan making possible the import of 600 million kWh of electricity from Uzbekistan over a three-month winter period. In exchange, Tajikistan agreed to export 900 million kWh of electricity to Uzbekistan during the next summer period. The Uzbek authorities used to charge Tajikistan 1.5 cents per kWh of electricity in winter, while Tajikistan would receive 0.5-1 cent per kWh from Uzbekistan in the summer time

[8] Source: Asia Plus, 11 November 2009, http://www2.asiaplus.tj/news/31/59380.html

[9]Central Asia has a collective system of electricity management, established in the Soviet period, which has enabled a boost in electricity exchanges within the region. In October and November 2009, Kazakhstan and Uzbekistan stated their desire to end their participation in the Central Asian Power System due to Tajikistan's continuous use of electric power without contracts and payment

However, Uzbekistan is also facing higher risks of medium-term water shortages in connection with the Kayrakkum HEPS. Over the last years water in the Kayrakkum reservoir has been used mainly for irrigation purposes by Uzbekistan and Kazakhstan, with little benefit to Tajikistan itself. Uzbekistan's and Kazakhstan's departure from the Central Asian Electric Grid increase Tajikistan's need to run the Kayrakkum HEPS in power mode in the winter, leaving less water left over for irrigation in downstream countries during the coming spring and summer.

In November the water level in Kayrakkum reservoir was 2.5 meters above last year's level, as Kyrgyzstan's Toktogul reservoir has been releasing more water downstream. As the main electricity deficiency period in Tajikistan is January-March, water is more likely to be released from the Kayrakkum reservoir to generate electricity during this time. As a result, 200,000 hectares of Uzbekistan's cotton fields and 80,000 hectares of Kazakhstan's rice fields Uzbekistan and Kazakhstan could face severe water shortages in 2010.

Long-term risks:

Long-term risks are connected with the dissolution of the Central Asian Integrated Electric Grid. If and when the Roghun and Sangtuda-2 HEPS are completed, Tajikistan will lack opportunities to export its surplus electricity. In such a situation, Tajikistan will need not only to equip the already constructed 500 kWh "South-North" electric transmission line to provide electricity to its own consumers in the north of the country, but also to build new lines to access foreign markets, such as Kyrgyzstan, Kazakhstan and Afghanistan.

As 95% of Tajikistan's electricity is produced by HEPS, Tajikistan's energy system is heavily dependent on water levels in its rivers and reservoirs. Long-term forecasts indicate that the Vakhsh River, which feeds the main HEPS in the country, has entered a cycle of decreased water flows which may last up to 2035.

III. FOOD SECURITY

3.1 Food and Fuel prices[10]

As Table #1 suggests, prices for some main staple foods such as rice, wheat flour and vegetable oil have significantly decreased in some regions, while prices for most of other commodities remained stable. Price increases are noted in Gharm, with 4% for rice, 7% for beef and 28% for pulses. In Khorog, the price for potatoes has increased by 11% in month-on-month comparison.

Prices for petrol remained stable in November 2009, whereas the price for diesel on local markets of Dushanbe and Kurgan-Tyube has increased by 4-14% compared to the previous month.

[10] Food and Fuel prices were obtained from WFP Food Security Weekly Market Monitoring, Tajikistan

Table #1 Month-on-Month Percent Change in Food and Fuel Prices, November 2009

Commodity	Dushanbe	Gharm	Khorog	Khujand	Kurgan-Tyube
Rice	0.00	4.17	-12.50	-16.67	0.00
Wheat Flour 1st grade	0.00	-9.52	-4.55	0.00	0.00
Vegetable oil	-6.67	-14.29	0.00	0.00	0.00
Cotton oil	0.00	-11.67	0.00	0.00	0.00
Beef	0.00	6.67	0.00	0.00	0.00
Potatoes	0.00	0.00	11.11	0.00	0.00
Pulses	0.00	28.57	0.00	0.00	0.00
Milk	0.00	0.00	0.00	0.00	0.00
Eggs	0.00	0.00	-11.11	0.00	0.00
Petrol	0.00	0.00	0.00	0.00	0.00
Diesel	3.60	0.00	0.00	0.00	14.30

From August to November 2009, prices for main staple foods have significantly decreased, mainly due to a good harvest and sharp declines in imported food costs. The price for wheat flour in local markets has decreased thanks to a good harvest and a 50% increase in wheat imports for the first 11 months of 2009 compared to the amount imported during the same period of 2008. Part of the explanation for such increase in wheat import is the good harvest in the main wheat exporting country, Kazakhstan, and favorable import prices. In November the price for imported wheat has dropped 12% compared to the previous month and by 33% on year-to-year comparison.

