

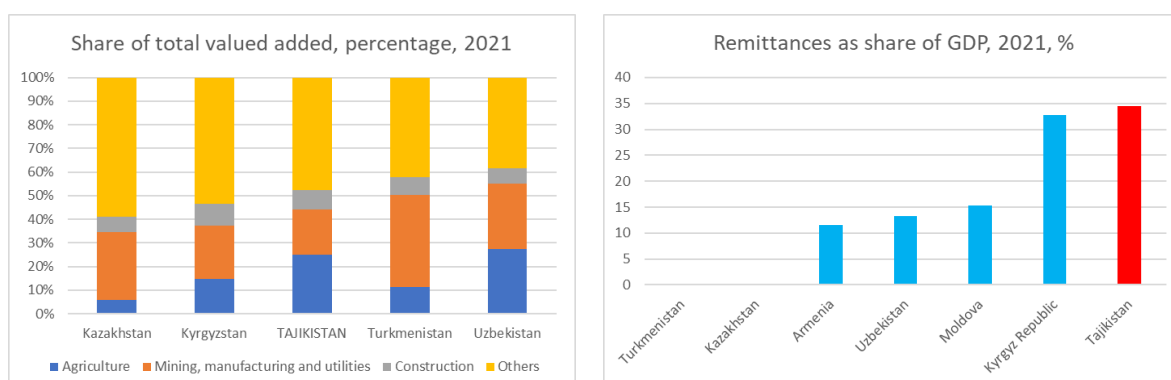
## TAJIKISTAN Country brief

### Economic overview

Tajikistan is a low-income and landlocked country of 9.6 million<sup>1</sup> people in Central Asia. It borders the Kyrgyz Republic and Uzbekistan to the north and west, China to the east, and Afghanistan to the south. Due to its low-level of economic development, high exposure to environmental hazards, socio-economic disparities, and weak governance, Tajikistan is vulnerable to internal and external shocks which can derail the country from its development trajectory. As a landlocked mountainous country, Tajikistan’s transport connectivity is a main constraint to achieving poverty alleviation and other SDGs. Its economy, trade and social development rely on costly road transport. There is limited economic diversification, especially in high value-added sectors. There has been an expansion in construction and manufacturing, but the share of industry<sup>2</sup> in GDP, and, importantly, share of employment in industry is still quite low. Agriculture which is often associated with low productivity and low wages provides employment to more than 50 percent<sup>3</sup> of the workers in Tajikistan. A weak business environment discourages private investment. Tajikistan is still heavily dependent on foreign aid to finance its major public investments. Due to its geology, hydrology, and topography, Tajikistan is highly vulnerable to climate change and disasters which often result in economic losses and internal displacement. In 2021 alone there were several natural disasters including mudflows, earthquake, and floods. Without an economic transformation that is underpinned by climate-friendly green industrialization, Tajikistan will not be able reach many of its development targets including the sustainable development goals (SDGs). Tajikistan needs to revisit its industrial and investment strategies and align them more to decent employment, digital infrastructure, high-value skills, and climate change adaptation and mitigation.

### ***Robust growth has not broken the strong dependency on remittances***

Tajikistan is the poorest county among programme countries in the region. Despite economic growth reaching an annual 7% over the last decade, GDP per capita at PPP in 2021 represented only one third of the average for Central Asia. Demographic pressures and limited employment opportunities lead to sizeable migration, with remittances playing a critical role as a source of income. Low productivity agriculture remains an important activity, with the sector absorbing more than half of employment and rural population accounting for almost three quarters of the total.



Source: UN Statistical Division, World Bank Development Indicators

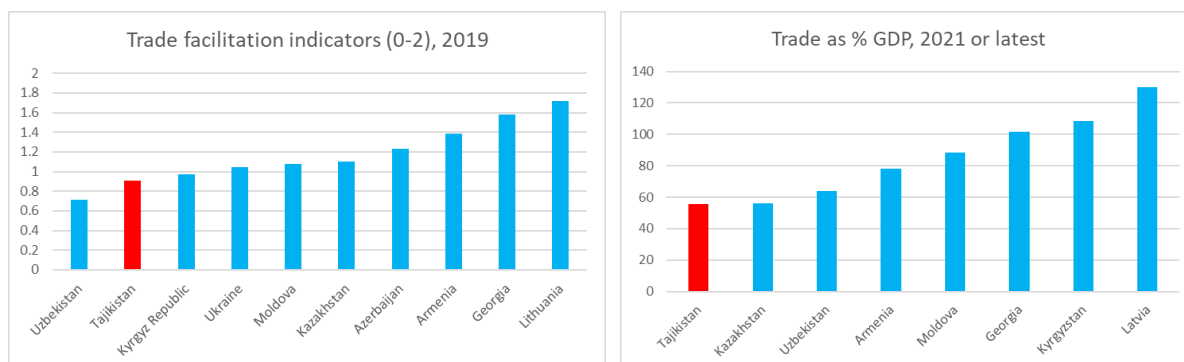
<sup>1</sup> Preliminary Results, National Census, 2020

<sup>2</sup> Industry as a broad economic sector which includes manufacturing, construction, and extractive sectors

<sup>3</sup> Employment data from the Socioeconomic Report, Agency of Statistics 2021.

