

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Tajikistan	Project Title:	COVID-19 Active Response and Expenditure Support Program
Lending/Financing Modality:	Countercyclical Support Program	Department/Division:	Central and West Asia Department/ Public Management, Financial Sector & Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY Poverty targeting: General Intervention
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy The Government of Tajikistan's National Development Strategy (NDS) for 2016–2030 ⁱ seeks to reduce the poverty rate from 29.5% (2017) to 15% (2030) and eradicate extreme poverty by 2030 (15.7% in 2015). NDS focuses on the creation of productive jobs through increased private investment and economic diversification. The Asian Development Bank (ADB) Tajikistan country partnership strategy (CPS) for 2016–2020 ⁱⁱ is closely aligned with the goals of the NDS. The CPS focuses on supporting the government to achieve sustained and inclusive growth that is less susceptible to external shocks and creates higher-paying jobs. In 2019, real GDP grew by 7.5% driven by increasing remittances flow, and ongoing state-led industrialization that boosted growth in manufacturing sector (although problems with a weak banking sector and poor business climate remained unresolved). The percentage of the population below national poverty line reduced to 27.5% in 2019 (29.5% in 2017). In 2020, the trend of sustained high growth and poverty reduction will be significantly affected by the COVID-19 pandemic due to a number of transmission mechanisms. Trade disruptions will be linked to the COVID-19 spread; Tajikistan closed its borders with its main trade partner, People's Republic of China (43% of the Tajikistan's trade turnover) in January 2020. The 2020 losses to the state budget from custom duties on Chinese imports are estimated at \$20 million. Spillover effects will be felt from the economic slowdown of the oil-dependent Russian Federation, which is the largest trade partner for Tajikistan with 35.8% of the trade turnover and main source of remittances with 95% of migrants working in the Russian Federation. Remittances to Tajikistan equaled \$2.7 billion or 33.8% of GDP in 2019 and estimated to decline by at least 35% in 2020.
B. Results from the Poverty and Social Analysis during PPTA or Due Diligence 1. Key poverty and social issues. The national poverty rate has gradually declined from 81% in 1999 to 27.4% in 2019, although Tajikistan remains the poorest country in the region, 12% of the population are extreme poor, and inequality is relatively high with the Gini coefficient estimated at 0.34 in 2015. Consistent high economic growth and an upward trend of remittance flows (although volatile) have driven down poverty rates. Sustaining high growth and poverty reduction has come under threat following the COVID-19 pandemic and the ensuing adverse economic and social impacts. The poor and vulnerable are most at risk to crises, have the least means to respond, and can quickly have difficulties financing basic needs following a fall in low incomes. These groups will be severely affected by impacts from COVID-19 including the sharp decline in remittances, increased inflation including higher food prices, and increased unemployment. Tajikistan remains one of the smallest and poorest economies in Central Asia, with gross national income per capita of \$1,010 (Atlas method) in 2018. The national poverty rate is 27.4% (2019) and an additional 46% of the population are classified as vulnerable and at risk to falling into poverty. Migrant workers (1 million remitters) are facing job losses as a result of the COVID-19 regional impact and firms suffering weak sales from low demand, caused by domestic and external factors, have cut staff numbers or put staff on indefinite unpaid leave. Tajikistan's official unemployment rate, at 2.4% only accounts for registered unemployed; those receiving unemployment benefits (around \$3.60 per month), which is a fraction of the estimated total. Across regions, unemployment is highest in the Gorno- Badakhshan Autonomous Oblast (GBAO) and lowest in Khatlon, with unemployment higher for men at 24% than for women at 15%. High youth unemployment at 37% is also particularly problematic. According to the 2009 Tajikistan Living Standards Survey, about 31% of the labor force was employed informally, with the majority having general secondary education and are of ages 15–34. Furthermore 73% of the population is rural based, and agriculture absorbs 66% of the workforce, many of which have low incomes and are comprised of vulnerable groups close to the poverty line. The poverty rate varies across regions depending on their respective production capacities. Dushanbe, which has only an urban population, had the lowest poverty and extreme poverty incidences, at 19.9% and at 7.9%, respectively. In contrast, poverty in the surrounding rural regions remains high, ranging from 23% in Sughd to around 38% in GBAO. There are a total of 1,469,856 households in Tajikistan, of which around 402,000 are poor and an additional 676,000 are vulnerable (Tajikistan Statistics Agency). Higher inflation combined with labor market impacts will significantly affect

poor and vulnerable households as purchasing essential goods becomes less affordable. Diminished remittance flows are also critically affecting poor households' income and food consumption, particularly for women headed households, which is a high risk to food security. Remittances are highly targeted to the poorest regions and districts of the country and these households do not have sufficient savings for smoothing consumption. As a result, ADB estimates unemployment will increase from 2.4% (official figures) to over 7% and poverty incidence could increase from 27.4% to over 30% as a result of COVID-19, equivalent to around 230,000 people falling below the national poverty line. The prevalence of moderate or severe food insecurity in the total population for 2016-2018 stands at 29.6%, almost double the 15.8% average for Central Asia.ⁱⁱⁱ Tajikistan is among the high commodity dependent (high import and high export) countries and is a net food importer. Food security in Tajikistan is at risk from the impact of COVID-19 and prices of essential food items have increased over the first quarter affecting the poor the most.^{iv} Kazakhstan is a key source of wheat for Tajikistan but has been decreasing food exports to Tajikistan, and the Eurasian Economic Union has introduced restrictions on exports of food items to non-members including Tajikistan.^v

2. Beneficiaries. The program plays a critical role in this context and government initiatives supported under the program will help mitigate price and income shocks, especially to the poor and vulnerable population and women. The measures targeted at poor households below the poverty line include expanding social protection initiatives, ensuring food security, VAT exemptions, and support to health services during the crisis. The proposed program will enable the government to support employment and maintain social programs.