It is also important to note that despite this recent decrease in prices due to the good harvest, prices still remain much higher than pre-food-crisis prices while the purchasing power of households remains similar to 2007.

Since August 2009 significant increases in prices for food and fuel have been observed only in Dushanbe, where the higher prices for fuel might have been one of the factors that triggered the increase of prices for milk, eggs and wheat flour. However, the price for eggs has increased not only in Dushanbe, but also in other cities such as Khujand and Kurgan-Tyube. Such increase in prices for eggs can partially be explained by new regulations which limited the import of eggs earlier this year.

Table #2 Percent Change in Food and Fuel Prices from August to November 2009

Commodity	Dushanbe	Gharm	Khorog	Khujand	Kurgan-Tyube
Rice	-13.33	-28.57	-12.50	-23.08	-8.33
Wheat Flour 1st grade	5.56	-13.64	-4.55	-5.26	-7.32
Vegetable oil	-6.67	-14.29	0.00	0.00	0.00
Cotton oil	-7.69	-18.46	0.00	0.00	0.00
Beef	-5.56	-5.88	0.00	0.00	0.00
Potatoes	-6.67	-25.00	0.00	7.14	0.00
Pulses	0.00	0.00	0.00	0.00	0.00
Milk	65.00	0.00	0.00	0.00	0.00
Eggs	16.67	-12.50	-11.11	8.33	20.00
Petrol	2.70	0.00	-9.52	-8.33	-5.26
Diesel	3.57	0.00	-5.56	-4.00	-6.66

Decreasing prices for wheat flour and potatoes in September - November 2009 can be explained by a better harvest in 2009. According to the Ministry of Agriculture, for the first time in the history of the country Tajikistan has produced 1,259,000 tons of grain, 90% of which consists of wheat flour. This is 175% (!)more than was collected in 2008. Also, from the beginning of the harvest season to December 2009 215,656 tons of potatoes were collected, which exceeds last year's figure by 9%

Although prices normally go up after November, households benefiting from a good harvest should be able to compensate for this price increase. Likewise, increased availability of food on local markets should help stabilize prices until the next harvest. Good harvests in neighboring countries will also help keep prices lower than last year. The cost of the food basket has therefore slightly decreased (TJS 88 per person per month in November, compared to TJS 92 in May and 91 in October of last year).

Table #3 Percent change in food and fuel prices from June 2007 (pre-food-crisis period) to November 2009

Commodity	Dushanbe	Gharm	Khorog	Khujand	Kurgan-Tyube
Rice	62.50	25.00	133.33	100.00	37.50
Wheat Flour 1st grade	46.15	58.33	5.00	80.00	58.33
Vegetable Oil	483.33	500.00	650.00	850.00	788.89
Cotton oil	50.00	46.21	150.00	85.71	25.00
Beef	30.77	33.33	30.00	45.45	41.67
Potato	40.00	-11.11	-28.57	94.81	15.38
Pulses	33.33	50.00	140.00	80.00	32.91
Milk	83.33	100.00	300.00	86.57	33.33
Eggs	40.00	100.00	33.33	85.71	50.00
Petrol	65.22	73.91	35.71	47.32	56.52
Diesel	31.82	30.77	36.00	26.32	45.45

However, it is worth mentioning that despite some declines, food prices remain well above pre-food-crisis levels, as is demonstrated in *Table #3*. According to the State Statistical Committee of Tajikistan, food prices in October were 46% above January 2007 levels and 64% above January 2006 levels. Since food purchases make up 2/3 of the CPI, surely these increases are a major cause of food insecurity for net food consuming households whose incomes have not risen commensurately.

