

**Impact of
COVID-19 on Lives,
Livelihoods and Micro,
Small and Medium-Sized
Enterprises (MSMEs)
in Tajikistan**

Impact of COVID-19 on lives, livelihoods and MSMEs (Assessment Report)

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Foreword

Globally, COVID-19 pandemic has put tremendous pressure not only on health care systems but on the socio-economic situation. The crisis has exposed and jeopardized inefficiencies in the countries' social protection system, food security, trade and financing strategies and Tajikistan is not an exception. Development experts forecast contraction of Tajikistan's economy up to 2% of GDP which is comparable with a consequence of the civil war in 1990th and of the global financial crisis in 2008–2009. Since the early stages of COVID-19 pandemic, in response to the Prime Minister's National Action Plan to mitigate the risk of COVID on socio-economic development of

Tajikistan, UNDP, along with other UN sister agencies and development partners, has been supporting the Government of Tajikistan, with procurement of critical medical supplies, assessing the longer-term recovery needs and helping the country develop an integrated and inclusive response to the pandemic and its impact on people, economy and environment.

To help an evidence based targeted recovery response, UNDP Tajikistan Office initiated a comprehensive assessment of socio-economic impact of COVID-19, in close collaboration with the Government and inputs from all development partners. The aim of the assessment was to understand the immediate, medium and longer-term impact of COVID-19 across all regions in the country on lives and livelihoods of people of Tajikistan as well as on micro, small and medium sized enterprises and the informal sector. The assessment is based on primary and secondary sources of information and the findings highlight the need to mount a robust response to provide direct assistance to vulnerable people in rural and urban areas, accelerate reforms, build resiliency at household and institutional level for quick adaptation to socio-economic challenges, and introduce innovative ways of functioning and service delivery.

This Report is an attempt to trigger a wider debate about inclusive, equitable and sustainable development in the context of pandemic and post-COVID impact but also to contribute to evidence based new programming and policies in the Republic of Tajikistan.

The assessment was conducted by team of consultants: Mr. Shuhrat Mirzoev, national expert and Ms. Nezhat Sedaghat, international expert, in collaboration with the Limited Liability Company 'Tahlil va Mashvarat,' a member of 'Z-Analytics Group', under the overall guidance of UNDP management and day to day supervision of Sustainable Economic Development team led by Ms. Zebo Jalilova.

UNDP is particularly grateful to the Ministry of Economic Development and Trade, State Committee on Investments and State Property Management, Agency on Statistics under the President of Tajikistan, Chamber of Commerce of Tajikistan, Tourism Development Center, National Association of Business Women of Tajikistan and other partners, civil society and private sector representatives for their contribution to the Assessment, sharing data and information, and collaboration at different stages of the report preparation. UNDP Tajikistan Office acknowledges support and contribution of the UNDP Istanbul Regional Hub, UN Agencies, development partners, as well as leadership of respective thematic groups within the Development Coordination Council (DCC) for sharing secondary data and contributing in enriching the report.

As a long-term development partner of Tajikistan, UNDP will continue its collaboration with the Government of Tajikistan, development partners, civil society and private sector to support response to COVID-19 impact as well as to promote achievement of Sustainable Development Goals (SDGs) in Tajikistan.

Dushanbe, September 2020

Dr. Pratibha Mehta,
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UNDP in Tajikistan

Abbreviations

ADB	Asian Development Bank
ASMR	Agency on State Material Reserves
CAA	Civil Aviation Agency
CAR	Credit at risk
CASE	Central Asian Stock Exchange
CBR	Central Bank of Russia
CESCD	Committee on Emergency Situations and Civil Defense
CIS	Commonwealth of the Independent States
CIT	Corporate income tax
CJSC	Closed joint stock company
COVID-19	Coronavirus infection
CPRP	Country Preparedness and Response Plan
CTD	Committee on Tourism Development
DCC	Development Coordination Council
DRS	Districts of republican subordination
DSSI	Debt Service Suspension Initiative
EBRD	European Bank for Reconstruction and Development
EDFS	Electronic and digital financial services
EEU	Eurasian Economic Union
ESF	Entrepreneurship Support Fund
EU	European Union
FDI	Foreign direct investment
GBAO	Gorno-Badakhshan autonomous oblast
GDP	Gross domestic product
GIZ	German Agency for International Cooperation
GNI	Gross national income
HDI	Human Development Index
HHs	Households
IDIs	In-depth interviews
IFIs	International financial institutions
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau, German state-owned development bank
LFS	Labor Force Survey
LIC	Low-income country
LMIC	Lower middle-income country
LNOB	Leave No One Behind
LPI	Logistics Performance Index
MCH	Mother and child health(care)
MFIs	Micro-finance institutions
MFOs	Micro-finance organizations
MoA	Ministry of Agriculture
MoEDT	Ministry of Economic Development and Trade
MoES	Ministry of Education and Science
MoEWR	Ministry of Energy and Water Resources
MoF	Ministry of Finance
MoHSP	Ministry of Health and Social Protection of the Population
MoINT	Ministry of Industry and New Technologies
MoLMEP	Ministry of Labor, Migration and Employment of the Population

MoT	Ministry of Transport
MRITP	Market Responsive and Inclusive Training Program
MSMEs	Micro-, small- and medium-sized enterprises
NBFIs	Non-bank financial institutions
NBT	National Bank of Tajikistan
NDS	National Development Strategy
NGO	Non-governmental organization
NPL	Non-performing loan
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OJSC	Open joint stock company
PO	Public organization
RCA	Revealed comparative advantage
RCF	Rapid Credit Facility
ROA	Return on assets
ROE	Return on equity
SAPGWS	State Agency for Procurement of Goods, Works and Services
SCISPM	State Committee for Investment and State Property Management
SDGs	Sustainable Development Goals
SOE	State-owned enterprise
SSB	State savings bank
SUE	State unitary enterprise
TDR	Total dependency ratio
TJS	Tajik somoni
TSA	Targeted social assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States dollars
VAT	Value added tax
WB	World Bank
WHO	World Health Organization
WTO	World Tourism Organization

Executive summary

The coronavirus pandemic hit Tajikistan when its economy and livelihoods were already fragile following several economic disruptions in the past decade. The economic implications of the COVID-19 outbreak became apparent soon after the first cases were officially declared, and businesses and vulnerable population groups have been on the front lines ever since. The impact of the pandemic on lives and the health system has been unprecedented in Tajikistan's post-civil war history. With individuals being furloughed or laid off completely, and businesses experiencing a significant decline in scale, sales and incomes, many people and entrepreneurs have been put under severe stress.

Against the backdrop of the COVID-10 outbreak, the United Nations Development Programme (UNDP) in coordination with the Government of the Republic of Tajikistan and other development partners has commissioned a fairly comprehensive assessment of the socio-economic impact of COVID-19 on lives, livelihoods and micro, small and medium-sized enterprises (MSMEs) in Tajikistan. The assessment is based on the analysis of primary and secondary data, supported by the survey of households (HHs) and the survey of MSMEs in four pre-selected economic sectors. The sample size for HHs is 1,000 and for MSMEs is 700, complemented by in-depth interviews (150 HHs, including 100 women and girls and 100 youth, and 50 MSMEs). It should be noted that limitations of phone interviewing method, sensitivity of some of the questions and inevitably different units used in the survey sometimes complicated aggregation.

The COVID-19 Impact Assessment Report provides comprehensive and contextually relevant information about the impact of COVID-19 on the national scale and adds value to ongoing policy discussion between the government and development partners to assist a coordinated response.

The report consists of 6 chapters and 11 annexes. They provide full description of the sample survey methodology, analytical context of both primary and secondary data, key findings by relevant and feasible disaggregation, classifications and triangulation. In so doing, the report draws on socio-economic background and fundamental situation analysis, as well as unfolding situation and measures which will help policy makers to provide a set of plausible and realistic recommendations. The Report specifically highlights some of the important pre-existing socio-economic factors, and the unfolding economic environment which determine the priorities as well as limitations for policy responses. These include relatively high inflation, high unemployment rate (particularly amongst the youth), relatively sizable informal sector, constrained fiscal space, predominance of state-owned enterprises in key industries, as well as a high public debt ratio to GDP. Recommendations and suggested repositioning of Tajikistan's economy draw emphatically on these findings and observations.

A summary of key findings and recommendations grouped under the HHs and MSMEs is as follows, although there are inevitable interactions and complementarity between the groups in the context of respective demand and supply roles.

The survey of households (HHs):

The survey has focused on jobs and employment, informal sector, finance and consumption patterns, and social dimensions (education and health). The crosscutting has been on the most at-risk population groups, i.e. women and girls, youth (aged 15–24), migrant labor, and people with disabilities. The findings confirm that: (i) domestic employment is dominated by men; (ii) social factors negatively affect women's mobility, education and skills and hence exacerbating their vulnerability to COVID-19 impacts; (iii) gender and age disparities are evident with women and youth at higher risk of long-term unemployment; (iv) remittances continue to play a significant role in domestic consumption and HH consumption; (v) the informal sector has been expanding even prior to the pandemic and is likely to have expanded further due to COVID-19 impacts; (vi) incomes from self-employment, migrant labor and non-registered jobs have had the largest declines as a result of the COVID-19 outbreak; (vii) the lack of savings and the presence of loans forces

HHs into further indebtedness; (viii) low level of education of the labor force prevail (60% of respondents not having completed general secondary education); (ix) more than 84% of HHs with at least one member with chronic illness were unable to receive timely medical treatment; and (x) there is high risk of perpetual indebtedness of the sizeable proportion of the population, and risking expansion and intensification of poverty.

The survey of micro, small and medium-sized enterprises (MSMEs):

The survey has focused on four economic sectors which have been affected most heavily by the coronavirus pandemic (agriculture, light industry, personal services, tourism and hospitality). They have been large contributors and/or emerging growth drivers to Tajikistan's economy. The findings are presented around MSMEs' operational aspects and commercial viability, disruptions in supply chains and/or value chains, cross-border trade, employment, informal sector, and finance. The findings confirm that: (i) 63.1% of MSMEs were negatively affected by the coronavirus pandemic, with variations by economic sectors and size of businesses; (ii) MSMEs in rural areas are more disadvantaged compared to MSMEs in urban areas in terms of ease of access to business advisory services and markets; (iii) 83.1% of MSMEs that are engaged in small-scale, cross-border trade had their sales declined due to border closures and travel restrictions; (iv) almost 25% of affected MSMEs had to temporarily shut down; (v) the drop in wages is likely to be larger for employees in smaller firms, as well as among younger employees; (vi) the share of women and girls in informal employment is very large; (vii) the proportion of non-registered workforce varies by economic sector (with agriculture being prevalent), (viii) 85.2% of affected MSMEs experienced a decrease in sales as a result of the COVID-19 outbreak; (ix) outstanding loans pushed some MSMEs further into indebtedness; and (x) 33% of all MSMEs stated that they would like the government to enforce nationwide deferral of tax payments for all types of private businesses.

Recommendations:

The recommendations draw on the socio-economic implications of the COVID-19 outbreak as described in the report, a number of common denominators in the region as well as OECD and beyond, review of all recent assessments by development partners in Central Asia, and also the key findings from the survey on lives and livelihoods. The crucial element of viability of the recommended measures is a decisive factor in proposing them.

The recommendations are grouped by HHs and MSMEs, within the short to medium/long-term horizon and highlighting their relevance and connection to the Sustainable Development Goals for 2030, with a view of longer-term policy objectives in Tajikistan. The triangulations between key findings, policy recommendations and their links to SDGs are tabulated in addition to the textual elaborations in the report. The crucial element of viability of the recommended measures is a decisive factor in proposing them.

Households:

Against the backdrop of falling incomes and furloughed or lost jobs, and rising socio-economic vulnerability of households, recommendations to support lives and livelihoods (HHs) include:

Short-term measures:

- Provide emergency financial support to HHs whose incomes have been disrupted.
- Adopt measures to prevent further rise in HH spending and ensuring food security.
- Encourage employers to adopt flexible working and pay arrangements with their workers.
- Ensure uninterrupted and effective provision of social and care services to the population, such as quality health care, education and containing domestic violence incidents.

Medium- to long-term measures:

- Address structural labor market constraints (e.g. improve regulation in order to streamline recruitment policies and procedures, implement a dispute resolution mechanism).
- Create jobs domestically which would contribute to inclusive and transformational growth
- Provide incentives for formalization of economic activity by reducing the fiscal/tax burden for legal commercial entities and the self-employment.

- Encourage greater corporate social responsibility among employers by adopting flexible working arrangements and expand the share of vulnerable people in the workforce).
- Invest in human capital (e.g. vocational education and training, digital solutions).
- Invest and expand in physical capital and social services especially the TVET and health sectors).

MSMEs:

Businesses have been hit particularly hard by the coronavirus pandemic. Many MSMEs experienced a fall in sales, incomes and a disruption in their supply chains. Accounting for these well-documented challenges through primary and secondary data analysis, recommendations to support MSMEs include:

Short-term measures:

- Ensure temporary support to provide financial relief to struggling MSMEs.
- Provide liquidity to affected MSMEs on concessional terms.
- Support the demand and employment through infrastructure construction.
- Subsidize professional business advisory services.
- Provide temporary support to self-employed people.

Medium- to long-term measures:

- Improve the business environment, e.g. minimize excessive regulation of private sector.
- Increase competitiveness.
- Enhance financial inclusion and literacy among MSMEs and market support systems.
- Strengthen public-private dialogue.



BACKGROUND

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CONTEXT AND OBJECTIVES

The United Nations Development Programme (UNDP), in partnership with the Government of Tajikistan, has initiated an assessment of the impact of COVID-19 outbreak on lives, livelihoods, and micro-, small- and medium-sized enterprises (MSMEs)¹ with a specific focus on at-risk population groups, vulnerable households, women and youth.

While an immediate impact of COVID-19 has been on lives and livelihoods, it has also affected the formal and informal sectors of the Republic of Tajikistan through MSMEs and entrepreneurship. The economic crisis triggered by COVID-19 makes it difficult for MSMEs to survive and maintain operations because of cash flow issues, labor constraints, supply or demand disruptions, and their limited capacity to respond to shocks of this magnitude due to fragility of support structures and lingering financial constraints. Perhaps the greatest immediate negative effect has been on employment, exacerbating socio-economic vulnerabilities and weakening resilience to withstand economic shocks. The longer-term impact on poverty, inequality and human development is likely to have significant negative consequences on lives and livelihoods in Tajikistan.

In this context, UNDP has supported the Government of Tajikistan and relevant stakeholders to better assess and address the short and medium-term socio-economic impact of the COVID-19 crisis and contribute to devising relevant policy recommendations that would enable the Government of Tajikistan to adequately respond and create a conducive environment for rapid recovery in the short and medium term. The assessment has generated much needed evidence base for potential catalytic programmatic interventions to mitigate the impact of the COVID-19 outbreak on the lives of the people in Tajikistan.

The outcome enables UNDP and other partners to support immediate, medium and long-term recovery through technical assistance interventions, as well as new partnerships, with particular focus on MSMEs, vulnerable population such as women, youth, labor migrants, and people with disability. The applied interventions could also set the base for scaling up innovative adaptation practices and emergency coordination processes in order to keep focus on critical vulnerability pockets and emerging inequalities, thus directly improving the lives of Tajikistan's citizens.

METHODOLOGY

APPROACH

The assessment consists of: (i) two complementary national surveys (of households and MSMEs), and (ii) socio-economic impact assessment, which includes the analysis based on secondary data and a macroeconomic outlook. The surveys were carried out over the period between June 25th and July 27th, 2020. In parallel, the socio-economic assessment drew from available secondary data published by international financial institutions and other partners, including the Government of Tajikistan.

The assessment is divided into three levels: macro, meso and micro. On *macro level*, the focus has been on the macroeconomic fundamentals and outlook based on available evidence, as well as government

¹ For simplicity and clarity, the acronym 'MSMEs' throughout the report refers to not only micro-, small- and medium-sized enterprises, but also individual entrepreneurs and dehqan farmers.

policy and counter-measures to mitigate the impact of COVID-19 on livelihoods and entrepreneurship. On *meso level*, the analysis comprehensively reviews and presents the challenges and opportunities of business environment including informal sector and recommends further plausible actions to support MSMEs in the four sectors across the country, building on primary and secondary data. On *micro level*, the assessment focuses on households through the livelihoods and welfare improvement lens vis-a-vis policy implementation that follows through on macro and meso levels. Several at-risk vulnerable population groups are further assessed on the basis of primary data collected through the surveys, such as women and girls, youth, returning labor migrants, and people with disabilities.

The **overall purpose** of the surveys is to understand the immediate and longer-term impact of COVID-19 on livelihoods (for HHs) and business practices and prospects (for MSMEs). Both surveys align quantitative and qualitative indicators and objectives with the achievement of Sustainable Development Goals (SDGs) and the principle of leaving no one behind (LNOB).² In certain respects the two sets are also complementary to one another, by way of representing the supply and the demand sides for labor and consumption.

The main survey instrument was the questionnaire, with various modules adapted for interviews with relevant target groups. Interviews consisted of general (lasting up to 30 minutes) and in-depth (averaging 80 minutes) interviews and targeted various groups among household members and representatives of MSMEs. Most interviews were carried out in Tajik language and by phone, although some interviews were also carried out in other languages (e.g. Russian and Uzbek) and based on face-to-face meetings as the risk of COVID-19 somewhat subsided in July 2020. The method and length of the interviews has resulted in high probability of non-sampling errors. The limitations of the survey, and the problems that the survey team encountered, are summarized in sub-section 1.3.