### **Transport and other logistics and regulatory shortcomings constrain trade**

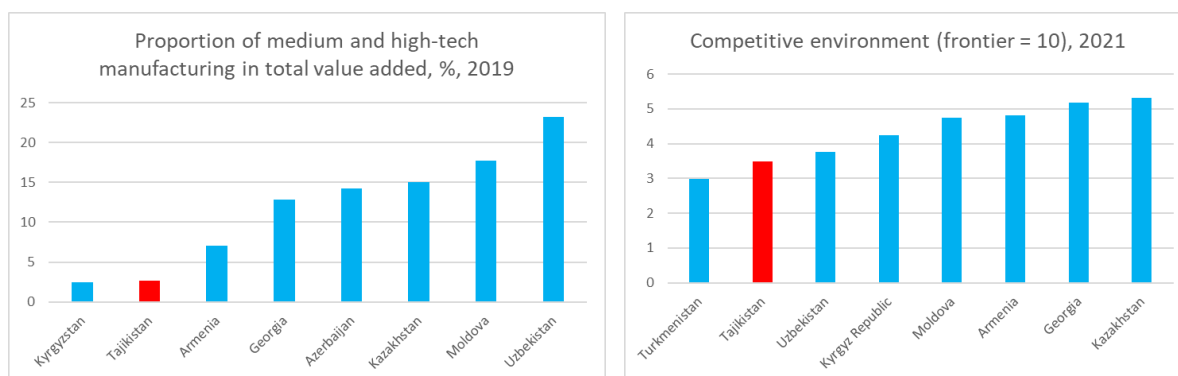
Tajikistan remains poorly integrated in the global economy. Despite being a small country, it trades relatively little with the rest of the world. The difficulties of being a landlocked and mountainous country are compounded by poor transport infrastructure and regulation shortcomings that results in high costs of trading across borders. The country has been member of WTO since 2013 but these persistent constraints prevent it from reaping more fully the benefits of trade.



Source: OECD, World Bank

### **The productive basis is weak**

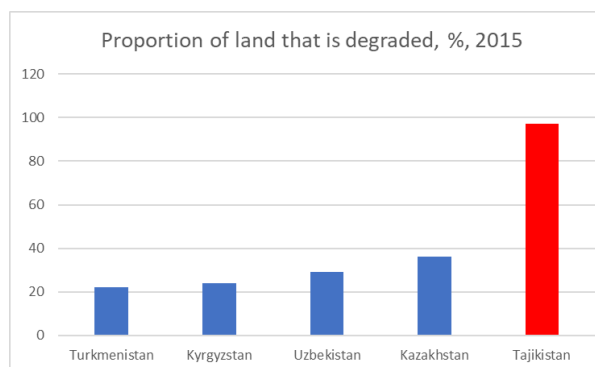
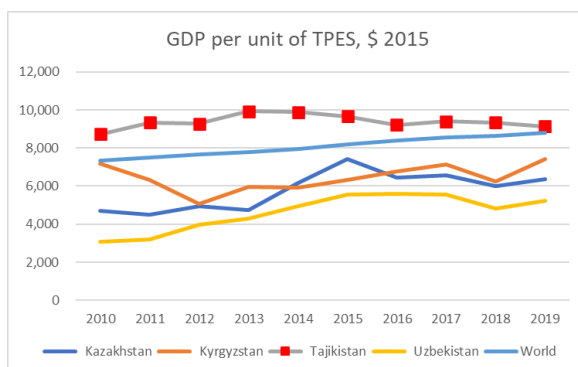
The economy of Tajikistan is dominated by low added value activities. Export products are highly concentrated, including mostly unprocessed metals, minerals and cotton. Increase in the economic complexity of exports of over the last decade have been fairly limited. The activities of SMEs are constrained by regulatory shortcomings while inadequate infrastructure and insufficient skills limit the activities of the private sector.



Source: SDG UNECE database, EBRD

### **Environmental problems are significant**

Besides environmental issues such as shortcomings in waste and water management or air pollution (in particular in urban areas), Tajikistan is highly vulnerable to climate change and extreme hydrological events and the degradation of land is extensive. The country has large hydropower resources, which account for most electricity generation. Energy efficiency is comparatively high in relation to other countries in the region but regional disparities in access to water are large. However, seasonal variability results in power deficit. Air pollution related to road traffic is significant, while water and waste management remain problematic.