3.2 Food Security outlook[11]

The food security situation has improved since the peak of the crisis and the lean season in May as many indicators show. However, chronic food insecurity remains unchanged from October 2008.

The level of **severe food insecurity** in the country remains at around 9% of the rural population. The situation did not deteriorate since July 2009 mainly due to a good harvest of wheat and vegetables and to assistance provided to households affected by heavy rains, late frosts and high food prices/economical crisis in certain areas.

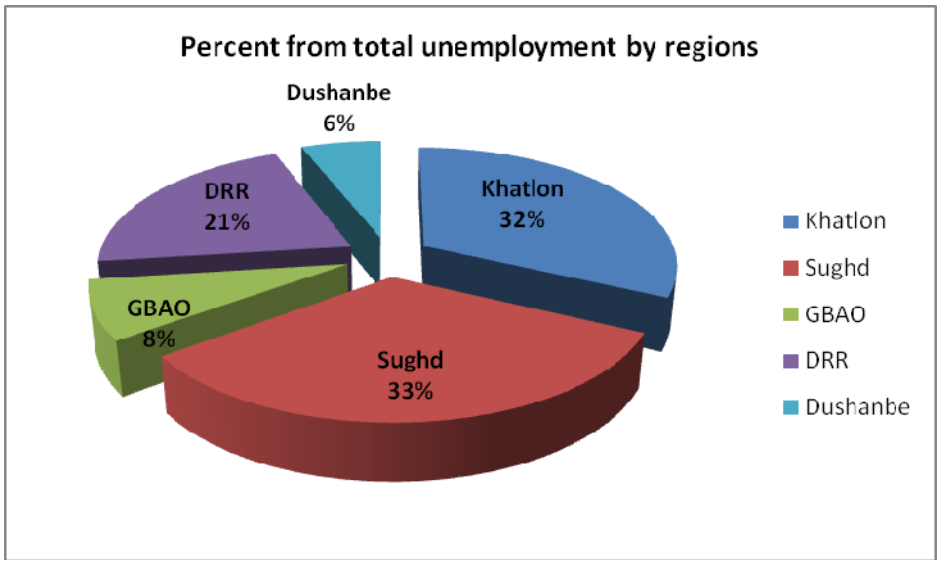
[11] Source: WFP Food Security Bulletin, September 2009, Tajikistan

Moderate food insecurity also stands at similar levels as in July 2009. The lack of reduction in moderate food insecurity at a time when better physical access to food should allow households to be more food secure is mainly due to external shocks (such as the global financial crisis) and local shocks (such as natural disasters). Thesecreate pockets of severe food insecurity due to the decrease in remittances, lack of employment opportunities and chronic problems. Sughd and Khatlon are the most food insecure zones, due to economic shocks (especially the loss of employment and decrease in remittances).

The outlook for the next three months is uncertain. The good harvest and favorable weather conditions provide households who have land and livestock with good stocks and assets to go through the winter. But households normally dependent on remittances, begging and borrowing for food will continue to be in need of immediate assistance. The food price and economic crisis still threaten the fragile progress made by some households that have managed to improve their livelihoods.

3.3 Unemployment

Unemployment data from the State Statistical Committee of Tajikistan shows that the number of officially registered unemployed people in November 2009 has reached 46,478 persons. The highest rate of unemployment is observed in Sughd (33%) and Khatlon (32%) provinces, where 65% of the country's population resides.



During autumn and winter seasonal labor migrants traditionally return home after working abroad. With the impact of the financial crisis, it is expected that in December more people will return to Tajikistan, compared to previous months as well as on year-on-year comparison. These returning migrants and the absence of real incomes further exacerbate the risks of food and health insecurities in these provinces and may create tension in labor markets.

The Government of Tajikistan is promoting intensive public-sector job creation. From the beginning of the year 45,303 positions were created in various governmental

sectors, still 12% less than the actual demand for work places. However, due to low wages offered for governmental positions, there is a lack of demand for increasing the number of such positions.