TABLE 1: IMPACT ASSESSMENT AT HOUSEHOLD LEVEL AND MSME LEVEL.

Households	MSMEs
<ul style="list-style-type: none"> To identify the COVID-19 crisis impact, challenges and needs of HHs across geographic locations, and in urban and rural areas. 	<ul style="list-style-type: none"> To measure the impact of COVID-19 on the work of MSMEs and their viability/resilience in key economic sectors and across the regions.
<ul style="list-style-type: none"> To determine how HHs, particularly those which are most at-risk,³ cope/withstand the financial, social and other challenges. 	<ul style="list-style-type: none"> To identify the way how MSMEs are currently coping (closing, downsizing, repurposing, etc.) and to map out their challenges/needs.
<ul style="list-style-type: none"> To assess the impact on HH consumption, poverty, behavior and human development (e.g., access to education and health care services, financial inclusion, and others). 	<ul style="list-style-type: none"> To assess the impact on vulnerable groups (i.e. women, youth, labor migrants, and people with disabilities) employed in, or headed by, MSMEs.
<ul style="list-style-type: none"> To measure the impact of COVID-19 on informal sector (focusing on women, youth and labor migrants) and coping strategies. 	<ul style="list-style-type: none"> To measure the impact of COVID-19 on informal sector and casual workers and assess the way they are coping with pandemic implications.
<ul style="list-style-type: none"> To determine if HHs (and vulnerable groups within these HHs) use any innovative coping or adaptation practices. 	<ul style="list-style-type: none"> To determine if MSMEs and employees use any innovative adaptation practices (e.g., inter-sectoral employment shifts, etc.).

² This is in line with the 2018 Voluntary National Review of the Achievement of Sustainable Development Goals (SDGs) in the Republic of Tajikistan produced by the Ministry of Economic Development and Trade (MoEDT) of the Republic of Tajikistan.

³ Have at least one member of the household who belongs to one of four vulnerability groups (i.e. is a woman, or a child aged 15–24, or a labor migrant, or a person with disability).

The surveys aimed to achieve several **objectives**:

- provide specific insights on the *formal* and *informal sectors* and their redress/recovery potential;
- focus on the most *at-risk* (i.e. *vulnerable*) population,⁴ including women, youth, labor migrants, and people with disabilities);
- identify any *innovative adaptation practices*, particularly those that are employed by MSMEs, and *coping mechanisms* adopted by HHs to avoid the deterioration in livelihoods and welfare;
- determine *emerging inequalities*, which directly affect livelihoods and human development; and
- flesh out differences in impact and resilience among HHs and MSMEs in various clusters (e.g., *urban and rural areas, geographic locations, and various economic sectors*).

SAMPLING DESIGN

The *primary* sample contains 1,000 households (HHs) and 700 MSMEs⁵ in the Republic of Tajikistan.⁶ To account for significant attrition and anticipated non-response rate the number of *reserve* primary sampling units (PSUs) comprised 200 % of the number of respondents in the primary sample. Hence, the reserve sample included about 2,000 additional HHs and 1,400 additional MSMEs.

The geographical spread of the sample consisting of 1,000 households (HHs) is proportional to regional distribution of population in Tajikistan. The sample of HHs was initially stratified in the following way:

1. **By gender:** at least 50 % of respondents within PSUs (i.e. within HHs) are women and girls.⁷
2. **By age group:** at least 30 % of respondents within PSUs (i.e. within HHs) are youth aged 15–24;
3. **By incidence of labor migration:** at least 25 % of respondents within PSUs (i.e. within HHs) have at least one member of their household who is a labor migrant;⁸
4. **By incidence of disability:** at least 10 % of respondents within PSUs (i.e. within HHs) have at least one member of their HH who is a person with disability.⁹
5. The survey did not distinguish between other HH characteristics as potential strata, or specifically accounted for other vulnerability factors such as impoverishment (financial deprivation). While the survey aimed to capture monetary/income poverty through the questionnaire(s), *poor HHs* were not specifically made a stratum because neither LLC ‘Tahlil va Mashvarat,’ a member of Z-Analytics Group, nor UNDP had advance knowledge of poverty distribution among HHs. At the same time, data from past surveys¹⁰ demonstrates that it is highly likely that poverty is significantly more prevalent among HHs in rural areas. Therefore, the sample of HHs accounts for this hypothesis (and likelihood) and makes sure that 72 % of HHs reside in rural areas so as to capture income poverty.

⁴ While there are many factors associated with vulnerability, this assessment examines young people aged 15–24 who are: members of low-income or vulnerable households, members of migrants’ family or labor migrants themselves (but currently stuck at home and unemployed), NEET category, or living with disability. Vulnerabilities may emerge for many young people while aged 15–24, as it is a time of rapid physical, sexual, social and emotional change. During this time of change, young people may display an increased level of risk-taking behaviour including the misuse of alcohol and other drugs as well as susceptibility to violent narratives. Given the complex nature of disadvantage, vulnerable young people may be in need of multiple welfare and health services, and policy settings that maximise participation in school and employment.

⁵ The acronym MSMEs refers to micro-, small- and medium-sized enterprises, individual entrepreneurs and dehqan farmers.

⁶ The survey team deemed that a rounded-up sample size of 1,000 households and 700 MSMEs (including individual entrepreneurs and dehqan farmers). The sample of 1,000 HHs is nationally representative from a statistical point of view, while the sample of 700 MSMEs includes sufficient representation in each of the four selected economic sectors.

⁷ Although female respondents will be earmarked at 50 % of the sample, the survey is not specifically seeking to capture women-headed households. This was neither prescribed in the Terms of Reference, nor discussed in meetings with UNDP.

⁸ This suggested proportion of HHs with labor migrants is fully in line with findings reported by the World Bank’s «Listening to Tajikistan: Survey of Wellbeing (L2TJK).» The share of HHs with migrants in latest round (completed in January 2018) was 26 %.

⁹ This suggested proportion is in line with the proportion of people with disabilities in previous similar surveys, such as 18 % in the report by Mirzoev, S. 2018. Market Responsive and Inclusive Training Program (MRITP) Survey Report. Dushanbe, p.24.

¹⁰ Such as the World Bank’s «Listening to Tajikistan: Survey of Wellbeing (L2TJK),» which ran between Dec’2017 and Oct’2018.

TABLE 2: SAMPLING DISTRIBUTION OF HOUSEHOLDS IN TAJIKISTAN.

Region Strata	Preliminary proportional sampling distribution	Final sampling distribution	Additional characteristics for selection	
			50 % of female respondents (no. of respondents)	30 % of young respondents (15–24 y.o.) (no. of respondents)
Dushanbe — urban	103	100	50	30
GBAO — urban	4	10	5	3
GBAO — rural	24	20	10	6
DRS — urban	31	30	15	9
DRS — rural	198	200	100	60
Soghd oblast — urban	76	80	40	24
Soghd oblast — rural	223	220	110	66
Khatlon oblast — urban	62	60	30	18
Khatlon oblast — rural	279	280	140	84
Sub-total — urban:	276	280	140	84
Sub-total — rural:	724	720	360	216
TOTAL	1,000	1,000	500	300

The sample of 700 MSMEs is proportional to the general population of primary sampling units (PSUs), i.e. private enterprises in Tajikistan. The sample was stratified in the following way:¹¹

1. By type of enterprise: micro enterprises, including individual entrepreneurs (52.1%), dehkan farms (26.4%), small enterprises (14.3%), and medium enterprises (7.1%).
2. By geographic location: Dushanbe (20%), Soghd oblast (30.7%), Khatlon oblast (31.4%), DRS (16.4%), and GBAO (1.4%).

The following sampling outcomes were reached:

- About 35% of the sample comprised women-led enterprises and women entrepreneurs;
- Dehkan farmers comprised approximately 26% of the sample;
- At least 20 MSMEs (out of 150 MSMEs in the sample) were engaged in cross-border trade; and
- At least 50 MSMEs or individual entrepreneurs reportedly had employees with disabilities.

¹¹ Sampling was carried out using propensity score matching.

TABLE 3: SAMPLING DISTRIBUTION OF MSMEs IN TAJIKISTAN.

Region	Legal entities		Individual entrepreneurs			TOTAL
	Small	Medium	Patent	Certificate	Dehkan farms	
Agribusiness ¹²	15	10	–	–	205	210
<i>of which: woman-owned</i>	4	1	–	–	83	81
Tourism and hospitality ¹³	30	5	–	35	–	70
<i>of which: woman-owned</i>	11	–	–	12	–	23
Light industry ¹⁴	20	30	30	5	–	105
<i>of which: woman-owned</i>	4	3	15	–	–	29
Personal services ¹⁵	35	5	170	105	–	315
<i>of which: woman-owned</i>	16	1	55	38	–	110
TOTAL:	100	50	200	145	205	700
TOTAL (woman-owned):	35	5	70	50	83	245

MSMEs were clustered by economic sectors. Based on the standardized growth accounting exercise leading up to this assessment, four relatively broad economic sectors were chosen. These sectors represent more than 40 % of Tajikistan’s economy and include sectors exhibiting the greatest expansion in employment and value addition (i.e. contribution to GDP growth) during 2015–2019. Besides, these sectors are also reportedly most sensitive to external shocks and are therefore most at-risk in terms of employment, economic activity, and dependency on individual consumption patterns in Tajikistan.

Each sample size reflects estimation of the sample with a 95 % confidence level and 5 % error margin. The samples are nationwide and were drawn from lists (or registries) of households and MSMEs from government and non-government sources, including LLC ‘Tahlil va Mashvarat’, UNDP, Accelerate Prosperity, the Agency for Statistics under the President of the Republic of Tajikistan, the Trade and Industry Chamber of the Republic of Tajikistan, amongst other sources.

¹² May include any sub-sector depending on dehkan farmers and other MSMEs (including producers of agricultural inputs, processors, sales firms, intermediary companies, and others).

¹³ E.g., hotels, guesthouses, tourist firms, guides, national and international tour operators, recreational sites (such as ski resort, swimming pools), natural habitats/zoos, and others).

¹⁴ With particular focus on textile and clothing sub-sector; also including furniture developers, sewing firms, production of food products, footwear, leather, paper products, handcrafts, and others.

¹⁵ E.g., beauty industry, nursing, restaurants, cafeterias and coffee shops, catering and delivery services, ateliers, internet cafes, home improvement services, plumbing, car washing and maintenance services, gardening services, home/fabric cleaning services, translation services, event management services, taxi services, and others.

LIMITATIONS

The assessment presented a comprehensive picture of immediate and potential longer-term impact of COVID-19 outbreak on lives and livelihoods, and MSMEs, but there were some unavoidable limitations:

- It may be too early to assess *impact* because Tajikistan is not yet past the COVID-19 outbreak, while the socio-economic situation is still unfolding against the backdrop of restrictions and mitigation measures undertaken by the Government of Tajikistan. Therefore, the assessment captures immediate and short-term effect of the COVID-19 outbreak on livelihoods and MSMEs, but longer-term effect is often extrapolated on the basis of primary and secondary data.
- An impact assessment implies estimation of the net change in the situation or circumstances, which in turn requires establishment of quantitative and qualitative baselines. The assessment has revealed that most baselines referred to pre-2020 data, which can provide a reasonable baseline scenario. Some observables, such as poverty and vulnerability and select labor market indicators (e.g., average salaries broken down by sector), relied on government statistics from earlier years such as 2018.
- The survey was carried out in June-July 2020, i.e. following the peak of the COVID-19 outbreak in Tajikistan. This presented fieldwork challenges because some respondents could have been sick and unavailable for interview, and a large number of interviews was conducted by phone.¹⁶ This has led to delays in the completion of fieldwork.
- Phone interview is a limited survey instrument, which the survey team was obliged to use in the presence of social distancing measures and the risk of coronavirus infection in Tajikistan. The use of phone limits the time of interviews, hence shortening the number of questions asked and often require follow up or further clarification.
- High non-response rates were prevalent among MSMEs. A large number of MSMEs from the primary sample chose not to complete interview in full, requiring subsequent replacement by the survey team which had an adverse time and cost implication on the overall survey. Another group of MSMEs were unavailable for interview at all under any circumstances, which again exhausted the reserve sample and required more time to meet the 'quotas' for each stratum.
- Responses to monetary questions (e.g. on consumption or financial resources) from both sets of respondents (HHs and MSMEs) were sometimes restrained due to sensitivity or caution. This led to limited analytical value of some responses recorded in the database for further analysis.
- Where primary data was incomplete or inconclusive, reasonable assumptions were made to arrive at conclusions to explain observations, supported by evidence from secondary data. At the same time, when the sample turned out to be small in some strata, responses could not always be extrapolated to explain the situation in the general population of HHs or MSMEs.
- For the purpose of the assessment, unit of measurement varied from individuals to HHs or sub-groups of respondents which complicates integration and/or interpretation of key findings.
- In many instances, phone registries that were obtained by the survey team turned out to be rather outdated, often with many missing entries (e.g. active phone numbers). This has resulted in some delays in the preparation for fieldwork due to the time needed for validation.

¹⁶ Due to high degree of mobile network penetration rates in the regions, and possession of mobile (or landline) phones by all respondents, phone interviews were chosen.



SOCIO-ECONOMIC ASSESSMENT

Photo Credits: Didor Sadulloev

This chapter aims to provide a fairly comprehensive context of the main socio-economic factors in recent years right up to the COVID-19 outbreak. By doing so, a clearer point of reference has been created against which some of the immediate as well as longer-term effects of the pandemic can be viewed. As the analysis below demonstrates, Tajikistan's socio-economic environment had been affected by a number of challenges prior to the pandemic and over a number of years. Hence, there are complexities involved in isolating the direct impact of the unfolding global and regional crisis since January 2020. While the pandemic is inevitably worsening, the existing bottlenecks and persistent challenges should not be solely held up as the cause of those poor performances or policy challenges. The overall long-term impact is also narrowing the plausible policy options for recovery and postponing it compared to pre-COVID-19 projections.

The socio-economic assessment includes comparative data for key macroeconomic fundamentals and social indicators for pre-pandemic and current period, most of which support the view expressed above. A more elaborate analysis of detectable immediate and longer-term effects of the coronavirus pandemic on business, lives and livelihoods is provided in Chapters 3 and 4, based upon key findings of the sample surveys of the households and micro, small, and medium-sized enterprises (MSMEs).

ECONOMIC GROWTH

The economy of Tajikistan has been growing steadily over the past few years, with real GDP growth reaching 7.5 % or \$8,180.5 million in 2019.¹⁷ Since 2000, the growth rate has marked an annual average rate of 7.6 %, which is much higher than the average of other economies in the Caucasus and Central Asia region (5.6 %) and low-income countries (also 5.6 %).¹⁸ Tajikistan's economy grew at an even larger pace in 2015–2016 when other countries in the region experienced a slowdown due to the sharp drop of hydrocarbon prices and recession in the Russian Federation. These relatively high growth rates are in line with the figures from the National Development Strategy (NDS) of the Government of the Republic of Tajikistan for the period until 2030, which correspond to the 'industrial' (or moderate) scenario.¹⁹

However, the COVID-19 outbreak yielded negative changes in the country's domestic output (See Table 4). According to the Ministry of Economic Development and Trade, Tajikistan's economy grew at the real rate of 3.5 % during January-June 2020, which is markedly lower than in the first six months of the preceding year (7.5 %). In January-June 2020, nominal GDP amounted to 32,444.6 million somoni or \$3,240.7 million. The year-on-year decline is mainly attributed to the COVID-19 outbreak, resulting in lower cargo turnover (by 0.2 %), passenger turnover (by 19.5 %), construction (by 4.6 %), sales (by 5.2 %), retail trade (by 1.1 %), and paid services to the population (by 14 %).²⁰

At the same time, the size of Tajikistan's economy increased nominally by almost 60 % from 2015 to 2019, with per-capita gross national income (GNI) equaling \$1,030 in 2019. According to the World

¹⁷ Ministry of Economic Development and Trade; Agency on Statistics under the President of the Republic of Tajikistan.

¹⁸ Source: World Bank online database. Partly, this is because economic growth in Tajikistan has been less affected by exogenous shock that adversely affected growth of many other developing countries, such as the burst of dotcom bubble in 2001, the global financial crisis in 2008–2009, and the collapse of commodity prices in 2015–2016. Tajikistan's growth slowed down to 3.9% at the time of the global financial crisis in 2009, but the degree of decline was much less severe than the Caucasus and Central Asia as a whole.

¹⁹ In particular, the 'industrial' scenario anticipates growth rates to be at least 6.7 % in 2020, 6.9 % in 2025, and 7.8 % in 2030.

²⁰ Agency on Statistics under the President of the Republic of Tajikistan.

Bank methodology,²¹ Tajikistan is classified as a low-income country (LIC), the only such country in the Commonwealth of the Independent States (CIS) and one of only 29 countries (out of 218) to be in this category.²² This represents a particular challenge for policy makers because so far the persistently high growth rates since early 2000s have not translated into higher disposable incomes and a greatly improved welfare of the population. It may also take the country several years to recover lost output due to COVID-19 restrictions, and the most effective way to do so is to ensure and sustain private sector led economic growth.