3. Impact channels. The program supports the government's countercyclical response to support the poor and vulnerable population. Impact channels include: (i) expanding the coverage of the targeted social assistance program and providing an additional TJS 500 social assistance transfer per beneficiary targeted at poor households, (ii) stabilization of food prices and food availability and (iii) protection from loss of employment particularly among micro, small, and medium sized enterprises (MSMEs).

4. Other social and poverty issues. As above

5. Design features. The proposed program will support government measures aimed at softening the impact of the crisis on the poor and remittance dependent households, employment promotion, sustaining social expenditures, and supporting the private sector, particularly micro, small, and medium-sized businesses.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. Consultations were held with relevant government ministries and development partners. The consultations helped better relate the program design to the local context, harmonize assistance with other development partners, and reflect a broad range of information and perspectives. Consultations with government added value to program design and targeting, contributed to the government's countercyclical response plans, increased ownership and sustainability, and offered potential benefits to poverty reduction and to sustained pro-poor economic growth.

2. Civil society organizations. The program does not anticipate the participation of civil society organizations in program implementation.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

Information gathering and sharing: L Consultation: L Collaboration: NA Partnership: NA

4. Participation plan

Yes. No.

A project-level participation plan will not be required under the program, given the program scope. Information generation and sharing will be disclosed in accordance with ADB's 2011 Public Communications Policy.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective Gender Mainstreaming

Key issues. Tajikistan ranked 123rd out of 149 countries in the World Economic Forum's 2018 Global Gender Gap Index, with a score of 0.638, indicating limited progress from its 2007 score of 0.658. Households headed by females are more at risk of poverty and are less likely to own valuable assets such as vehicles, land, and livestock, despite having equal legal rights as men to land, property, and contracts. There are 307,200 women headed households (20.9%) (Tajikistan Statistics Agency), which include those headed by widows or divorced women, as well as those whose husbands are working in Russia. Female labor force participation rate (LFPR) is much lower at 48% compared to male LFPR (78% in 2018). Earned income among women (\$1,404 per year in 2018) was four times less compared to the same ratio for men at \$4,939 per year in 2018.^{vi} According to the Labor Force Survey^{vii} the most common female occupations are in unskilled work such as cleaners and servants in institutions, hotels and other places. Women are also the sewers, embroiderers and related occupations in the garments industry, as well as teachers in secondary schools and secondary vocational schools. They are also majority of the health workers and many are accountants. Agriculture consists of 48% women workers, but the figure could be higher if all the unpaid women who work alongside their husbands were counted. Women are also in low-skilled work and occupations, as well as informal employment, which directly translates to disparities in earnings. In 2013, women's average monthly wages were only 63.3% of men's, which is already an improvement over the last decade. It is not clear whether the narrowing wage gap is due to salary

C. Communicable Disease and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

Communicable diseases: NA Human trafficking: NA Others (please specify) _____

2. Risks to people in project area: Not Applicable.

VI. MONITORING AND EVALUATION

1. **Targets and indicators.** Targets for addressing social and gender issues are included in the design and monitoring framework. Key outcome indicators include (i) average number of new COVID-19 cases per day in December 2020 falls to below 5, and (ii) by December 2020 the prevalence of moderate or severe food insecurity in the total population does not increase above the 2019 baseline of 29.6%.

2. **Required human resources.** Staff resources in the resident mission (a national social and gender specialist) will continue to monitor the poverty and social impact of the program.

3. **Monitoring tools.** Overall program monitoring tools (reflected in the design and monitoring framework and gender monitoring matrix) will be used to monitor progress in the achievement of poverty, gender, and social targets. The accompanying TA to the program will support the government and improve capacity for monitoring and reporting of the implementation of COVID-19 related measures and expenditure, and for continued policy dialogue with the government.

ⁱ Government of Tajikistan. 2017. *National Development Strategy of the Republic of Tajikistan for the Period up to 2030*. Dushanbe

ⁱⁱ ADB. 2016. *Country Partnership Strategy: Tajikistan, 2016-2020*. Manila

ⁱⁱⁱ FAO. 2019. *State of Food Security and Nutrition in the World*.

^{iv} The average cost of food products increased by 4% over the first quarter of 2020, including increased price of potatoes (34%), onions (37%), apples (25%), flour (5%), and cabbage (17%) (source: statistics agency).

^v Eurasian Economic Union member states: Russian Federation, Belarus, Kazakhstan, Armenia, and Kyrgyzstan.

^{vi} World Economic Forum. 2019. *The Global Gender Gap Report 2018*.

http://www3.weforum.org/docs/WEF_GGGR_2018.pdf

^{vii} Agency on Statistics under the President of Tajikistan. 2017. *Situation in the Labor Market in the Republic of Tajikistan*. Dushanbe. accessed February 21, 2020