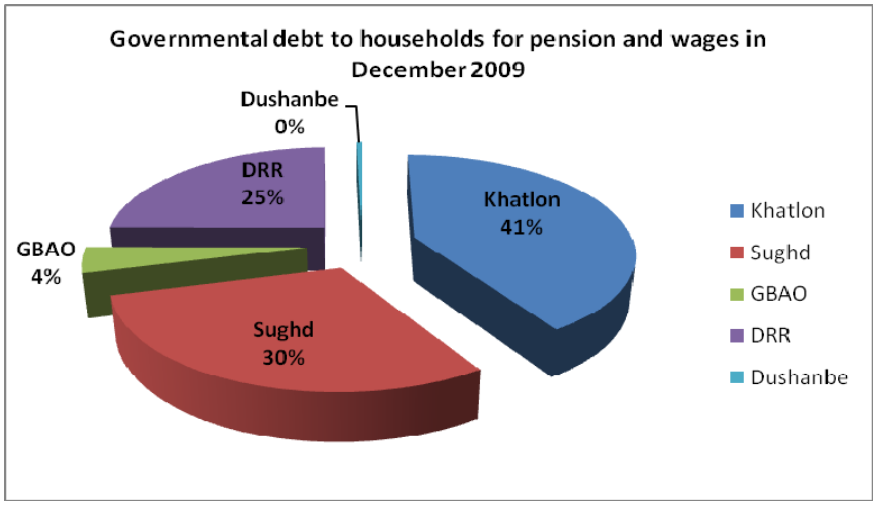
In the near future, tensions on the labor market may increase due to some 7000 returning seasonal migrants in fall and winter as well as another 10,000 recently amnestied prisoners who are of active work age.

Pensions and government salaries are now playing a central role in the total income of rural households. Delays and difficulties in receiving pensions have been noticed by key informants and will have a severe effect on households' ability to afford the basic food basket.

The Ministry of Labor and Social Protection reports that the total debt owed by the Government to households for wages and pensions has reached 75 million TJS (17.2 million USD) in December 2009, which is 261%[12] more compared to December 2008. This increase is mainly due to the influence of global financial crisis. The demand for Tajikistan's industrial output on the world market has decreased, thus decreasing the volume of industrial output and tax revenues, including social taxes.

From the total amount of debt, 25 million TJS (5.7 million USD) was for wages and 49.9 million TJS (11.4 million USD) for pensions. The problem seems to be particularly acute in Khatlon and Sughd, mostly among the elderly people pensions account for 67% of debts.

Governmental Debt to households for pension and wages in Dec. 2009 (in million TJS)						
	Khatlon	Sughd	GBAO	DRR	Dushanbe	Total
Wages	9.3	5.8	0.2	9.5	0.3	25.1
Pension	21.4	16.7	2.9	8.9	0	49.9
Total	30.7	22.5	3.1	18.4	0.3	75



[12] In December 2008, the total amount of governmental debt was 20.72 million TJS. Source: State Statistical Committee of Tajikistan

While difficulties in collecting taxes are a key cause of these arrears, seasonal factors may also be at work. Toward the end of the year local authorities are traditionally tasked with boosting income to the State budget, including tax revenues. However, as Khatlon and Sughd provinces also report the highest unemployment rates, household incomes and purchasing power in these regions may continue to be depressed this winter, contributing to food and health insecurity.

Households' expenditures have shown some changes mainly due to seasonal factors, but also to the economic and high food price crisis. In the coming months, expenditures on heating should increase due to the onset of winter and the increase of electricity tariffs by 25% planned in January 2010.[13]

Government of Tajikistan is planning to spend 1.06 billion TJS (0.2 billion US dollars) on social protection from 2010 state budget of the country. This makes 15.66 % from the total budget expenditures, which is 3.75% more than was spent in 2009.