FIGURE 1: TAJIKISTAN'S GROSS DOMESTIC PRODUCT IN NOMINAL AND REAL TERMS, 2015–2023.²³

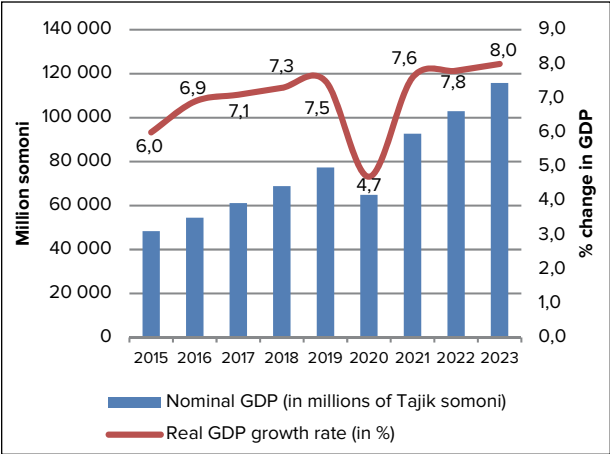
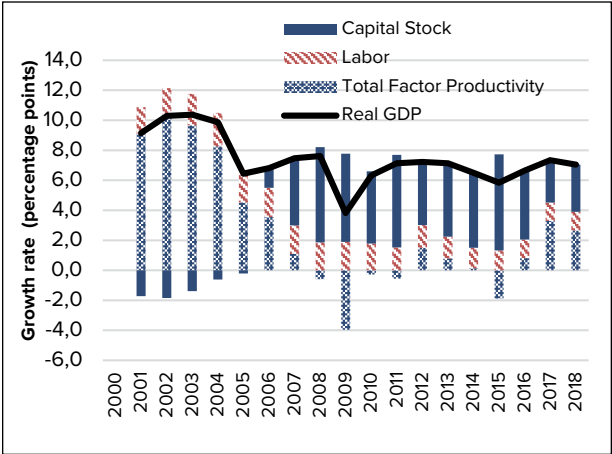


FIGURE 2: GROWTH ACCOUNTING IN TAJIKISTAN, 2000–2018.



/Source: Agency for Statistics under the President of the Republic of Tajikistan (Figure 1) and the Asian Development Bank (Figure 2).

Key growth drivers

The main growth drivers are construction, light industry (e.g. textiles and clothing), electricity, and services (namely, rising proceeds from tourism and the financial sector, and various personal services). However, the IMF estimates that Tajikistan’s economy will contract up to 2 % in 2020, which implies a significant economic downturn that will require targeted crisis mitigation measures.²⁴ The last time Tajikistan’s economy contracted so sharply was only caused by the civil war in the 1990s, while the lowest recorded year-on-year GDP growth rate was 3.9 % in 2009, following the global financial crisis. Therefore, such low projections for Tajikistan are unprecedented in the past 25 years, suggesting that the socio-economic consequences of COVID-19 outbreak are likely to be severe. At the same time, the degree to which each sector has been affected by the COVID-19 outbreak appear to be lagged and will become more measurable later in the year as the situation gradually unfolds.

In addition, capital formulation has been another growth driver for Tajikistan since the mid-2000s, although it was mainly driven by public investment. The share of private investment has remained low. The private investment accounts for only 4.4 % of GDP on average since 2000, well below the average of the CIS countries at 21%.²⁵ The low level of private investment is featured not only in domestic capital

²¹ Source: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>. Tajikistan has only ever ‘moved’ into the lower-middle-income country (LMIC) category in 2015, with a GNI of \$1,080.

²² Low-income economies are defined as those with a GNI per capita of \$1,035 or less in 2019 (calculated using the World Bank’s Atlas method).

²³ The forecasts for 2020–2023 are in line with the Resolution of the Government of the Republic of Tajikistan “On Forecasts of Main Macroeconomic Indicators of the Republic of Tajikistan for 2021–2023” (#421 dated July 30, 2020).

²⁴ IMF. 2020. *Staff Report on the Republic of Tajikistan. Request for Disbursement under the Rapid Credit Facility (RCF)*. Washington, DC, p.4.

²⁵ World Bank Group. 2018. *Tajikistan: Systemic Country Diagnostics*. Washington, DC.

formation, but also in the cross-border inflow.

Net inflow of foreign direct investment (FDI) substantially declined after the outbreak of COVID-19 and is unlikely to recover to pre-2020 level in the near future. In the period of 2010–2019, the size of FDI inflow to Tajikistan was 3.2 % of GDP, lower than the 4 % average of low-income economies.²⁶ According to the IMF projections, FDI inflows are likely to drop to 1.2 % of GDP in 2020 and pick up to 2.5 % of GDP in 2021. These projections have some ground, particularly because the balance of payments statistics shows that in the first quarter of 2020 FDI inflows dropped by 2.5 % of GDP year-on-year (from \$53.7 million in Q1-2019 to \$18.3 million in Q1-2020 respectively).

While there has been a universal consensus that Central Asia including Tajikistan, like the rest of the world, had to face downward adjustments to the 2020 estimate, most of the projections were initially made based on two scenarios:

- Assumptions and impact under the baseline scenario: containment measures, including quarantines, travel restrictions, and international border closures, are lifted by the end of the second quarter of 2020, allowing for the resumption of economic activity; and
- Assumptions and impact under the adverse scenario: the efforts and restrictions to contain the outbreak spill into the third quarter of 2020.

As the world is already well into the third quarter, it is plausible to base the analysis on the second scenario. The forecasts for 2021 are widely different and all may prove over-optimistic. By way of a passing example, according to the Bank of England, recovery in the United Kingdom is estimated at best to take nine quarters.

Consumer prices

Consumer inflation in Tajikistan has been contained within single digits, averaging 6.2 % year-on-year during 2015–2019.²⁷ At the same time, as an immediate impact of the pandemic, inflation in January–June 2020 was relatively high and caused by a sharp decline in imports of staple foods and retail market speculation, which in turn led to panic buying, particularly in urban areas. Prices peaked in March and April 2020 — 1.6 % and 2.2 % respectively, due to panic buying flour, canned food products, and personal hygiene and protective items, in addition to supply scarcities. However, once the initial reactions slowed down, consumer prices in June 2020 deflated by 1.1 % compared to the previous month.²⁸

In the first half of 2020, consumer prices rose by 7.5 % year-on-year (or by 4.3 % between January and June 2020), compared to 6.6 % during the same period in the previous year. Inflation in the second half of 2020 is expected to be lower than in the first few months the year due to depressed demand for goods and services, lower disposable incomes, decline in business activities, and virtual standstill in private investment.

²⁶ This makes a sharp contrast to remittances, another form of cross-border financial inflow. Remittances to Tajikistan accounted for 35.3 % of GDP on average in the same period, substantially higher than 5.6 % for low-income countries. Unlike FDI, however, remittances are typically spent for consumption without adding to capital formulation and long-term growth.

²⁷ Agency on Statistics under the President of the Republic of Tajikistan.

²⁸ Ibid.

TABLE 4: REAL GDP GROWTH FORECASTS FOR TAJIKISTAN, 2019–2021.

	Update	2019	2020f	2020f
IMF	May'20	7.5	–2.0	7.5
World Bank	April'20	7.5	1.7	3.7
EBRD	May'20	7.5	–1.0	5.0
ADB	July'20	7.5	–3.6	7.0
MoEDT	July'20	7.5	4.7	7.6

/ Source: IMF Country Report No. 20/151 (May 2020); 2020 Global Economic Prospects (World Bank); Asian Development Outlook Supplement (ADB, July 2020); Regional Economic Prospects (EBRD, May 2020 Update); and the MoEDT estimates (July 2020).

Currency volatility

Another major macroeconomic fundamental to take note of during the COVID-19 outbreak is volatility of the national currency (somon). Exchange rate of somoni against the US dollar and the Russian ruble is important for individuals (linked to borrowing and incomes) and MSMEs (linked to access to finance). Specifically, Tajik somoni depreciated by 9.5 % against the Russian ruble between January 2018 and June 2020 (and by 8.7 % in the first six months of 2020 alone), which effectively lowered incomes available to families in Tajikistan.²⁹ This is because admittedly more than 70 % of incomes of labor migrants are remitted back home in Russian rubles in accordance with the Central Bank of Russia. Hence, continued appreciation of somoni against the Russian ruble means that the value of household incomes becomes proportionately lower. In turn, this constrains consumer demand and slows down business activity.

FIGURE 3: TRENDS IN CONSUMER PRICES AND CURRENCY VOLATILITY IN TAJIKISTAN, 2018–2020.

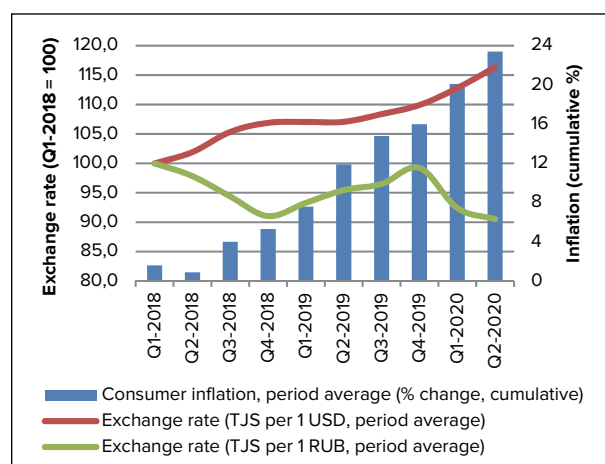
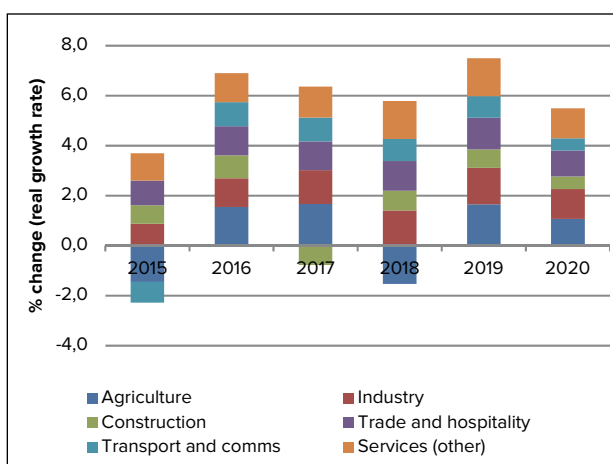


FIGURE 4: GROWTH DECOMPOSITION BY VALUE ADDED IN TAJIKISTAN, 2015–2020.³⁰



/Source: Agency for Statistics under the President of the Republic of Tajikistan and the National Bank of Tajikistan.

Another concern is continued depreciation of Tajik somoni against the US dollar, namely by 16.3 % between January 2018 and June 2020 (and by 6.4 % in the first six months of 2020).³¹ This is important for businesses because, while the demand for dollar-denominated credit is high, lending in foreign currency has increased the vulnerability of smaller businesses (as well as individual entrepreneurs and dehqan farmers). This also pushes the prices for imported goods and services in Tajikistan’s economy, which are highly sensitive to cost-of-living increases, currency depreciation, and external price shocks. More recently, but prior to the pandemics, Tajikistan was hit by adverse economic shocks due to a sharp drop in commodity prices,³² a significant economic slowdown in major trading partners³³ and a loss in competitiveness.³⁴ Economic growth has continued to be driven by growth in remittances and public investment, although both are slowing down too soon since the beginning of 2020. Accordingly, low foreign investment and lower domestic demand mean that future economic growth is likely to be unsustainable in the presence of external shocks and restrictions that are meant to contain the COVID-19 outbreak.

²⁹ Ibid.

³⁰ Figures for 2020 are based on the MoEDT’s projection of 4.7 % growth of domestic output in Tajikistan (as of July 30, 2020 in line with the Resolution of the Government of the Republic of Tajikistan #421 “On the forecast of main macroeconomic indicators of the Republic of Tajikistan for 2021–2023”).

³¹ National Bank of Tajikistan.

³² Particularly for oil and metals, such as gold and aluminum. Tajikistan is a non-oil economy, but there is a high correlation with the changes in oil price because over 80 % of remittances are coming from oil-rich Russia.

³³ Especially Russia and Kazakhstan (both countries are oil exporters).

³⁴ Owing to a decrease in the value of Tajik somoni by more than 70 % against the U.S. dollar during 2015–2019.

According to EBRD, demand conditions in Tajikistan are expected to significantly worsen in 2020,³⁵ although limited containment measures are expected to provide businesses the opportunity to stay afloat.

Poverty reduction

While the economy of Tajikistan has been growing at a robust pace, job creation and poverty reduction has stagnated. Since 2009, poverty has fallen by approximately 1% each year, which shows the slowing pace of poverty reduction efforts.³⁶ The poverty level has decreased from around 80% in 2000 to 45% in 2010 and further down to 27.5% of the population in 2019.³⁷ Poverty incidence is still prevalent among women and girls, particularly in rural areas, such as due to more limited access to jobs.³⁸ One of the reasons why poverty persists is the lack of adequately remunerated jobs, which forces many citizens into labor migration. Another reason is that household incomes are mainly used for consumption, with little or no savings, which reduces resilience to withstand economic and financial hardships and increases vulnerability. It is highly likely that the gains from past years of poverty reduction may be lost due to the COVID-19 situation.

The Agency for Statistics under the President estimated that poverty reduction efforts in 2015–2016 had not resulted in expansion of the middle class in Tajikistan.³⁹ In 2016, the middle class⁴⁰ was estimated to equal 23% of the population and is sensitive to seasonality. Nearly half of those who belonged to the middle class resided in the Soghd province. The same report indicates that households which belong to the middle class had, on average, fewer number of children, women and elderly people. While latest figures on the proportion of the population in ‘middle class’ category are unavailable, the share of middle class is likely to shrink as a result of the COVID-19 outbreak. This may happen due to income distribution which is skewed more towards the top and the lower income groups. The implication of a shrinking middle class is an expected slowdown in both consumption and savings.

Impressive poverty reduction and investment in the delivery of public services, such as in education, had also resulted in higher Human Development Index (HDI) score. Tajikistan’s HDI score improved from 0.642 in 2015 to 0.656 in 2019 (with Tajikistan ranking 125th out of 189 countries), suggesting steady progress in the quality of life and human development. However, the inequality-adjusted HDI was 0.574, i.e. 11% lower than the HDI, which signifies a loss in human development due to inequality. Also, average annual HDI growth is slowing due to rapid population growth and economic challenges.⁴¹ In addition, the Gender Development Index (GDI) value stands at 0.799, which is significantly lower than neighboring countries in Central Asia.⁴² While it is early to assess the HDI trend in 2020, the COVID-19 outbreak will probably result in further slowing down of HDI growth in Tajikistan and, in particular, a decline in GNI per capita, which is highly likely to have an immediate and significant effect on the standard of living. This is also likely to further widen the gender gap in GNI per capita, which equaled \$1,044 for women and \$5,881 for men in 2018.⁴³

³⁵ EBRD. 2020. *Regional Economic Prospects. COVID-19: From Shock to Recovery. May 2020 Update*. London, p.6.

³⁶ World Bank. 2019. *Tajikistan Country Economic Update: Heightening Fiscal Risks in Tajikistan*. Washington, D.C., p.23.

³⁷ Agency on Statistics under the President of the Republic of Tajikistan.

³⁸ Agency for Statistics under the President of the Republic of Tajikistan: <https://www.stat.tj/ru/welfare-of-the-population>.

³⁹ Agency for Statistics under the President of the Republic of Tajikistan. 2016. *Middle Class in Tajikistan: Assessment, Dynamic and Characteristics*. Dushanbe, p.12 (http://stat.wv.tj/pages/TJK_middle_class5_formatted_rus.pdf).

⁴⁰ According to estimations based on an empirical model produced by the Agency for Statistics under the Government of the Republic of Tajikistan and supported by the World Bank, the ‘middle class’ in Tajikistan was defined in 2016 by income level as follows: from 38.35 somoni per person per month (vulnerable middle class) to 498.71 somoni per person per month (upper middle class). The threshold was 1.8 times larger than the national poverty level in 2016, and was broadly in line with similar methodologies in other countries.

⁴¹ UNDP. 2019. *Human Development Report 2019*. New York, p.306.

⁴² In comparison, GDI values for Uzbekistan and the Kyrgyz Republic are 0.939 and 0.959 respectively.

⁴³ UNDP. 2019. *Human Development Report 2019. Briefing Note for Countries on the 2019 HDR*. New York, p.5.

PRIVATE SECTOR DEVELOPMENT

The Government of Tajikistan has undertaken a number of important interventions, which improved the investment climate between 2015–2019⁴⁴ and smoothed the severity of impact from the pandemic. Tajikistan has been recognized as one of the top 10 reformers in the World Bank’s Doing Business 2020, although its score and ranking is comparatively low and had started from a very low base. Tajikistan’s ease-of-doing business ranking has moved upwards to the 106th rank, with a score of 61.3 out of 100.⁴⁵ However, at the same time Tajikistan is considered the worst performer in competitiveness in the Eurasia region, with a score of 52.4 (out of 100) and rank of 104th (out of 141 countries) according to the World Economic Forum’s Global Competitiveness Index (GCI). The GCI further shows that Tajikistan received relatively low scores on business dynamism, financial system, product market, and market size.⁴⁶ This evidence suggests that the private sector was already constrained and challenged pre-COVID.

FIGURE 5: COMPOSITION OF GROSS DOMESTIC PRODUCT (GDP) IN TAJIKISTAN, JANUARY-JUNE 2020.