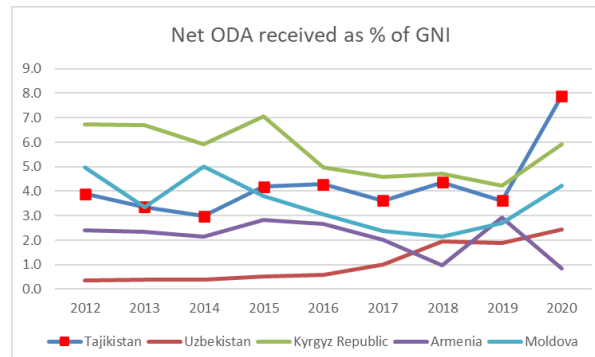
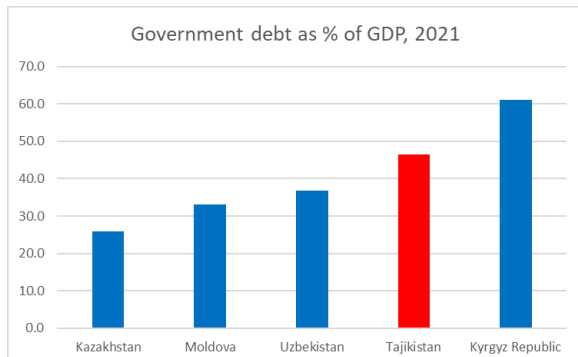


Source: IEA; SDG UNECE database

To step up environmental protection and build resilience of the communities, especially of most vulnerable groups, against the increased environmental risks, the governance, the rule of law and transparency in environmental matters should be further strengthened.

### ***Donor finance is significant***

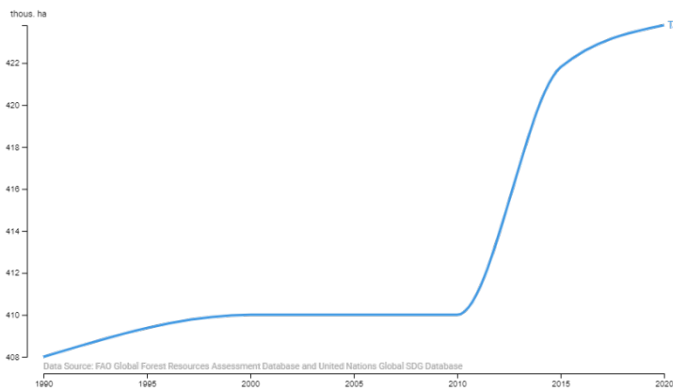
The ratio of public debt to GDP is significant, given the existing income level. The only sovereign bond, which was issued to finance the Roghun dam in Tajikistan, is trading at distressed levels, implying that market access has been lost. Limited fiscal capacity means that the country is largely dependent on donor support. Net ODA received averaged almost 4% of gross national income in 2012-2019 and jumped to 7.9% in 2020. Given existing constraints and needs, it is critical to put in place relevant frameworks and identify projects that can attract the interest of public donors while encouraging private sector participation.



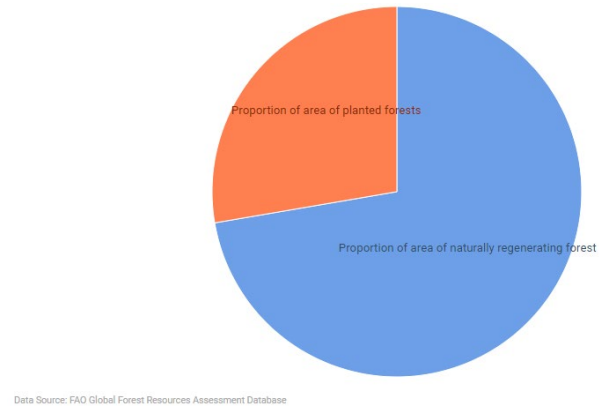
Source: IMF, World Bank Development Indicators

### **Forests protection, information and forest landscape restoration**

Like other countries in Central Asia, forests in Tajikistan suffer from landscape degradation and changes of land-use systems. Missing effective legislations and insufficient capacities of national forest management are limiting forest authorities in protecting forests and implementing sustainable forest management. Although the national forest area increased in the last decade, reversing and halting degradation requires additional efforts on forest landscape restoration in Tajikistan. Sustainable forest management and the maintenance of naturally regenerating forests are crucial in this regard, to support rural development and communities. In addition, products and services of trees are likewise vital in cities to enhance well-being of communities in urban areas.



Forest area, thous. ha



Forest origin, % of forest area