IV. MACROECONOMIC TRENDS [14]

The total spending of the country continues to exceed the GDP, which is a worrying trend. In September spending exceeded GDP by some 27% and in October by 33%; in November 2009 the gap rose to 34%.[15] This tendency shows the growing vulnerability of the national economy toward external shocks and the lack of internal sources for maintaining macroeconomic stability and growth. In the coming months this will undoubtedly affect the growth of inflation and devalue the Tajik national currency. Also, in the short term this may increase the risk of external debt growing from 33% of GDP in November up to 40 % of GDP by the end of 2009. The total amount of foreign debt in November was 1.5 billion US Dollars.

In the medium term, due to decreasing migrants' remittances and inadequate stimulus for industrial development as well as export, the national economy will lack drivers of growth. Besides, support from international financial institutions is mainly directed toward social expenditures, rather than development; the situation of the national economy may deteriorate further.

In November 2009 over 34% of Tajik industrial enterprises were not functioning. Out of 811 industrial enterprises, 284 were completely idle whereas the rest operated at 40-50% of their capacity. Over the 11 first months of 2009, the industrial output amounted to 5.5 million TJS (1.2 million USD), which was 7.4% less than during the same period of 2008.

[13] Electricity rates in Tajikistan are usually increased twice a year – on 01 January and on 01 May. The last increase occurred in January 2009 (25 % for all consumers but TALCO). In May 2009, it was planned to raise the tariffs by another 15 %. However, due to the impact of the global financial crisis, the Tajik authorities decided to temporarily refrain from raising electricity rates

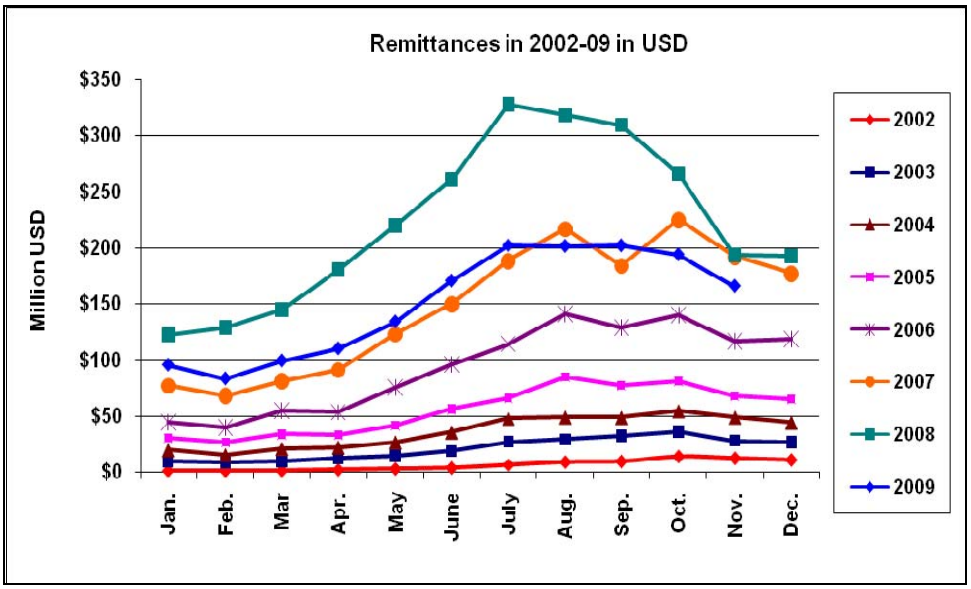
[14] Source: State Statistical Committee of Tajikistan

[15] Annual growth of spending over the GDP: in 2004 – 11.9%, in 2005 – 13.8%, in 2006 – 14.6%, in 2007 – 18.4%, in 2008 -26.6%)

4.1 Remittances

The volume of remittances received by Tajikistan during the 11 first months of 2009 dropped by 33% compared to the same period of 2008. In November 2009, Tajikistan received slightly over 166 million USD, which is 14% less than during the previous month and a 14% drop in year-to-year terms.