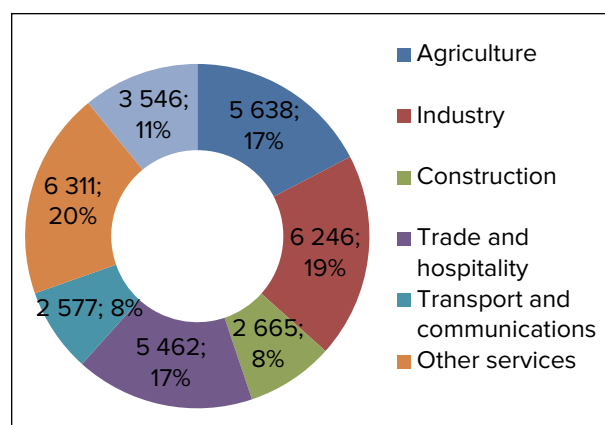
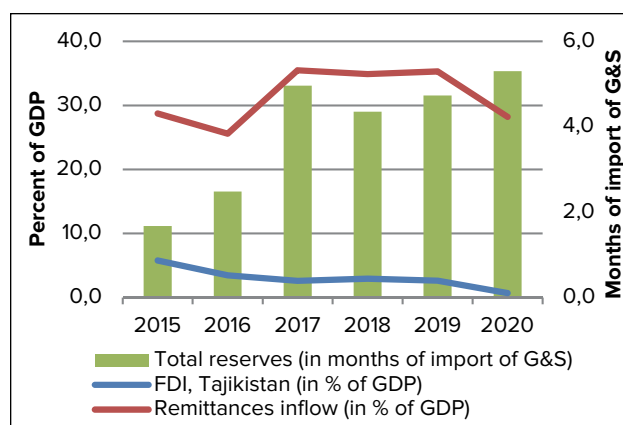


FIGURE 6: SELECTED ECONOMIC INDICATORS IN TAJIKISTAN, 2015–2020.⁴⁷



/Source: Agency for Statistics under the President of the Republic of Tajikistan.

There is a continuous crowding-out effect by the large state-owned enterprise (SOE) sector is still sizeable, which deters potential market entry by smaller private firms and discourages the creation of a level-playing field in terms of competition and access to resources.⁴⁸ It is against this backdrop of systemic challenges that the COVID-19 outbreak is unfolding in Tajikistan, affecting MSMEs. Besides, through SOEs the government continues to exercise control over strategically important sectors, such as electricity and heating, ferrous and non-ferrous metals, mining, food processing, construction, transport and telecommunications, aviation, and others. The impact of large SOEs on availability of credit is also

⁴⁴ These interventions (i.e. investment climate reforms) include: (i) business regulation, such as inspections reform (e.g. use of risk planning and reducing frequency and duration of inspections), (ii) implementation of permits law through the roll out of electronic permits system, (iii) consolidation of all investment incentives in Tajikistan with the view to introducing a more transparent mechanism for their enactment, (iv) tax administration (e.g. tax instruments and regimes), (v) introduction of public-private partnership legislation and its implementation, notably in the energy sector, (vi) improving corporate governance of private sector entities, (vii) improved access to credit, and (viii) and greater public-private dialogue, represented mainly by business associations, donors, and relevant state institutions.

⁴⁵ World Bank. 2020. *Doing Business 2020: Comparing Business Regulation in 190 Economies*. Washington, D.C., p.4 and p.8.

⁴⁶ World Economic Forum. 2019. *The Global Competitiveness Report 2019*. Geneva, p.12 and p.542.

⁴⁷ Foreign direct investment (FDI) and remittances figures for 2020 correspond to actual reported figures as of June 30, 2020. Total reserves for 2020 correspond to actual reported figures as of March 30, 2020.

⁴⁸ Mirzoev, S. and Sobirzoda, R. 2019. *Leveraging SME Finance Through Value Chains in Tajikistan*. ADBI Working Paper Series, No.1020. Tokyo, p.2 (<https://www.adb.org/publications/leveraging-sme-finance-through-value-chains-tajikistan>).

significant, given the very concentrated financial sector and sizeable share of non-performing loans. In 2019, there were more than 1,100 SOEs in operation, of which 24 were large SOEs whose assets accounted for approximately 42 % of GDP.⁴⁹ In total, these large SOEs account for about 30 % of total employment and continue to receive sizeable support from the state at the expense of taxpayers' contributions. In hindsight, continued subsidization of SOEs in the aftermath of the COVID-19 outbreak is likely to further strengthen the position of SOEs at the expense of private MSMEs which are more disadvantaged in terms of access to financial resources and governmental support.

Micro, small and medium-sized enterprises

Micro, small and medium-sized enterprises (MSMEs) play an important role as a source of employment, but their contribution to GDP remains low (about 30 %), compared to the OECD average of 50 % in 2018.⁵⁰ According to government sources, the share of MSMEs in total employment in Tajikistan equals about 35 %.⁵¹ The economy outside industrial complex (i.e. extractives and manufacturing) is dominated by self-employed individuals, as well as small⁵² family-run companies. MSMEs are commonly regarded as part of the growth transmission mechanism contributing to the wellbeing of households. However, MSMEs are mainly operating in low productivity sectors⁵³ and growth prospects for businesses are being held further back by regulatory and economic impediments.

TABLE 5: BREAKDOWN OF ACTIVE MSMEs IN TAJIKISTAN (AS OF 1 JANUARY 2020).

Region	Legal entities		Individual entrepreneurs			TOTAL
	Small	Medium	Patent	Certificate	Dehkan farms	
Dushanbe	5,166	359	24,785	10,365	0	40,675
GBAO	370	14	2,182	1,071	485	4,122
DRS	2,494	124	16,589	6,106	32,155	57,468
Soghhd	5,596	267	35,499	10,957	62,334	114,653
Khatlon	5,230	186	26,283	6,105	60,647	98,451
TOTAL:	18,856	950	105,338	34,604	155,621	315,369

/Source: Agency for Statistics under the President of the Republic of Tajikistan.

Based on June 2020 data reported by the Agency for Statistics under the President, there were 623,500 commercial taxpayers (including dehkan farms and individual entrepreneurs), of which only 52.5 % were active (or 327,478 commercial taxpayers). Such a high proportion of inactive taxpayers suggests either that they evade tax payments and continue working informally, or that many are idle due to their inability to access resources or cumbersome business environment. This argument is supported by government data. During the period between January 2018 and June 2020, there were more MSMEs that shut down compared to startups — namely, 2,979 new MSMEs registered but 3,134 MSMEs closed down. Meanwhile, the total number of individual entrepreneurs rose by 32,436 during the same period. Hence, self-

⁴⁹ Or 30 % of GDP excluding current assets as receivables.

⁵⁰ OECD. 2019. SME and Entrepreneurship Outlook 2019. Policy Highlights. Geneva, p.3.

⁵¹ As a comparison, 10 years ago the share of SMEs in total *formal* employment was approximately 48 % (IFC, 2009).

⁵² According to the World Bank, about 70 % of formal private sector firms have fewer than 10 employees, while the average size of MSMEs in Tajikistan equals 16 employees.

⁵³ Strokova, V. and Ajwad, M. 2017. Jobs Diagnostic Tajikistan: Strategic Framework for Jobs. World Bank. Washington, DC, p.2 and p.23.

employment is on the rise while legal commercial entities are increasingly closing down. And that trend only marginally accounts for anticipated consequences of the COVID-19 outbreak, which is likely to push some MSMEs (and individual entrepreneurs) further into closure or significant hardship.

In both cases of the self-employed and MSMEs, the main question is the tenacity of keeping the businesses profitable enough to last beyond a threshold. Normally, the failure ratio of startup MSMEs in advanced economies is the highest during the first three years. In many ways, startups in Tajikistan face similar existential challenges due to cumbersome business environment and other impediments. But this threshold is expected to drop drastically in the post-pandemic era, at least in the medium-term perspective.

The majority of entrepreneurs operate in agriculture, e.g. small-holder farmers, traders and service providers.⁵⁴ Between June 2019 and June 2020, the total number of active commercial taxpayers rose by 4.4 %, mainly due to the increase in the number of dehkan farmers and individual entrepreneurs (by patent).⁵⁵ The proportions are rather striking — e.g. 49.3 % of all active commercial taxpayers are dehkan farmers, followed by another 44.4 % who are individual entrepreneurs. Only the remaining 6.3 % are micro, small, and medium-sized enterprises. Medium-sized enterprises represent only 0.3 % of the total number of active commercial taxpayers in Tajikistan, reinforcing the view about the ‘missing middle’ in Tajikistan’s private sector.⁵⁶

A very small proportion of MSMEs shows that many entrepreneurs are in fact reluctant to register as a legal entity due to cumbersome taxation and government regulation. This disincentive also pushes local entrepreneurs into informal employment to their workforce, which reduces operational costs as well as visibility. Due to COVID-19, many MSMEs will face exacerbated problems, including inability to maintain full-scale operations due to external lockdown measures, depressed demand, and disruption of supply linkages and logistics. In effect, severe cash flow constraints may push an even larger number of MSMEs into informal economy or complete closing down.

Sectoral overview

The four pre-selected sectors for the survey of MSMEs consist of agriculture (including cross-border traders), manufacturing (specifically, light industry), tourism and hospitality, and personal services. The survey results show that private businesses in these economic sectors are some of the most affected by the COVID-19 outbreak in terms of negative effects on their employment, sales and turnover.

Agriculture

Agriculture in Tajikistan is the most densely populated of all economic sectors by self-employed (i.e. individual entrepreneurs), including dehkan farms.⁵⁷ According to the Agency for Statistics under the President, in 2018, only 35.6 % of total employment in agriculture had a legally binding labor contract (i.e. 525,100 persons), of which 45 % were women. The share of horticulture in total agricultural output has been growing, and 41 % of aggregate agricultural output was produced by dehkan farmers in 2019. Many dehkan farms are also engaged in cross-border trade, which has been severely affected by COVID-19 due to border restrictions. Agricultural productivity remains generally low compared to neighboring countries, whereas wheat and cotton continue to dominate crop production and account for approximately 36 % and 25 % of Tajikistan’s total cropped area, respectively.

⁵⁴ At the same time, other important sectors with relatively high density of MSMEs include: (i) retail trade, (ii) social and personal services (e.g., beauty industry), (iii) construction (particularly construction materials), (iv) manufacturing (including food industry, light industry, and others), and (v) financial services.

⁵⁵ Agency on Statistics under the President of the Republic of Tajikistan.

⁵⁶ Ibid.

⁵⁷ Mid-sized, privately owned commercial farms, which are distinct from household plots.

Individual and family owned farms occupied 70.3 % of the total agricultural land in 2019, necessitating the provision of business advisory services and the continuation of farming reform. However, approximately 35 % of agricultural land remains within the dehkan farm system. The implementation of land reform and greater freedom in terms of crop production has soared the number of dehkan farms in Tajikistan from 123,379 to 171,975 over 2015–2019, i.e. an increase by 39.4 %. In the meantime, dehkan farmers who have the right to split off from the collective are often reluctant to do so because of high costs, administrative burdens, and accrued debts that are transferred with the land.⁵⁸ These bottlenecks can only be expected to persist longer and more intensely in the post-COVID-19 context.

Manufacturing (light industry)

In Tajikistan, manufacturing is characterized by its large contribution to industrial output. In 2019, there were 2,164 enterprises operating in industry, of which 1,744 enterprises (or 80.6 %) were engaged in manufacturing sub-sectors such as textiles and clothing, furniture developers, sewing workshops, food products, footwear, leather and fur products, paper products, and handicrafts. This dominant proportion of manufacturing enterprises, light industry prevailing, played a crucial role in their inclusion into the survey. In addition, 13.8 % of newly created commercial entities in 2019 were manufacturing firms, which is second only to trading firms and is followed by construction with 12.8 % of all new entities in 2019. In 2018, total employment in manufacturing was approximately 84,000 persons, of which 66 % was contractual employment. In the meantime, only 27.3 % of those who had a labor contract were women.⁵⁹

During January-June 2020, manufacturing enterprises increased their output by 17.1% in comparison with the same period last year which may often be explained by the lag between the order and the production phases and explains that industrial output may not necessarily mean that it has grown despite COVID-19. Based on data for the first six months of 2020, manufacturing comprises 56.5 % of total industry output.⁶⁰ Past assessments⁶¹ suggested that although productivity is higher than in other sectors, there is considerable scope for its further growth.⁶² Accordingly, textiles and clothing (including footwear, leather and fur products) equals 10 % of total manufacturing output in the first quarter of 2020 and is dominated by smaller firms which are sensitive to disruption in sales and supply chains.

Tourism and hospitality

According to the World Tourism Organization (WTO), tourism sector in Tajikistan comprised 2.4 % of GDP in 2018, whereby inbound tourists reportedly generated about \$180 million,⁶³ although the data may not be accurate. The Agency for Statistics under the President estimates that the tourism sector (except the hospitality sub-sector) generated \$24.3 million, i.e. just 0.3 % of GDP.⁶⁴ The tourism sector is perhaps most sensitive, barring civil aviation and cross-border trade, to the COVID-19 outbreak and related restrictions on movement of people and goods. Restrictions imposed due to the COVID-19 outbreak resulted in the tourism sector generating a mere 34.9 million somoni, equivalent to just 0.11 % of GDP.⁶⁵

⁵⁸ At the same time, while land, house, and kitchen garden areas are privatized, larger farming infrastructure such as stables, machinery, and processing units must be purchased for individual use.

⁵⁹ Agency on Statistics under the President of the Republic of Tajikistan.

⁶⁰ Ibid.

⁶¹ USAID. 2016. *Tajikistan Jobs Diagnostic*. Dushanbe, p.24 and p.45. See also World Bank. 2018. *Tajikistan Systemic Country Diagnostic*. Washington, DC, p.12 and p.18.

⁶² 'Output per worker' is a less preferred measure of productivity than 'value added per worker' or 'total factor productivity.'

⁶³ Tourism and hospitality sector is still underdeveloped but its importance in the survey is evidenced through: (i) its prioritization by the Government of the Republic of Tajikistan, and (ii) rising number of entrepreneurs who provide services and induce broader positive spillovers for the economy.

⁶⁴ Agency for Statistics under the President of the Republic of Tajikistan. 2020. *Socio-Economic Situation of the Republic of Tajikistan: January - March 2020*. Dushanbe, p.271.

⁶⁵ Agency for Statistics under the President of the Republic of Tajikistan. 2020. *Socio-Economic Situation of the Republic of Tajikistan: January - June 2020*. Dushanbe, p.290.

While official data are disputed, the Committee for Tourism Development of the Republic of Tajikistan reported that the number of tourists who visited Tajikistan in 2019 comprised more than one million and rose by 21.5 % compared to the previous year.⁶⁶

According to the World Bank,⁶⁷ a visitor in Tajikistan spends, on average, between \$800 and \$1,400 for a 6 to 12-day stay, excluding airfare, which is significantly below the global average.⁶⁸ Based on WTO data, tourists spent on average \$173.8 per day in 2018.⁶⁹ At the same time, conditions are favorable — e.g., half of the global tourism workforce is under the age of 25, while almost 70 % of Tajikistan's population is under the age of 30. In general, tourism and hospitality is seen as a sector with great potential for Tajikistan's economy.

Recent studies⁷⁰ showed that the tourism value chain had included an estimated 20,000 jobs in 2017, which was largely split between accommodation (e.g. hotels, guesthouses) and transportation (e.g. tour operators, recreational sites). In 2018, only 32.5 % of total employment in 'hotels and restaurants' sub-sector were under a labor contract, of which 48.1 % were women. At the time, approximately 70 % of firms were younger than five years and the firms involved were generally small.⁷¹ The Agency for Statistics under the President reported that in March 2020 the tourism sector consisted of 215 businesses, which is 61.7 % more than in the same period last year. Besides, the hospitality sub-sector in Tajikistan consists of 188 hotels, 26 hostels and motels, 45 sanatoriums, 18 recreational and health centers, 4 tourist bases, and others.

Personal services

In Tajikistan, a variety of personal services⁷² have been steadily on the rise and dominated by individual entrepreneurs (based on certificate or patent). In 2018, total estimated employment in personal services equaled 317,900 persons, of which an estimated 40.3 % were under a labor contract. Only 29.7 % of contractual employment were women. Notably, these services rose at a greater pace in urban areas and particularly in larger cities. According to the Agency for Statistics under the President, about 30,900 firms provided fee-based services in 2019, of which 47.2 % of total output is reportedly generated by small firms. Of all commercial entities who provided fee-based personal services in 2019, 34.1 % were household services, 15.5 % were passenger transportation services, 15.1 % were communication services, 13.5 % were education services, 5.6 % were medical services (including nursing and elderly care), and 9.7 % represented other categories (e.g., beauty services, home improvement services, and others).

The total estimated contribution of personal services comprised 16.6 % of GDP in 2019, although differentiated (or isolated) contribution of private firms remains difficult. In the first six months of 2020, MSMEs contributed 36.6 % to total output from the provision of personal services (i.e. \$28.6 million out of \$78.2 million).⁷³ Approximately 70 % of MSMEs that provide personal services are in fact individual entrepreneurs. It is difficult to break down these numbers by sub-services — such as beauty industry, cleaning services, delivery services, and others, as they are neither collected nor reported.

⁶⁶ At the same time, WTO data suggests that the number of tourists rose from 141,000 in 2017 to 1,035,000 in 2018 (an increase by 140.1%). This appears unlikely and questions credibility of official government statistics on inbound tourism. This view is further reinforced given that revenues generated from tourism in 2017 and 2018 has only risen by 0.2 %.