Graph #4 Remittances to Tajikistan for the Period 2002 – 2009 (in million USD)



Traditionally, in the autumn-winter period labor migrants temporary return home and bring back remittances with them rather than transferring through banks. However, according to the WFP Food Security Monitoring Survey, the contribution of remittances to household income is confirmed to have diminished. Among the surveyed households, remittances represented 20% of main income. 47% of those surveyed reported receiving fewer remittances since January, thus reducing expenditures on food and health. In general, 70% of the total number of families who reported receiving remittances as their main and secondary sources of income report receiving less than before.[16]

Perhaps more importantly, the significant decrease in remittances in 2009 and the continuing inflation — especially for foodstuffs and services – raises concerns about households' buying capacity. These concerns are particularly important for the most vulnerable households.

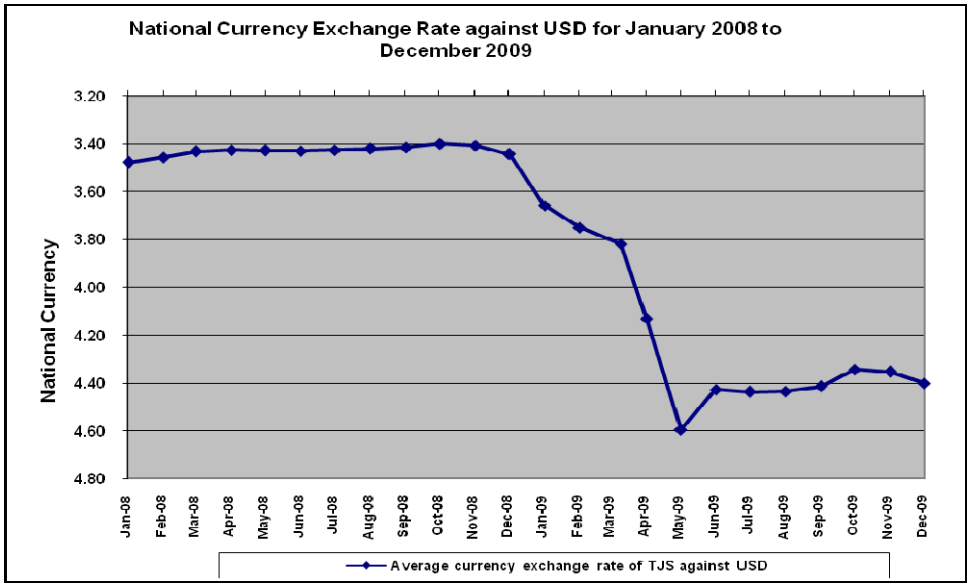
4.2 Exchange Rates[17]

The negative influence of the global financial crisis on the national economy has been continuous, as it reduced the growth of domestic economic sources. This was mainly due to decrease in remittances by 33% and fallen index of industrial output by 8.3% (mainly in aluminum production) for the past 11 months compared to the same

[16] Source: WFP Food Security Monitoring Survey, September 2009, Tajikistan
[17] Source: National Bank of Tajikistan

period of 2008. As was predicted in the previous RMW report, in short-term it caused a slight devaluation of the national currency. In the beginning of November the average exchange rate in offices of Dushanbe and other regions of Tajikistan remained stable (4.33-4.35 TJS per 1 US dollar and 1.45-1.47 TJS per 10 Russian Rubles). In the beginning of December exchange rates on the inter-bank market increased. The inter-bank rate for 1 US dollar has increased by 0.9% to 4.37 TJS and by 2.7% for Russian Rubles (1.49 TJS/10 RUR). On local markets the exchange rate for the US dollar has increased by 1.8% (4.47 TJS per 1 US dollar).

Graph # 5, Exchange rate against USD for Jan.2008-Dec.2009



4.3 Inflation[18]

The overall Consumer Price Index rose by 0.9% in November 2009 compared to October. From the beginning of the year it has increased by 6.6%, and by 4.9% compared to November 2008. From the beginning of the year to November, prices for food items have grown by 2.3%, for non-food items by 5.8%, and for paid services by 13.6%.