⁶⁷ Source: <https://www.worldbank.org/en/news/opinion/2019/12/03/how-to-develop-tourism-in-tajikistan>.

⁶⁸ According to UNWTO, adventure tourists worldwide spend an average of \$3,000 on an 8 day-trip.

⁶⁹ Source: <https://www.e-unwto.org/doi/suppl/10.5555/unwtotfb0762010020142018201910>.

⁷⁰ Dermastia, M. et al. 2017. *Value Chain Analysis of the Tourism Sector in Tajikistan*. Washington, DC, p.10.

⁷¹ According to the Agency for Statistics under the President of the Republic of Tajikistan, there were 160 tourist companies (excluding recreational sites, hotels, guesthouses, etc.) which operated in the country in 2019.

⁷² E.g. beauty industry, nursing, restaurants, cafeterias and coffee shops, catering and delivery services, ateliers, internet cafes, home improvement services, plumbing, car washing and maintenance services, gardening services, home/fabric cleaning services, translation services, event management services, taxi services, and others.

⁷³ Agency on Statistics under the President of the Republic of Tajikistan.

International trade

The COVID-19 situation has negatively affected Tajikistan's total trade. During January-June 2020, exports to other CIS countries declined by 30.6 % in comparison with the same period last year. In the first six months of 2020, Tajikistan's exports stood at \$654.4 million, while imports equaled \$1,504.3 million, creating a trade balance deficit of \$849.9 million. Imports from non-CIS countries have also declined, comprising 20.6 % less than in the same period last year. Total imports also declined by 4 %, compared to January-June 2019.⁷⁴

The export concentration and heavy dependence on natural resources also make Tajikistan's exports vulnerable to volatile international commodity prices. International market prices for copper, aluminium and cotton have been falling since early 2018 and are expected to further drop in the next few years. Specifically, copper prices fell by 19.8 % during January 2018 and May 2020, while aluminium and cotton prices fell by 30.5 % and 28.1 % respectively in the same period.⁷⁵ The price decrease also continued during the coronavirus pandemic. A reversal of this trend requires systemic and long term measures, such as an overhaul of Tajikistan's export and production structure, and investment in value chain development.

TABLE 6: TOP 7 EXPORTED PRODUCT GROUPS FROM TAJIKISTAN (in million US\$).

Product groups	Exports (in million US\$)		
	Jan-June 2019	Jan-June 2020	% change
Precious and semi-precious stones and metals	124.7	303.8	143.5
Mineral products	182.3	118.1	-35.2
Non-precious metals and products (including aluminium)	105.0	99.2	-5.5
Cotton fiber	56.1	46.3	-17.5
Electricity	40.1	31.4	-21.6
Textile and clothing (excluding cotton fiber)	31.2	28.2	-9.8
Plant products (including fruits and vegetables)	14.5	15.9	9.7

/Source: Agency for Statistics under the President of the Republic of Tajikistan.

MSMEs' price competitiveness and absorptive capacity of new employment has weakened significantly in the past decade, not least because exports are concentrated on products with inelastic demand. Since 1995, there have been only very small changes in the composition of Tajikistan's exports. The country continues to rely on a few commodities for its export revenue, such as gold (18.2 % of total value of exports), raw aluminium (15.5 %), zinc ore (14.3 %), lead ore (10.0 %), copper ore (6.7 %), raw cotton (5.6 %), other ores (5.5 %), and cement (3.7 %).⁷⁶ Tajikistan would benefit from concentration of exports on goods which yield comparative advantage. According to UNCTAD data from 2018,⁷⁷ Tajikistan has the greatest revealed comparative advantage (RCA) in the following top 10 product groups: spices (RCA = 86.7), hides and skins (RCA = 76.5), fruits and nuts (RCA = 62.4), crude vegetable materials (RCA = 48.6), cotton (RCA = 24.4), wool and other animal hair (RCA = 20.2), crude minerals (RCA = 18.9), oil seeds and oleaginous fruits (RCA = 18.6), iron and steel (RCA = 13.6), and coal (RCA = 11.9).⁷⁸ These product groups are starkly different from the

⁷⁴ Ibid.

⁷⁵ IMF Primary Commodity Prices online database (<https://www.imf.org/en/Research/commodity-prices>) and the World Bank Commodity Markets online database (<https://www.worldbank.org/en/research/commodity-markets>).

⁷⁶ These 8 products make up approximately 80 % of the total value of Tajikistan's exports.

⁷⁷ Source: <https://unctadstat.unctad.org/EN/RcaRadar.html>.

⁷⁸ When a country has a revealed comparative advantage for a given product (RCA >1), it is inferred to be a competitive producer and exporter of that product relative to a country producing and exporting that good at or below the world average. A country with a revealed comparative advantage in product *i* is considered to have an export strength in that product.

current composition of Tajikistan’s exports, suggesting that the country continues to rely on exporting commodities in which it does not have a comparative advantage.

Russia, Kazakhstan, Turkey, Uzbekistan and Afghanistan are major destinations of exported goods from Tajikistan. Russia also is Tajikistan’s largest trading partner, with trade turnover having reached almost \$1 billion in 2019.⁷⁹ In turn, small-scale cross-border trade occurs among producers and traders of agricultural products along the Tajik-Afghan, Tajik-Kyrgyz and, more recently, Tajik-Uzbek border, although government statistics on small-scale cross-border trade is not publicly reported.

TABLE 7: TOP 7 IMPORTED PRODUCT GROUPS TO TAJIKISTAN (in million US\$).

Product groups	Imports (in million US\$)		
	Jan-June 2019	Jan-June 2020	% change
Mineral products (including natural gas and electricity)	292.3	291.7	-0.2
Plant products (including fruits and vegetables)	148.8	179.1	20.4
Chemical products (incl. pharmaceutical, beauty products)	172.0	167.2	-2.8
Food products (including beverages and drinks)	124.4	147.5	18.6
Non-precious metals and products	150.5	141.2	-6.2
Machines and equipment (including household appliances)	200.8	139.9	-30.3
Transport vehicles	159.7	100.6	-37.0

/Source: Agency for Statistics under the President of the Republic of Tajikistan.

Tajikistan has a great scope to enhance its connectivity to the rest of the world, with significant room for improvement. According to the World Bank’s logistic performance index (LPI), Tajikistan ranks 134th out of 160 economies, substantially lower than Kazakhstan (ranked 71st), the best performer in Central Asia. Tajikistan’s overall LPI score is much lower than the average of transitional countries, while slightly better than that of low-income countries. The country’s scores are modest on both customs and trade-related infrastructure. The World Economic Forum’s Global Competitiveness report ranked Tajikistan as 91st out of 141 economies in infrastructure provision (or 111th specifically for transport infrastructure) in 2019.⁸⁰ Once Tajikistan recovers from the immediate and medium-term economic implications of the pandemic, infrastructure development and trade facilitation could potentially help overcome Tajikistan’s disadvantage for integration to the global economy as a landlocked country.

LABOR MARKET

Employment and wages

An assessment of the impact of the coronavirus pandemic on Tajikistan’s labor market requires a good understanding of the underlying constraints and challenges that it faces. Tajikistan’s labor market is weak, generally characterized by low-productivity, disguised unemployment and low wages, with workers often under-paid, unskilled and disincentivized. Although the Government of Tajikistan is undertaking measures to create jobs, reform its vocational education and training (VET) system, and develop high-productivity industries (such as construction, extractives, and manufacturing), the mismatch between supply and demand for skills and competencies continues to be an impediment to Tajikistan’s economic development.

⁷⁹ Agency for Statistics under the President of the Republic of Tajikistan (<https://www.stat.tj/ru/tables-external-sector>).

⁸⁰ K. Schwab. 2019. *The Global Competitiveness Report 2019*. Geneva: Switzerland, p.542.

In May 2020, the labor force⁸¹ comprised 2.447 million people, having risen by 3.6 % in the preceding 12 months. Total employment was 2.395 million people in May 2020, which is 3.7 % higher compared to May 2019. Despite 7 % annual economic growth between 2015 and 2019, employment rose only by about 4 % in the same period,⁸² such as due to sluggish wage growth and labor migration. In particular, wages rose by an impressive 60.1 % between January 2015 and May 2020, comprising \$137.2 per person per month, but inflation adjustment yields the growth of average monthly wages by 22.5 % in the past 5.5 years (i.e. in real terms, average wages only rose by 4.1 % each year).⁸³

As a classic case of small, low-income economy with predominantly low-productivity primary sectors, agriculture remains the biggest employer, having expanded from 41 % of total employment in 1991 to about 60.8 % in 2018. This is followed by services (30.3 % of total employment), construction (4.3 %) and manufacturing (3.5 %). However, wages differ significantly by sector. In May 2020, average monthly wages in agriculture were equal to \$52.2 per month, \$132 in services, \$230 in construction, and \$168.5 in manufacturing. In real terms, monthly wages went down by 5.2 % year-on-year in May 2020.⁸⁴

Alarming, 2.311 million people are neither studying nor contributing to economic activity, representing 42.6 % of the working-age population (i.e. people aged above 15–65) in 2018. The proportion of those who are neither working nor studying in Tajikistan is rising each year, which may have serious negative repercussions for livelihoods and welfare. These people are unlikely to have stable source(s) of income, although some of them are probably working informally. It is also mostly the case that informal sector workers tend to be poorer (and younger) than formal sector workers.⁸⁵ This means that implications of the COVID-19 outbreak are highly likely to have the negative impact on young informal sector workers, particularly as enterprises are shutting down or temporarily seizing commercial activity.

FIGURE 7: ECONOMICALLY ACTIVE POPULATION AND AVERAGE WAGES IN TAJIKISTAN, 2015–2020.⁸⁶

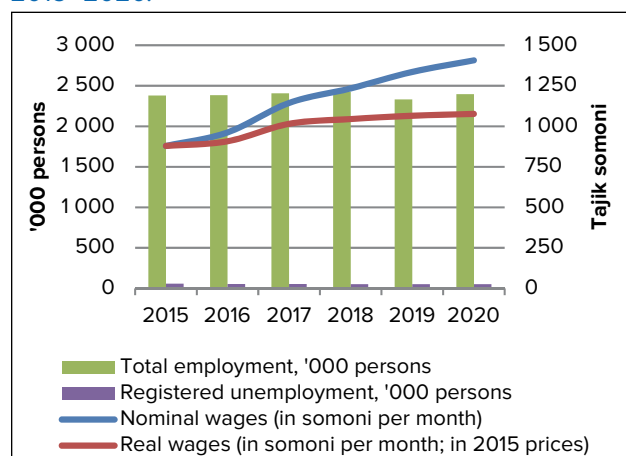
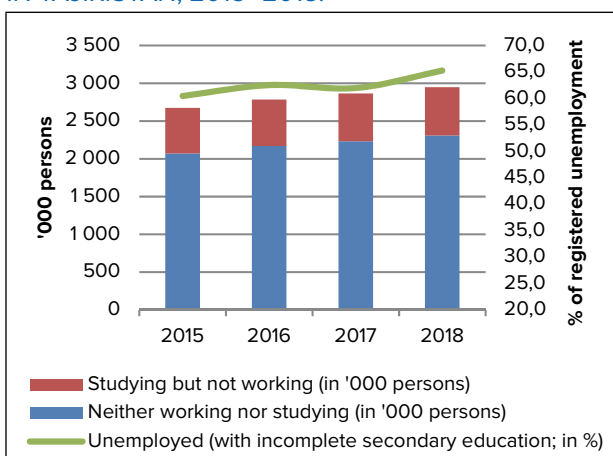


FIGURE 8: ECONOMICALLY INACTIVE POPULATION AND UNEMPLOYMENT IN TAJIKISTAN, 2015–2018.



/Source: Agency for Statistics under the President of the Republic of Tajikistan.

The registered unemployment figures are uncharacteristically low, standing at only 51,734 persons in May 2020. Furthermore, the level of education among the unemployed is deteriorating. In particular,

⁸¹ Includes total employment and officially registered unemployment.

⁸² Agency for Statistics: <https://www.stat.tj/ru/tables-real-sector>.

⁸³ The minimum wage in Tajikistan is 400 somoni as of May 2020, representing an increase by 22.4 % in real terms since 2015.

⁸⁴ Agency on Statistics under the President of the Republic of Tajikistan.

⁸⁵ Strokova, V. and Ajwad, M. 2017. *Jobs Diagnostic Tajikistan: Strategic Framework for Jobs*. World Bank. Washington, DC, p.34.

⁸⁶ The latest available figure from May 2020 is used to represent the year 2020 in Figure 7.

the proportion of individuals with incomplete secondary education in registered unemployment rose from 13.9% in 2000 to 41.6% in 2010 and further to 65.3% in 2018.⁸⁷ This indicates the deteriorating quality of the labor force in Tajikistan, and partly explains why productivity gains⁸⁸ in the economy have been marginal. This also shows that the quality of Tajikistan's domestic workforce, particularly young graduates with no or little prior work experience, is persistently worsening. Reversing this trend will require substantive changes to the quality of education domestic production.⁸⁹ This evidence shows the persistent, historical weaknesses of Tajikistan's labor market, which were not caused by COVID-19 but surely heightened in terms of inherent risks as a result of the pandemic.

Large families and absence of spouses (men) for most of the year increase women's and girls' marginal propensity to engage in subsistence farming, thus restricting them to basic housework and child care in the remaining free time, often at the expense of earning income or attending educational institutions.⁹⁰ Other studies⁹¹ had also reaffirmed that women's labor participation rates in Tajikistan are constrained by domestic responsibilities. In particular, in 2016, the share of inactive women who reported domestic responsibilities was the primary reason for their inactivity is much higher in Tajikistan (60.5%) than in other Central Asian countries (e.g. 11% in Kazakhstan and 35% in the Kyrgyz Republic). Furthermore, in 2020, 84% of work by women in rural areas was unpaid, compared to approximately 30% of work carried out by men in rural areas.⁹² According to the survey findings from 1,000 households, described in greater detail in Chapter 3, the COVID-19 outbreak appears to have further increased women's unpaid work responsibilities, such as child care and housework. Women in higher age groups are more likely to have higher workforce participation rates in rural areas as they no longer have to care for young children. It is however difficult to find jobs for either women or men over 40 years of age in Tajikistan. The average job search time for women is 7.8 months, compared to 7.6 months for the country average and 8 months in rural areas. In line with this, only 45.1% of women eventually found a job (of those registered as unemployed) against 54.9% of men in 2018.⁹³ These figures are likely to be higher due to challenges facing businesses and the coronavirus pandemic.

New and better jobs is one of the means to reduce poverty and financial vulnerability, but Tajikistan has consistently struggled with this, which have led many citizens to seeking work in Russia. Labor migration represents the most sought-after exit strategies for citizens, particularly in rural areas. Another reason for low job creation (and wage growth) is the oversized public sector, including the quasi-fiscal sector, comprising state-owned enterprises, which crowds out private businesses or deters market competition. In 2018, the government sector and the private sector in Tajikistan accounted for 20% and 71.3% of total employment respectively.⁹⁴

Remittances

Tajikistan was at the receiving end of a negative spillover effect when economic situation worsened in Russia against the backdrop of the COVID-19 outbreak. Specifically, remittances from labor migrants

⁸⁷ Agency on Statistics under the President of the Republic of Tajikistan.

⁸⁸ Productivity in services has declined and employment in manufacturing — despite its recent surge — declined from 46% to 17% during 1991–2016. Thus, stimulating productive employment among SMEs is key to structural transformation in Tajikistan.

⁸⁹ Despite the fact that Tajikistan has become a major exporter of its labor overseas, cheap labor force has not translated into a comparative advantage. In practice, uneducated workforce creates social pressures because increasingly under-educated and vulnerable population groups in rural Tajikistan are struggling for jobs and subsistence.

⁹⁰ It is thus evident that the perception of the value of education is higher among men as investing in girls' education is usually thought to bring about less benefits to her respective family especially after early marriage.

⁹¹ Khatirishvili, T. 2016. *Gender Inequalities in Labor Markets in Central Asia*. Paper prepared for the joint UNDP/ILO conference on Employment, Trade and Human Development in Central Asia. Almaty, pp.26–35.

⁹² ADB. 2020. *Women's Time Use In Rural Tajikistan*. Manila, pp.32–42.

⁹³ Agency on Statistics under the President of the Republic of Tajikistan.

⁹⁴ Between 2015 and 2018, these proportions have only marginally changed for the government sector (from 19.4% to 20%), but the share of private sector in total employment rose from 64.5% to 71.3% during the same period.

declined by 28.2 % in the first six months of 2020 and equaled \$999 million.⁹⁵ The Central Bank of Russia (CBR) reported that remittances from Russia to Tajikistan in Q1–2020 declined by 19.4 % year-on-year — the second largest drop in remittances among all CIS countries (except Kazakhstan).⁹⁶

At the same time, labor migration continues to fuel Tajikistan’s GDP growth through consumption, with remittances comprising about US\$2,731 million in 2019 (or 35.3 % of GDP). However, this is down from 4,219 million in 2013 which was equivalent to 49.6 % of GDP. The decline is mainly caused by the challenging economic situation in the Russian Federation and restrictions on labor migrants. The European Bank for Reconstruction and Development (EBRD) had previously estimated that a one percentage-point drop in growth in Russia would translate into a decline in growth of 0.25 percentage points in the Central Asian countries (excluding Kazakhstan).⁹⁷ Hence, the expected decline in growth in 2020 and 2021 will have negative consequences for employment and disposable incomes in Tajikistan. This highlights the country’s high degree of vulnerability to external economic environment, with implications on growth, trade and livelihoods.

Structurally, Tajikistan is highly exposed to Russia through remittances and currency channels.⁹⁸ In 2019, remittances comprised about 47 % of average monthly wages of Tajikistan’s population.⁹⁹ According to FinExpertiza, each migrant labor from Tajikistan remitted back home \$195 on average in the first quarter of 2019. This is the second lowest amount among labor migrants from CIS countries,¹⁰⁰ compared to the average three-month wage of \$414.7 in Tajikistan during Q1–2019.¹⁰¹ These figures demonstrate that: (i) labor migrants are working in lower-skilled and lower-paid jobs in Russia, compared to migrants from other CIS countries, and (ii) incomes of their families/households heavily depend on remittances.

Soon after social distancing measures had been put in place in Russia and Kazakhstan, many migrants were laid off or furloughed and stopped sending money back home, thus lowering the incomes of their families in Tajikistan.¹⁰² Studies have shown that remittances alleviate poverty, improve nutritional outcomes, and reduce child labor in disadvantaged households.¹⁰³ Therefore, a drop in the volume and value of remittances in the first six months of 2020 may increase the proportion of financially poor and disadvantaged population in Tajikistan. The rapid fall in oil prices in the first six months of 2020 and the negative impact of COVID-19 on the Russian economy left an estimated 530,000 migrant workers (5.3 % of Tajikistan’s population) unable to return to work at the start of the 2020 migrant work season.¹⁰⁴ The volume of remittances from Russia often exceeds Tajikistan’s annual revenue budget¹⁰⁵ and foreign direct investment (FDI) and makes Tajikistan one of the world’s most remittance-dependent countries.

⁹⁵ National Bank of Tajikistan.

⁹⁶ Source: https://www.cbr.ru/vfs/statistics/CrossBorder/Personal_Remittances_CIS.xlsx.

⁹⁷ EBRD. 2016. *Regional Economic Prospects in EBRD Countries of Operations. May 2016*. London, p.9.

⁹⁸ According to FinExpertiza, about 188,000 working-age labor migrants from Tajikistan settled in Russia. Source: <https://finexpertiza.ru/press-service/researches/2020/trud-migrant/>.

⁹⁹ National Bank of Tajikistan (https://nbt.tj/ru/payments_balance/analytical_representation.php) and Agency for Statistics under the President of the Republic of Tajikistan (<https://www.stat.tj/ru/welfare-of-the-population> and <https://www.stat.tj/ru/tables-real-sector>).

¹⁰⁰ For example, labor migrants from Uzbekistan and Kyrgyzstan remitted back, on average, \$418 and \$536 respectively. Source: <https://finexpertiza.ru/press-service/researches/2019/summa-den-perevoda-migranta/>.

¹⁰¹ Agency on Statistics under the President of the Republic of Tajikistan.

¹⁰² According to estimates by the Ministry of Labor, Migration and Employment of the Population of the Republic of Tajikistan, there are more than 530,000 Tajik citizens (of which 14.5 % are women) working in Russia and Kazakhstan as labor migrants. Besides, the total number of migrants increased by 13 % in 2019 in comparison with the previous year.

¹⁰³ In 2020 remittances to countries in Central Asia (including Tajikistan) are expected to fall by approximately 28 % due to the combined effect of the global coronavirus pandemic and lower oil prices. Source: <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>.

¹⁰⁴ Asian Development Bank. 2020. *Republic of Tajikistan: Growth Assessment*. Dushanbe, p.12.

¹⁰⁵ According to the Ministry of Finance, general government revenues equaled 23,216.1 million somoni, or \$2,436 million, in 2019 (Source: <http://minfin.tj/index.php?do=static&page=budget>). This amounts to 89.2 % of remittances from labor migrants.

Remittance inflow has thus been affluent, and this has been also supporting livelihoods of the population. As a result of the coronavirus pandemic, the World Bank estimates that remittances globally will face the sharpest decline in recent history.¹⁰⁶ Since almost half of incomes are composed of receipts from labor migrants which are remitted back to their households in Tajikistan, the decline in remittances has sharply and immediately affected livelihoods and poverty incidence. With less money fueling Tajikistan's economy through consumption, the fiscal burden will also increase. Continued reliance on remittances, while reducing poverty, fails to offset negative externalities as a result of missed opportunity costs for women in their socio-economic lives and personal aspirations.¹⁰⁷

Besides, abandoned households as a result of men-dominated migration are likely to be poorer, which inevitably results in higher percentage of out-of-school children and learning outcomes (UNICEF, 2011).¹⁰⁸ Abandoned households are usually more financially vulnerable, and this in turn leads to the presence of direct positive correlation between abandonment and child labor, and abandonment and informal employment. The latter affects attendance in educational institutions since affected children are more likely to enter the informal labor market at the expense of schooling hours. Therefore, the linkage between migration and dropout rates is significant — i.e. girls from migrant households are now likely to complete fewer years of schooling, and also boys are more likely to drop out from school once their migrant parent stops sending money back home.

Demographics

Tajikistan is one of the most rapidly growing countries in terms of the size of its population (it doubled in less than 33 years since early 1980s), and certainly the fastest growing countries in Central Asia in terms of crude birth rates (25.6 live births per 1,000 population in 2018). Between 2000 and 2019, Tajikistan's population increased by 49 %, i.e. from 6,126.7 million to 9,127 million respectively. As of January 2019, the country's population was 9,127 million with 49.5 % men and 50.5 % women. Nearly 73.6 % live in rural areas, while 35.5 % of the gross population (or 39.9 % of rural population) lives in the poorest Khatlon oblast where population density is the highest. The population is relatively young (with mean age at 26.3 years in 2019) and 62.4 % of the population is within working age, reflecting high fertility rates and rising workforce. In 2018, life expectancy at birth was 75 years (73.3 years for men and 76.9 years for women).

Furthermore, total dependency ratio (TDR)¹⁰⁹ is one of the lowest among CIS countries. Tajikistan's TDR was 60.5 % in 2019, compared to 63.9 % in 2010 and 85.6 % in 2000. This indicates that the population of Tajikistan is becoming progressively younger, contributing to the growing workforce. The result is that the country's labor force is relatively young and will continue to steadily grow in the next few decades (because total fertility rates are also the highest in the CIS).¹¹⁰ These trends require a constant effort to create jobs, which can only be achieved through the expansion of private sector.

The relatively young age at the time of first marriage for women is not surprising given the cultural and traditional communities that are prevalent in Tajikistan, with 8.5 % of girls marrying at the age 15-19 (UNICEF, 2013). In conservative communities in remote and rural areas, the investment in education is not always considered worthwhile as many girls marry at a young age. This is not immediately captured in official statistics and represents a significant challenge in ensuring equitable access to opportunities and gender equality between women and men.

¹⁰⁶ Source: <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>.

¹⁰⁷ The integrated labor migration survey and the panel survey of 3,133 households conducted in August 2010. (source: «*The Impact of Migration and Remittances on Welfare*,» Agency on Statistics under the President of the Republic of Tajikistan, 2011).

¹⁰⁸ The study «Impact of Labor Migration on Children Left Behind in Tajikistan» points to mixed responses to effects of migration on the quality of education.

¹⁰⁹ As used by the UN Population Division and is estimated as follows: ((Age 0-14 + Age 65+) / Age 15–64).

¹¹⁰ Source: UN Population Division (<https://population.un.org/wpp/Download/Standard/Fertility/>).

Nevertheless, woman-headed households dominate rural Tajikistan because 88.2 % of international labor migration was dominated by men in 2018, leaving a large gap in required labor in the domestic market. Relatively low migration participation rates by women are explained by rising proportion of their time spent on domestic responsibilities and other unpaid activities. At the same time, the share of women among labor migrants increased from 6.6 % in 2010 to 13 % in 2019. On average, this has had a positive effect on women’s earnings from labor migration. As households seem unable to diversify with respect to destination, they expand into new occupations by increasingly sending women to work in housekeeping, caring and other service jobs.

FINANCIAL SECTOR

Overview

In Tajikistan, financial services for individuals and MSMEs are offered by 16 commercial banks and 58 non-bank financial institutions (NBFIs).¹¹¹ The banking sector comprises 16 banks, of which 6 are classified by the National Bank of Tajikistan (NBT) as systemically important. The five largest banks account for approximately 70 % of total bank assets in Tajikistan.¹¹² The top-three credit purposes from financial institutions are consumption, foreign trade and agribusiness. The fragility of Tajikistan’s banking sector constrains access to finance,¹¹³ as well as the range of consumer products and services offered by MSMEs.

Despite a relatively large number of financial institutions, return on assets (ROA) in the banking sector has only marginally improved from 0.8 % in 2015 to 2.1 % in 2019, while return on equity (ROE) in the banking sector was 7.7 % in 2019, compared to 5.5 % in 2015.¹¹⁴ This demonstrates that financial institutions in Tajikistan have relatively low returns from the provision of financial services, and a large proportion of associated risk is shifted onto consumers. In turn, this leads to persistently high cost of credit, such as for entrepreneurial or consumption purposes.

FIGURE 9: PROFITABILITY INDICATORS AND NON-PERFORMING LOANS IN TAJIKISTAN, 2015–2020.

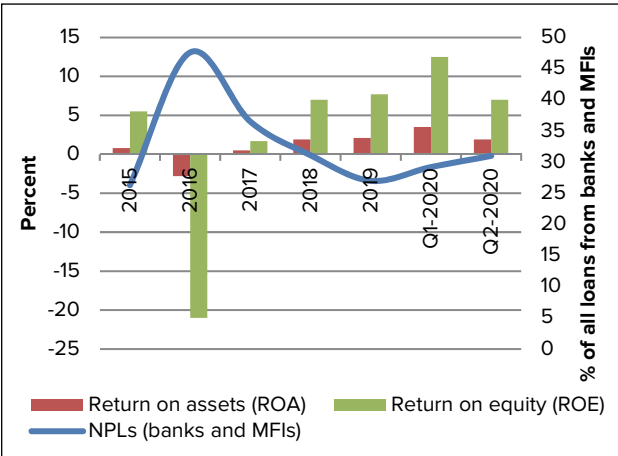
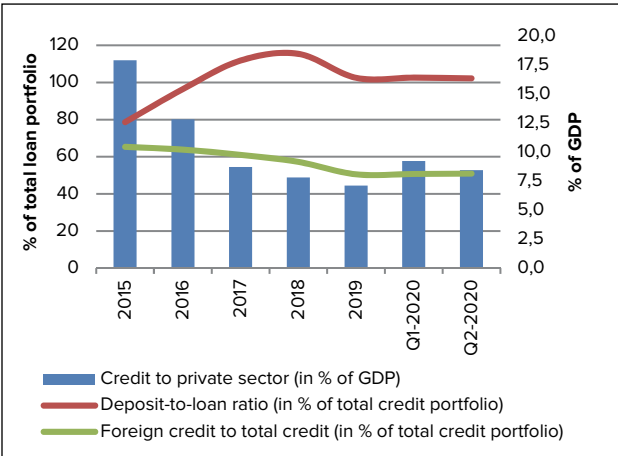


FIGURE 10: SELECT MONETARY INDICATORS IN TAJIKISTAN, 2015–2020.



/Source: National Bank of Tajikistan (NBT).

¹¹¹ Although, prior to the domestic banking sector crisis in 2015–2016, there were 137 financial institutions. Bankruptcy and solvency issues led to the closure of a large number of micro finance organizations (MFOs), which were reduced from 125 in 2012 to 58 in 2019.

¹¹² OJSC ‘Oriyobank’, SSB ‘Amonatbank’, CJSC ‘Spitamenbank’, OJSC ‘Bank Eshkata’, and OJSC ‘Alif Bank’.

¹¹³ IMF. 2016. *Republic of Tajikistan: Financial System Stability Assessment*. IMF Country Report No.16/41. Washington, DC, p.19.

¹¹⁴ National Bank of Tajikistan (NBT): <https://nbt.tj/files/suboti-moliyavi/2020/19.05.2020/FSI%20march%202020%20rus.pdf>.

The COVID-19 outbreak resulted in the rise of non-performing loans (from 27 % of total loan portfolio in December 2019 to 31 % of total loan portfolio in June 2020) and the decrease of ROA (from 2.1 % in December 2019 to 1.9 % in June 2020) and ROE (from 7.7 % in December 2019 to 7 % in June 2020). Due to economic implications of the coronavirus pandemic, all three financial soundness indicators have worsened to 2018 levels.

The microfinance sector in Tajikistan has been growing rapidly in the past several years,¹¹⁵ albeit from a very low base, and it provides an important source of finance to MSMEs, as well as a crucial opportunity to save. Financial participation has been growing from a very low base¹¹⁶ and increased more than fourfold to 11.5 % of adults over the age of 15 having account at a financial institution in 2015–2019. The World Bank's Findex data for Tajikistan shows that the proportion of women with bank account rose rapidly from about 9.1 % in 2014 to 42.1 % in 2017,¹¹⁷ whereas the gap between men and women in account ownership was approximately 10 % in 2017.¹¹⁸ In addition, savings in financial institutions increased from 0.9 % of women in 2014 to 9.4 % in 2017. Rural financial penetration increased over the same period, although not yet reaching the low-income country average, while more than a quarter of Tajikistani adults reported having borrowed money in the past year in 2014. While the preference for informal savings and borrowing is still strong, there is a great potential for further growth of microfinance sector, but its rapid growth, especially in an environment of limited regulatory capacity and weak financial consumer capability, has presented significant risks.

Credit and deposits

Banks and non-bank financial institutions (NBFIs) in Tajikistan rely heavily on debt as the primary source of finance to businesses, which is collateralized and guaranteed by third parties, such as other banks or international development partners.¹¹⁹ At the end of June 2020, outstanding credit to private sector was \$547.4 million or 8.4 % of GDP, compared to \$475.3 million or 5.8 % of GDP in the first six months of 2019.¹²⁰ Without large firms, credit to private sector becomes less than 5 % which is very low. This is mainly attributed to low consumer confidence in banks and high cost of credit, resulting in the rise of non-performing loans¹²¹ and firm closures. Meanwhile, domestic credit to SOEs increased by 54.3 % between 2015 and 2020, thus crowding out private sector.

Banks often lend to private enterprises in foreign currency (62 % of outstanding bank loans), while 88.1 % of outstanding loans to MSMEs from NBFIs are made in local currency. This is symptomatic of a high degree of dollarization of Tajikistan's banking system. Besides, banks appear to be less

¹¹⁵ At the same time, there has been a decline in the number of market players and branches in terms of development within the structure of the financial sector. For example, the number of microfinance institutions went down from about 120 in 2014 to 67 in 2018, driven primarily by a sharp reduction of microcredit organizations (MCOs) from 42 to 6, followed by micro-deposit organizations (from 42 to 25) and, to a lesser extent, microcredit funds (MCFs) from 36 to 31. The sharp drop in the total number of MFIs also led to a reduction of branches, from 415 in 2014 to 336 in June 2018. The reduction of branches in the presence of movement restrictions and social distancing also meant that individual account holders are likely to have experienced problems accessing their accounts and withdrawing money from ATMs and branches.

¹¹⁶ World Bank Financial Inclusion database (Findex). In 2011, the percentage of adults over 15 years having account at financial institution in Tajikistan was 2.5 %, compared to a significantly expanded 47 % in 2017.

¹¹⁷ World Bank. 2018. *The Global Findex Database 2017*. The resource can be accessed at the following link: <https://globalfindex.worldbank.org/sites/globalfindex/files/2018-08/Global%20Findex%20Database.xlsx>.

¹¹⁸ World Bank. 2018. *The Global Findex Database 2017. Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC, p.126.

¹¹⁹ For example, through various hedging instruments such as risk-sharing facilities and first-loss risk covers.

¹²⁰ According to World Bank data for 2018 (the latest year for which data was available), Tajikistan's share of domestic credit to private sector compares unfavorably to other countries in Central Asia: 23.7 % of GDP in Uzbekistan, 23.9 % in the Kyrgyz Republic, and 25.9 % in Kazakhstan, but only 12.3 % in Tajikistan.

¹²¹ NBFIs had been lending to MSMEs too quickly relative to income growth, and over-exposed in lending to non-hedged borrowers. This partly accounted for severe portfolio deterioration among MFOs between 2015 and 2017. Financial institutions also relied too heavily on collateral, which discouraged many otherwise eligible MSMEs from accessing credit.

resilient to a severe currency shock — according to IMF’s 2016 estimates, a depreciation of the somoni by 50 % lowers the banking system’s credit at risk (CAR) to 19 %.¹²² In June 2020, foreign currency denominated loans comprised 50.9 % of financial institutions’ total loan portfolio and 47.9 % of financial institutions’ total liabilities.¹²³ The financial institution’s portfolio quality is ultimately conditional on the extent to which they lend in foreign currency — a greater proportion of dollar-denominated loans lowers the quality of credit portfolio.