In November, some structural changes in prices took place. In October prices for food items increased by 0.1%, for non-food items by 0.6% and for services for 0.1%; in November, prices for non-food items remained stable, but increases on prices for food items by 0.4% and transport and communication services by 0.1% were observed. Considering that 61% of expenditures of the general population are made of payment for food items and services, the seasonal increase in food prices and forthcoming increase on electricity tariffs by 25% in January 2010 raises concerns, as it will add an additional burden on the most vulnerable households with the lowest income.

By the end of the year inflation is expected to reach 8-9%. In January-February 2010, due to an increase in electricity tariffs, overall inflation is expected to increase to 0.45%, whereas inflation in service prices may increase to 4.5%. Such inflation will

[18] Ibid.

further impact negatively on food prices, thus increasing the threat of food and health insecurity.

In general the share of long-term credits given out to private commercial enterprises in national currency is three times less than in foreign currency. In November 2009 an 8% decrease in refinancing rates at the National Bank promoted a decrease in the average rate of crediting in national currency from 22% in June to 18% in November 2009. However, the average rate of crediting in a foreign currency during the same period has increased from 21.5% to 25.5%. This means that in November inflationary expectations continue to have a negative effect on the system of secondary banks. This was demonstrated in the structure of credits given out by local banks. According to data from the National Bank of Tajikistan, from the beginning of the year the share of credits given out in national currency is less than the share in foreign currency (43% vs. 57% compared to October shares of 44.5% vs. 55.5%). This shows that banks are expecting an increase in exchange rates for foreign currency.

The cumulative trade deficit in November increased by 12% compared to the previous month, reaching 1.4 billion US dollars (34% of GDP). The monthly trade deficit in November increased by 2% compared to the previous month reaching 144.8 million US dollars. As a result, in November the level of import coverage from export incomes remained low, at only 39.2%. This raises significant concerns, especially when the volume of gold and foreign currency reserve of the National Bank (317.1 million US dollars) is sufficient for covering only less than two months of imports.

V. HEALTH

The winter influenza season is active in Tajikistan, including H1N1 influenza and "seasonal H3". The H1N1 virus type was found among patients tested in Dushanbe; to date, in the districts and regions outside Dushanbe, only seasonal H3 has been identified by lab testing.

On 17 December 2009, the Ministry of Health reported the detection of 14 lab-confirmed cases of the H1N1 virus in Tajikistan. The actual figures may be significantly more. The Ministry of Health has not reported any significant changes in the trend of morbidity and mortality during this influenza season so far. The clinical features of the disease are generally mild to moderate; no severe cases have been observed. The focus remains on good hygiene (e.g. hand-washing) to limit spread, and timely medical care especially for vulnerable groups such as pregnant women and those with pre-existing medical problems with symptoms of "flu".

In the coming months cold weather may worsen some chronic medical conditions, particularly among elderly people, and can be further worsened with power cut-offs. Power cuts are also likely to negatively affect the functioning of medical facilities. Many hospitals have generators but most of them lack sufficient capacity and fuel reserves to operate. *(The rapidly evolving influenza situation is also covered in periodic reports issued by the World Health Organization in Tajikistan.)*

The aim of the Tajikistan Monthly Risk Monitoring Reports is to provide regular information and succinct analysis on the evolution of natural, economic, food-related, energy-related etc. risk factors in Tajikistan. Data and information in this report are provided by different sources and compiled by the RMWS Group of Experts and UN Agencies in Tajikistan. The United Nations in Tajikistan are not responsible for the quality of the data provided by external sources.

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Annex A: Localized Meteorological Forecast for January 2010

Khatlon and Districts of Regional Rule (DRR) (valleys)

The monthly average temperature in Khatlon and DRR in January 2010 is forecasted to be 1 to 3 °C above the climatic norm. In the valleys, temperature is expected to be around 5-10 °C. During the first and forth weeks of the month, the maximal temperature in the valleys of Khatlon and DRR are expected to rise to 8-13 °C, which is 2-3 °C above the norm for January. The monthly amount of precipitation is expected to be 80-113% above the norm (the multiyear norm is 40-82mm) in most parts of Khatlon and DRR provinces.