FIGURE 11: BANK LOANS BY TYPE OF BORROWERS AND AVERAGE LENDING RATES IN TAJIKISTAN, 2015–2020.¹²⁴

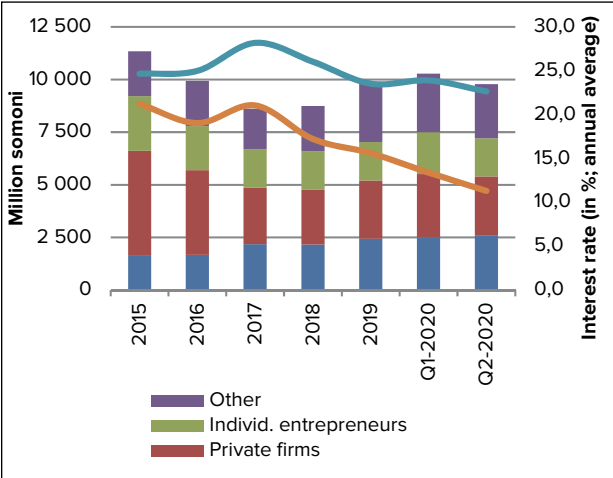
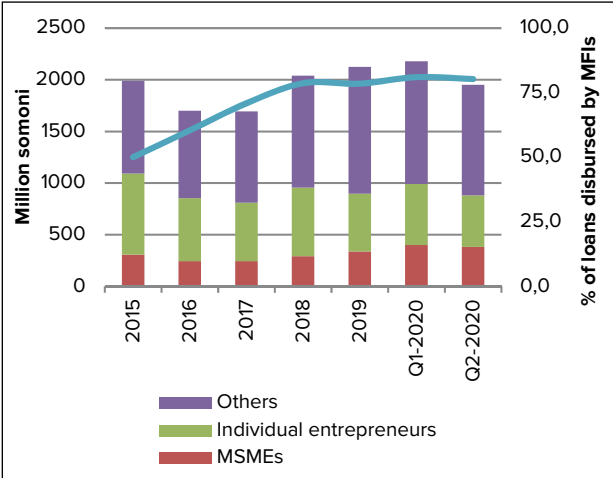


FIGURE 12: MFI LOANS BY TYPE OF BORROWERS AND MFI LENDING IN LCUs IN TAJIKISTAN, 2015–2020.¹²⁵



/Source: National Bank of Tajikistan (NBT).

In 2019, 21.3 % of total bank loans were disbursed to individual entrepreneurs, while MSMEs received 31 % of all bank loans (compared to 50.1 % in 2010 and 40.4 % in 2015) and SOEs accounted for 25.4 % (compared to 11.7 % in 2000 and 9.5 % in 2015). As for the micro-finance institutions (MFIs), almost half of their total credit portfolio (48.7 %) was loaned out to individuals for consumption purposes, followed by individual entrepreneurs (33.4 %) and MSMEs (14.5 %). Historically, MFIs do not lend much to SOEs. The latter also appear to be better shielded against directed (or weakly collateralized) lending practices, which are still occurring in some banks.¹²⁶ In addition, individual entrepreneurs seem to be more eager to get loans from MFIs, as total volumes of MFI lending to individuals have been kept stable over time, and have actually surpassed those of banks since 2017. This could be a combination of better terms provided by MFIs, lower appetite of banks for MSME segment of the private sector, and lack of trust by bank customers.

The biggest impact of the COVID-19 outbreak on MSMEs and individual borrowers have come during the period between May and June 2020, but banking sector statistics for these months were not available at the time of drafting this assessment report. Comparison of January-June 2020 with the same period last year revealed that the volume of bank lending to businesses increased by 11.6 %, equaling \$371.3 million at the end of June 2020. Bank lending to individual entrepreneurs during the same period rose by 20.9 %, comprising \$130.1 million at the end of June 2020. This is despite the fact that the cost of credit from banks, on average, decreased from 23.8 % in June 2019 to 22.6 % in June 2020 in local currency and from 15.5 %

¹²² IMF. 2016. *Republic of Tajikistan: Financial System Stability Assessment*. IMF Country Report No.16/41. Washington, DC, p.20.

¹²³ National Bank of Tajikistan (NBT): <https://nbt.tj/files/suboti-moliyavi/2020/19.05.2020/FSI%20june%202020%20rus.pdf>.

¹²⁴ Data for 2020 corresponds to statistics for end-June 2020 (https://nbt.tj/ru/statistics/statistical_bulletin.php).

¹²⁵ Data for 2020 corresponds to statistics for end-June 2020 (https://nbt.tj/ru/statistics/statistical_bulletin.php).

¹²⁶ Recent support from international development partners, as well as strengthened regulation of banking activity, has been welcomed, but Tajikistan’s banking sector remains blighted by weak corporate governance and sub-standard credit and risk management practices.

to 11.3 % in foreign currency. This could indicate measures undertaken by the National Bank of Tajikistan encouraging financial institutions to lend on more favorable terms to local entrepreneurs. Similarly, lending from MFIs to private enterprises (including MSMEs) in January-June 2020 increased by 2.7 %, comprising \$38 million. Conversely, in the same period, lending to individual entrepreneurs decreased by 30.4 %, comprising \$50 million. Consumption loans to individual borrowers have also dropped by 13 % year-on-year, equaling approximately \$100 million at the end of June 2020.

Access to finance is severely constrained and the range of consumer products and services offered to MSMEs is limited. The cost of credit is prohibitively high, averaging in June 2020 an annualized 22.6 % in local currency and 11.3 % in foreign currency.¹²⁷ High cost of credit is explained mainly by greater risk of problem debts (evidenced by high rates of non-performing loans (NPLs))¹²⁸ and high overall portfolio risks due to economic uncertainty. High dependence on volatile sources of income (e.g. from remittances and informal employment) and high cost of credit led to over-indebtedness and financial constraints of a large number of borrowers.¹²⁹ Mortgage loans are short-termed and highly priced, while leasing credit is often subsidized by development partners (such as GIZ and KfW) and not sustainable.

For most MSMEs (as well as individual borrowers), loan repayment in foreign currency is problematic, which led to some banks offering to bear the risk of currency exchange. However, these are exceptional cases and most borrowers struggle with eligibility (and, in particular, collateral) requirements, interest and repayment structures for foreign currency denominated credit. In most cases, collateral requirements represent 150 % to 200 % of the value of credit, which crowds out most micro and small enterprises, as well as individual entrepreneurs. In addition, currency conversion through bank terminals or branch offices is limited which constrains cash liquidity of MSMEs in foreign currency. Risk-sharing facilities are often sector specific, enabling financial institutions to lend to a particular target group. Credit facilities at affordable rates and flexible terms, particularly those that are not restricted to few sectors or target groups, are often in short supply, significantly restricting access to credit.¹³⁰

The number of depositors has been on the rise until banking sector crisis undermined confidence in the banking system, and has continued to steadily increase since then.¹³¹ Average term of time deposits has declined¹³² and at least four banks became insolvent since the crisis.¹³³ In April 2020, the total volume of new deposits in banks by *individuals* rose by 28.9 % year-on-year and reached \$1,097 million, while the total volume of deposits in banks by *enterprises* (including MSMEs) rose by 13.9 %, reaching \$4,201 million. More recent data on deposits covering the first six months of 2020 was not available in the six-month Banking Statistics Bulletin published by the National Bank of Tajikistan. Besides, dollarization of deposits remains high, creating risks from unhedged borrowers.¹³⁴

Financial inclusion

Financial participation in Tajikistan improved significantly during 2015–2019, although from a very low base. In 2020, the share of adults with a bank account rose to 65 %, compared to 47 % in 2017 according to the latest Findex data.¹³⁵ The number of bank payment card holders rose by 73 % since 2015, comprising more

¹²⁷ National Bank of Tajikistan (NBT): https://nbt.tj/files/statistics/kredit_ru.xls.

¹²⁸ NPLs in the banking sector steadily declined but peaked in 2016, reaching 47.6 % of total credit in the banking system.

¹²⁹ Pratt, R. 2016. *Borrowing by Individuals in Tajikistan: A Review of the Attitudes and Capacity for Indebtedness. Summary Issues and Observations*. Dushanbe, p.4.

¹³⁰ Shokhboz Asadov and Roman Mogilevskii. 2018. *Financial Inclusion, Regulation, Literacy and Education in Tajikistan*. ADBI Working Paper Series. No.847. Manila, pp. 13-15.

¹³¹ With 11.5 % interest for deposits in local currency and 5.6 % in foreign currency.

¹³² On average, from 856 to 810 days for individual depositors, and from 877 to 717 days for legal entities.

¹³³ Agroinvestbank, Tojiksodirotbank, Tojprombank and Fononbank. The last two were shut down and liquidated.

¹³⁴ IMF. 2020. *Staff Report on the Republic of Tajikistan. Request for Disbursement under the Rapid Credit Facility (RCF)*. Washington, DC, p.6.

¹³⁵ Global Financial Inclusion database: <https://microdata.worldbank.org/index.php/catalog/global-findex>.

than 2.5 million individuals in April 2020. An increasing number of financial institutions and their outreach to smaller towns across Tajikistan has led to a rise in the number and regional spread of payment terminals (by 15 %) and the total number of bank accounts between 2015 and 2020.¹³⁶ However, advancement in financial participation is limited to: (i) strong preference among the population, particularly in rural areas, for informal savings and borrowing, (ii) high risks associated with reaching out to traditionally underserved areas, and (iii) weak financial capability and indebtedness of consumers of the financial services.¹³⁷ In general, this shows the pre-COVID-19 persistent problems with regards to financial inclusion of the population in Tajikistan.

Electronic and digital financial services

Tajikistan has also introduced a number of measures to digitalize financial services, such as through mobile money solutions, electronic wallets, and web-based cashless payments. As of May 2020, 9 % of all transactions were carried out using electronic payment instruments (via mobile phone and Internet), compared to 1.6 % in 2015.¹³⁸ These transactions represent about \$130.4 million. Although these EDFS solutions need to be further supported by various providers and their networks, m-money and e-wallets are given special attention – e.g. by OJSC ‘Alif Bank’, OJSC ‘IMON International’, OJSC ‘Bank Eshkhat’ and others – due to high usage rates of mobile services in the population and as a means to reach remote areas.¹³⁹ These measures are complementary to the ongoing payment systems oversight reform. The NBT recognizes that EDFS can be a powerful tool for directing remittance flows into the formal finance sector and accumulate them there in the form of savings.¹⁴⁰

Securities and capital market

The securities market in Tajikistan is at its infancy and capital market regulation has only just been centralized. Tajikistan’s stock exchange, the Central Asian Stock Exchange (CASE),¹⁴¹ was established in 2015 as a platform for organized trading of securities. Since then, only one bank (OJSC ‘Bank Eshkhat’) has been listed as a company on the stock exchange.¹⁴² Listing of firms and financial institutions on the CASE appears to be limited, most likely due to persistent currency volatility and other market risks, which in turn reduces the appeal of listed securities to potential customers.¹⁴³ Local banks have limited or, particularly amongst banks that face liquidity shortages, no access to international debt markets. Access to local currency funding also remains a challenge for financial institutions, while capital markets are virtually non-existent for enterprises to raise money.¹⁴⁴

¹³⁶ By 41 % for individuals and by 12 % for legal entities.

¹³⁷ Roy Pratt. 2016. *Borrowing by Individuals in Tajikistan: A Review of the Attitudes and Capacity for Indebtedness. Summary Issues and Observations*. Dushanbe, p.4.

¹³⁸ National Bank of Tajikistan.

¹³⁹ As of January 2020, Tajikistan has had 10.04 million mobile connections, which represents 107 % of the total population. About 92 % of these are pre-paid mobile connections and 51 % of all mobile phone users have some sort of 3G broadband connectivity. According to the GSMA Mobile Connectivity Index, Tajikistan scored 52.01 (out of 100) on mobile network infrastructure and 63.1 (out of 100) on consumer readiness. Source: <https://datareportal.com/reports/digital-2020-tajikistan>.

¹⁴⁰ It has to be noted that these remittance flows often do not remain in the form of savings in the formal finance sector in Tajikistan. One of the factors influencing the cash-out of remittances is the immediate need for consumption for majority of households, which is beyond the influence of financial inclusion tools. EDFS can also help to reduce (or eliminate) additional transaction costs by transferring remittances from an e-wallet to a savings account should the user decide to save within the formal finance sector.

¹⁴¹ Source: <https://www.case.com.tj/en/>. GMEX Group, one of the largest companies in the United Kingdom (UK) that offers innovative solutions and technologies in the field of financial markets, is a majority shareholder.

¹⁴² In April 2017, OJSC ‘Bank Eshkhat’ issued the country’s first corporate bonds in local currency (for a total amount of 20 million somoni (an equivalent of about US\$2.3 million)). To date, no other bank or NBFIs has issued corporate bonds or stocks through CASE.

¹⁴³ World Bank. 2020. *Doing Business 2020: Economy Profile for Tajikistan*. Washington, D.C., p.35.

¹⁴⁴ Tajikistan’s first stock exchange, Central Asian Stock Exchange (CASE), was established in April 2015 as a platform for organized trading of securities. GMEX Group, one of the largest companies in the UK that offers innovative solutions and technologies in the field of financial markets, is a majority shareholder. In April 2017, OJSC «Bank Eshkhat» decided to issue the country’s first corporate bonds in local currency (for a total amount of 20m somoni (US\$2.3 million)). To date, no other bank has issued corporate bonds or stocks through the CASE and Bank Eshkhat’s bonds appear less appealing to individuals and corporate customers (SMEs) in the presence of local currency volatility.

GENERAL GOVERNMENT BUDGET

The economic implication of the COVID-19 outbreak resulted in a 4.5 % revenue shortfall of the general government budget in January-June 2020. More than 80 % of this shortfall is attributed to declining tax receipts. The revenue items which were hit the hardest include: (i) internal value added taxes (14.5 % shortfall against the original plan), (ii) corporate income taxes (11.3 % shortfall), and (iii) non-tax revenues (9.6 % shortfall). In total, the revenue outturn of the general government budget at the end of June 2020 was equivalent to 9,816.4 million somoni. The revenue outturn in the first six months of 2020 was 10.3 % lower year-on-year and is equivalent to 30.3 % of GDP.

The COVID-19 situation has necessitated changes in budget legislation. Following the recommendations from the IMF, the Law of the Republic of Tajikistan “On the State Budget of the Republic of Tajikistan for 2020” was amended and supplemented (#1692 dated July 4, 2020), in particular figures on revenues, expenditures, and overall budget balance. To that end, aggregate expenditure estimates for 2020 were revised down by 9.6 % from 26.1 billion somoni to 23.6 billion somoni. This demonstrates a concerted effort between the government and development partners aimed at greater fiscal consolidation and discipline in resource allocation in the presence of health and economic risks.

The consolidation of budgetary accounts¹⁴⁵ has led to the budget deficit reaching about 3.8 % in 2019, with the deficit expected to rise sharply in 2020 due to the coronavirus pandemic. The Ministry of Finance estimates that the budget deficit in 2020 will be 3.7 % of GDP (equivalent of 3.1 billion somoni), narrowing to 2.4 % of GDP in 2021 and 2.6 % of GDP in 2022. The IMF estimates that the deficit will widen further in 2020, possibly reaching 6.1% of GDP or 5.1 billion somoni.

FIGURE 13: REVENUE PERFORMANCE OF THE GENERAL GOVERNMENT BUDGET IN TAJIKISTAN, JANUARY-JUNE 2019 – JANUARY-JUNE 2020.

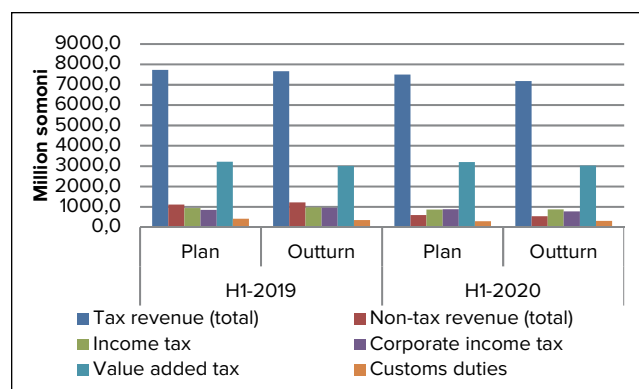
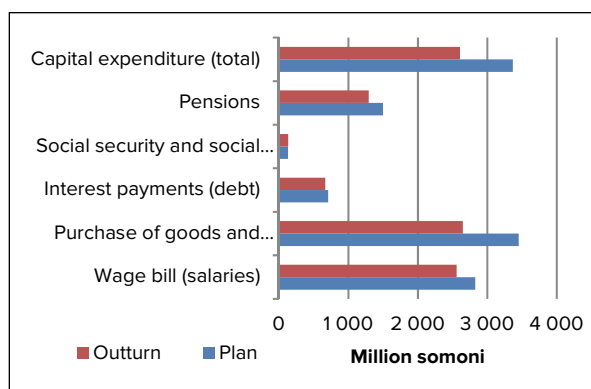


FIGURE 14: PUBLIC SPENDING FROM THE GENERAL GOVERNMENT BUDGET BY ECONOMIC ITEMS, JANUARY-JUNE 2020.



/Source: Ministry of Finance of the Republic of Tajikistan.

Public spending for social sectors comprised 46.8 % of the general government budget in line with general government expenditures in the first six months of 2020, and had gradually expanded until 2020.¹⁴⁶ However, nominal growth rates mask efficiency and equity issues in resource allocation across sectors and institutions. Revenue shortfall and further expected fiscal consolidation measures led to the decrease in expenditure for all sectors in January-June 2020. The largest fall in public spending against the original plan was recorded in public administration (41.7 %), education (21.8 %), culture and sports (18.6 %), industry and construction (15.8 %), and social insurance and social protection of the population (15.3 %). The urgent needs for health and social expenditure stemming from the outbreak will inevitably lead to widening of the budget deficit, at least in the mid-term perspective.