Sughd

In the valleys of Sughd province, the monthly average temperature in January 2010 is expected to rise above the norm by 1-2 °C, reaching about 2 °C, whereas in mountainous areas of the province temperatures will drop to 4 to 6 °C below the climatic norm (between -6 and -8 °C). The monthly amount of precipitation in the valleys of the province is expected to be above the norm by 30-70% (norm in the valleys: 15-38 mm; in the mountains: 11-17 mm).

Mountainous areas of DRR and Western GBAO

In the mountainous areas of DRR and Western GBAO, the monthly average temperature in January 2010 is expected to rise to 2-4 °C above the norm at -3 and -7 °C. The monthly amount of precipitation in the mountainous areas of DRR (such as Rasht, Jirgital and Tavildara) is expected to be above the norm by 75-100% (the norm in DRR is 40 to 92 mm, and 6 to 40 mm in Western GBAO (Khorog, Rushan, Darvoz)). Abundant precipitation may lead to more cases of avalanches in Western GBAO, which is prone to this type of hazard.

Eastern GBAO

In Eastern GBAO, the monthly average temperature in January 2010 is expected to be 1-3 °C above the climatic norm (-17 to -25°C) and will fall to -16 to -22 °C. Temperatures could drop to between -27 and -32 °C at night and -14 to -19 °C at day.

Note: As this forecast bears a preliminary character, a more detailed analysis will be published every 10 days in January 2010 by the State Hydro Meteorological Agency of Tajikistan.

Annex B: Summary of El Niño Impacts: December 2009 to March 2010

El Niño

The El Niño phenomenon is a well-known source of seasonal climate variability. Characterized by anomalously warm waters in the eastern Pacific, El Niño, and its cold-water counterpart, La Niña, alter ocean currents, winds, temperature and rainfall patterns, and are second only to the seasons themselves in terms of influence on global climate patterns (*IRI Special Report 2000-01*). El Niño events normally affect climate and weather conditions in other parts of the world, with global impacts common.

Precipitation

Wintertime precipitation is of key importance for irrigated agriculture and hydropower production in Tajikistan. Precipitation generally occurs between November and April, much of it as snow at higher elevations.

The International Research Institute for Climate and Society (IRI) *Climate Outlook for December 2009 to May 2010*, states that there is a high likelihood of a weak to moderate El Niño event. Projections for the December 2009 – February 2010 period in Tajikistan are for a 40% probability that precipitation will be in the wettest third of the years, a 35% chance it will be in the near-normal third of the years, and a 25% chance that the precipitation will be in the driest third of the years.

Temperature

A second important factor is temperature. IRI forecasts a greater than 38% likelihood that temperature will be above average in Tajikistan through April 2010. Warmer temperatures may increase snowmelt during the winter, increasing water flowing to hydropower facilities and improving overall electrical supplies during winter. However, increased winter melting may mean less snow to melt in the spring, with a corresponding reduction in water flows for irrigation.

Impact on Possible Hazard Events

Higher than average precipitation combined with higher temperatures can have several impacts on hazards:

- Avalanche conditions and avalanches may occur more frequently.
- Mudflows may increase in number and occur earlier in the year than normal, due to increased soil moisture from snow melt.
- Flooding events and scales may increase, and occur earlier in the year than normal, due to a combination of increased precipitation and warmer than normal weather.
- Warmer weather and greater moisture may improve prospects for fall-planted crops and allow for earlier planting in 2010.

Snow levels in late winter and early spring need to be monitored to assess whether a combination of increased precipitation and temperatures could lead to more or less significant flooding during the spring and summer periods.

Key References

- Latest NOAA El Nino Situation Update:

http://earthobservatory.nasa.gov/IOTD/view.php?id=41302&src=eoa-iotd

and

<http://earthobservatory.nasa.gov/IOTD/view.php?id=41302&src=eoa-iotd>

- El Nino Forecast (map):

<http://iri.columbia.edu/climate/forecast/net_asmt/2009/nov2009/DJF10_MEa_pcp.html>

- Expected El Nino Impacts in Central Asia (map):

http://portal.iri.columbia.edu/portal/server.pt?open=512&objID=944&PageID=7868&mode=2