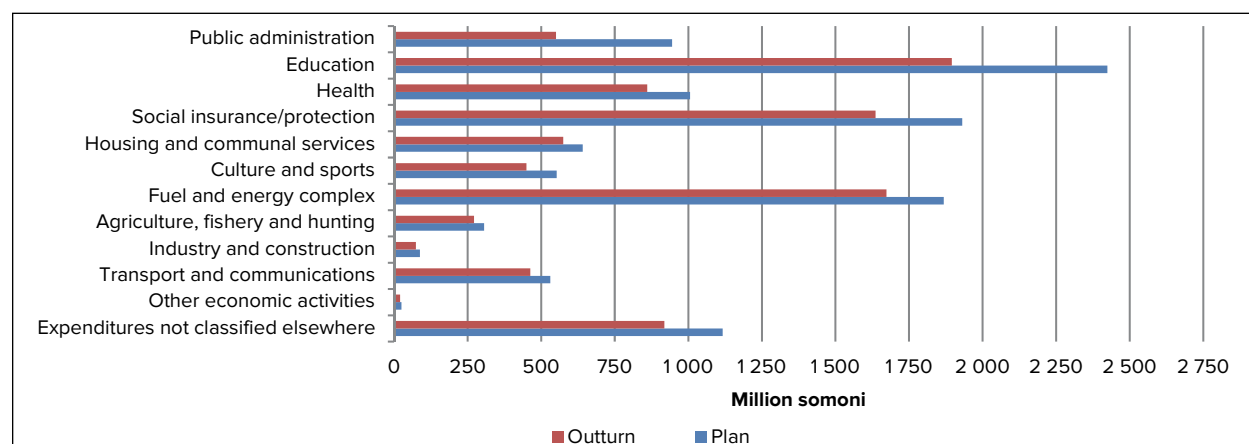
¹⁴⁵ Republican and sub-national government expenditures plus externally-financed Public Investment Program (PIP).

¹⁴⁶ Ministry of Finance: <http://minfin.tj/index.php?do=static&page=budget>.

The total wage bill was executed only by 90.5 % against the original plan, which was partly caused by payment delays in some districts and cities. Expenditure outturn for the purchase of goods and services equaled 76.7 % against the original plan, demonstrating that non-essential procurement and other activities (such as current repairs) in all public institutions have been put off until later in the year.

In order to implement the measures to counter the spread of COVID-19, general government budget for the health sector has been increased by 1.6 billion somoni in excess of the originally approved budget (of 1.8 billion somoni) for 2020. In the first six months of 2020, the health sector budget equaled 860.6 million somoni. Moreover, in order to ensure social protection of medical and social workers, in line with the Decree of the President of the Republic of Tajikistan #1378 (dated May 1st, 2020), 12.4 million somoni were allocated from the Reserve Fund of the President of the Republic of Tajikistan for paying a monthly wage supplement in the amount of one monthly salary to medical workers directly involved in the diagnosis and treatment of COVID-19 in medical and quarantine facilities across the country.¹⁴⁷ Besides, for procuring medical equipment and other medical supplies, 13.4 million somoni were allocated from the Contingency Fund of the Ministry of Finance of the Republic of Tajikistan, and a further 9.3 million somoni from the Epidemiological Fund of the Ministry of Health and Social Protection of the Population of the Republic of Tajikistan.

FIGURE 15: PUBLIC SPENDING FROM THE GENERAL GOVERNMENT BUDGET BY SECTORS, JANUARY-JUNE 2020.



/Source: Ministry of Finance of the Republic of Tajikistan.

Public external debt has steadily declined from a record-high 50.4 % of GDP in 2017 to 45.2 % of GDP in 2018, but servicing costs put an additional strain on the government budget. In 2019, public external debt was 35.3 % of GDP. In the first six months of 2020, servicing costs amounted to 7.4 % of total expenditures. In general, rising debt servicing costs further constrain an already limited fiscal space. Besides, publicly guaranteed financing of large infrastructure projects, comprising more than 12 % of GDP during 2015–2019, effectively depleted the fiscal space and weakened the government’s ability to use fiscal buffers.¹⁴⁸ According to the World Bank, more than 40 % of Tajikistan’s total debt repayments are due in the next five years.¹⁴⁹ This indicates severely limited fiscal and borrowing space to absorb economic shocks,¹⁵⁰ including the implications of the COVID-19 outbreak.

¹⁴⁷ To date, two stages of payments have been completed in accordance with the established procedure, in particular: (i) 4.2 million somoni was disbursed in May 2020 with the coverage of 5,269 workers in the health sector, and (ii) 6.8 million somoni was disbursed in June 2020 with the coverage of 8,617 workers in the health sector.

¹⁴⁸ Consequently, IMF increased the risk of debt distress from «low» pre-2015 to «high» in 2017 due to the limited borrowing capacity and the need to «put debt on a downward trend» alongside «greater prioritization of public investment and improvements in efficiency to create fiscal space for important infrastructure projects.» Source: <https://www.imf.org/en/News/Articles/2020/01/17/pr2012-tajikistan-imf-executive-board-concludes-2019-article-iv-consultation-with-the-republic>.

¹⁴⁹ World Bank. 2019. *Tajikistan Country Economic Memorandum: Nurturing Tajikistan’s Growth Potential*. Washington, D.C., p.4.

¹⁵⁰ Aggregate revenue shortfall in the first five months of 2020 (i.e. January-May 2020) comprised 15.6 %, with tax revenues 14 % below the original plan.



MEASURES UNDERTAKEN TO MITIGATE THE SOCIO-ECONOMIC IMPLICATIONS OF COVID-19

Photo Credits: Didor Sadulloev

To mitigate the adverse impact of the COVID-19 outbreak¹⁵¹ on lives, livelihoods and the economy, the Government of Tajikistan has undertaken a number of important measures which streamlined and strengthened the coronavirus monitoring system, set up vital coordination and communication structures, and introduced specific actions to support vulnerable population and entrepreneurship.

In January 2020, the Government of Tajikistan established a COVID-19 Interagency Task Force which was chaired by Deputy Prime Ministers and provided oversight and guidance regarding response measures. The Task Force consisted of representatives of the Ministry of Health and Social Protection of the Population (MoHSP), the Ministry of Economic Development and Trade (MoEDT), the Ministry of Education and Science (MoES), the Committee of Emergency Situations and Civil Defense (CESCD), and the Committee on Tourism Development (CTD).

In March 2020, following the Decree of the President of the Republic of Tajikistan,¹⁵² a Republican Task Force on Strengthening Activities Countering COVID-19 has been created. This new body replaced the previous Task Force, which functioned between January and March 2020, and is chaired by the Prime Minister. The Republican Task Force coordinates the government's response measures, assesses the situation, and liaises with development partners. The Task Force reports daily to the President of the Republic of Tajikistan and includes high-level representatives from each ministry and other government institutions, the Secretary of the National Security Council of the Republic of Tajikistan, the General Prosecutor, heads of relevant departments/divisions of the Executive Office of the President, and heads of several large state-owned enterprises.

The Republican Task Force has subsequently developed an Action Plan for Prevention and Reducing the National Economy's Exposure to Potential Risks of COVID-19 (i.e. the 'COVID-19 Country Preparedness and Response Plan'), which was endorsed by the Prime Minister on March 19, 2020. The COVID-19 Country Preparedness and Response Plan consists of 23 broadly defined measures for implementation during March to December 2020, including:

- A health sector and social protection response package to assist the poor and vulnerable;
- A package of economic measures to ensure food security; and
- A package of economic measures to safeguard MSMEs prone to being severely affected.

The overall estimated cost of these proposed measures is \$364 million (See Table 6). These measures were prepared in close consultation with key international development partners, including the Asian Development Bank (ADB), the World Bank (WB), the World Health Organization (WHO), the Delegation of the European Union, the United Nations Development Programme (UNDP), and the United Nations Children's Fund (UNICEF).

¹⁵¹ The World Health Organization (WHO) has defined four transmission scenarios for COVID-19: (i) countries with no cases (no cases); (ii) countries with one or more cases, imported or locally detected (sporadic cases); (iii) countries experiencing case clusters in time, geographic location and/or common exposure (clusters of cases); and (iv) countries experiencing larger outbreaks of local transmission (community transmission). For more information, see: <https://www.who.int/publications-detail/critical-preparedness-readiness-and-response-actions-for-covid-19>.

¹⁵² Although the Republican Task Force was created by the Decree of the President of the Republic of Tajikistan, it has not been published on the official website of the President of the Republic of Tajikistan (<http://www.president.tj>).

TABLE 6: ESTIMATED COST OF THE COVID-19 COUNTRY PREPAREDNESS AND RESPONSE PLAN.

#	Proposed mitigation measure	Initial cost (in mln USD)
1.	Health sector and social protection response package	176
1.1.	Additional salary to medical personnel working with COVID-19 patients	2
1.2.	Medical equipment and supplies (including personal protective equipment, medicines, food, ventilators and ambulances)	103
1.3.	Expansion of hospital capacity	37
1.4.	Additional targeted social assistance for poor households	34
2.	Economic measures to ensure food security and safeguard businesses	188
2.1.	Food security measures (including agricultural inputs to farmers)	28
2.2.	Support to businesses affected by COVID-19; targeting micro-, small- and medium-sized enterprises (including tax breaks and concessional credit)	160
TOTAL:		364

/Source: Ministry of Finance of the Republic of Tajikistan.

On March 19, 2020, the Ministry of Health and Social Protection of the Population (MoHSP) prepared its own Country Preparedness and Response Plan (CPRP), which identified priority areas in the ten pillars of strategic response to the COVID-19 outbreak. These pillars and their estimated costs are shown in Table 7. The CPRP has also identified a ‘reasonable worst-case scenario’ with around 200 COVID-19 cases, 40–50 severely ill critical patients and several infection clusters throughout Tajikistan with 50 % of staff from essential services being either in quarantine or isolation.

TABLE 7: ESTIMATED COST OF THE COVID-19 COUNTRY PREPAREDNESS AND RESPONSE PLAN.

Proposed priority areas (response measures)	Initial cost (in mln USD)
Priority area 1: Country-level coordination	3.0
Priority area 2: Risk communication and community engagement	4.5
Priority area 3: Surveillance (e.g. of severe acute respiratory infections)	5.0
Priority area 4: Points of entry (including rapid health assessment, online data management system, and other related measures)	20.8
Priority area 5: Case investigation and rapid response	4.0
Priority area 6: National laboratory system	20.0
Priority area 7: Infection prevention and control	15.4
Priority area 8: Case management	21.0
Priority area 9: Multi-sectoral action plan to mitigate socio-economic implications	8.0
Priority area 10: Logistics and supply management	10.0
TOTAL:	111.7

/Source: Ministry of Health and Social Protection of the Population of the Republic of Tajikistan.

Health measures

It is important to recognize that no COVID-19 cases were recorded by the Government of Tajikistan at the time of endorsing the CPRP by the Prime Minister. The government confirmed its first 15 laboratory diagnosed cases of COVID-19 on April 30, 2020. From then on and until 24 September 2020, the country reported 9,520 positive COVID-19 cases and 74 deaths.¹⁵³ At the same time, the MoHSP reported that 87.1% of infected individuals have successfully recovered from COVID-19 symptoms.

Admittedly, Tajikistan's health sector is fragile¹⁵⁴ and historically underfunded. During 2000–2019, public resource allocation for the health sector comprised, on average, 6% of the general government budget and 1.5% of GDP. Therefore, in order to implement measures to counter the spread of COVID-19, public resources for the health sector for 2020 were increased by 1.6 billion somoni in excess of originally approved budget (the approved sector budget is 1.8 billion somoni).

In addition, to ensure social protection of medical and social workers, 12.4 million somoni were allocated from the Reserve Fund of the President of the Republic of Tajikistan. These funds are used for paying a monthly wage supplement in the amount of one monthly salary to medical workers directly involved in the diagnosis and treatment of COVID-19 in medical and quarantine facilities. Furthermore, 13.4 million somoni were earmarked from the Contingency Fund of the Government of the Republic of Tajikistan and additional 9.3 million somoni were allocated from the Epidemiological Fund of the Ministry of Health and Social Protection of the Population (MoHSP) for the procurement of medical equipment and other medical supplies.

Moreover, the government has ensured that its vital health programs, such as maternal and child health (MCH) programs, remain fully funded and prioritized at the time when the government's resources are largely shifted to combat the COVID-19 outbreak. For instance, pregnant women and young children will continue to have health check-ups without risk of infection in accordance with adjusted MCH protocols. During the coronavirus pandemic and the resulting economic downturn, sub-national governments will closely monitor a potential increase in the cases of domestic violence and psychological stress.

Travel restrictions

As an initial response measure, Tajikistan has closed its border with the People's Republic of China (PCR) in January 2020, and citizens from five high-risk countries were not permitted to enter Tajikistan from February 2020. The Civil Aviation Agency has suspended all flights and closure of all airports throughout Tajikistan from March 20, 2020. This was done the next day after the Republican Task Force, chaired by the Prime Minister, endorsed its COVID-19 Country Preparedness and Response Plan (CPRP). From May 5, 2020 all individuals arriving from overseas have been subject to mandatory 14-day quarantine.

Trade and food security measures

Tajikistan's traditional trading partners have all decreased their exports in the aftermath of the COVID-19 outbreak (e.g. Kazakhstan and the Russian Federation). Besides, the Eurasian Economic Union (EEU)¹⁵⁵ introduced restrictions on exports of food items to non-member states such as Tajikistan, and the Russian Federation has also embargoed wheat exports from April 26, 2020.¹⁵⁶ Since Tajikistan relies heavily on food imports, these measures led to the rise of food prices in the first six months of 2020. In response, on March 30 the Ministry of Agriculture has introduced quotas on exports of wheat and flour.

¹⁵³ Daily reports of the Ministry of Health and Social Protection of the Population of the Republic of Tajikistan. For more information, see <http://www.moh.tj> (accessed on 28 September 2020).

¹⁵⁴ There is a lack of qualified medical personnel to respond to the COVID-19 pandemic. According to the Agency for Statistics under the President of the Republic of Tajikistan, it only has 20.9 doctors per 10,000 people as of 2020. Besides, there is only one laboratory in Tajikistan which fully meets international standards for COVID-19 testing, and prior to the outbreak the supply and productive capacity for personal protective equipment and medical supplies was insufficient to meet demand.

¹⁵⁵ The EEU member states include Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation.

¹⁵⁶ Kazakhstan, Tajikistan's main supplier of wheat, declared a state of emergency in April 2020 and imposed export restrictions on certain types of food products, including wheat flour, white sugar, sunflower seeds/oil, valid until at least mid-April 2020, and announced export quotas in April 2020 for wheat (200 thousand tons) and wheat flour (70 thousand tons).

To further counter emerging food security risks, the Government of Tajikistan encouraged farmers to increase agricultural production,¹⁵⁷ utilized the state food stocks¹⁵⁸ to avoid shortages, and controlled market prices for food products and medical supplies. Moreover, the Government of Tajikistan has also placed exemptions on value added taxes (previously 18 %) on imported basic food products such as sugar, vegetable oil, wheat and rice, to lower their market price domestically. This measure was introduced on April 1, 2020. From April 25, 2020 the government has also imposed a ban on the export of food products such as rice, lentils, potatoes, eggs, beans and meat until the end of the year.

Social distancing measures

From March 2020, some businesses temporarily closed (e.g. hotels, restaurants, etc.) and recreational events (e.g. sports and cultural events) were postponed until later in the year. These were self-imposed measures undertaken by businesses and other non-governmental organizations. Official meetings and events were also cancelled or postponed by the Government of Tajikistan. In April 2020, the Dushanbe municipality cancelled festivities and celebrations. Mosques were also closed down for attendance and prayers and have not yet re-opened. Similarly, on April 27, 2020 all educational institutions and markets (bazaars) temporarily shut down following guidance from the Republican Task Force. On May 5, 2020 the Ministry of Education and Science (MoES) has extended the temporary closure of all educational institutions until August 17, 2020. On April 30, 2020 the Parliament endorsed new legislation which made wearing of masks in public places compulsory and social distancing as a recommended measure.

Fiscal measures

The Government of Tajikistan has adopted fiscal consolidation measures and restraint regarding non-priority spending, although critical capital investments are retained in order to safeguard jobs. In 2020, the fiscal deficit is projected to reach 3.7 % of GDP (according to the Ministry of Finance) or 6.1 % of GDP (according to IMF), and revenues declined by 4.7 % against earlier estimates in the first six months of 2020. This has resulted in the Government of Tajikistan successfully negotiating a \$189.5 million disbursement under IMF Rapid Credit Facility (RCF) instrument. Discussions with other development partners led to the disbursement of additional financing such as from the Asian Development Bank (ADB), the World Bank, the Delegation of the European Union, partner UN organizations, and others. The Government of Tajikistan is also preparing fiscal consolidation measures that can be implemented over the medium term to ensure debt sustainability.¹⁵⁹ In March 2020, the IMF approved a total debt relief to Tajikistan of \$28.49 million through the Catastrophe Containment and Relief Fund. The Government of Tajikistan was also granted another debt relief equaling \$63.4 million in potential savings under the G20 Debt Service Suspension Initiative (DSSI).¹⁶⁰ These financial resources were also included in the supplementary budget, which was approved by the Parliament of the Republic of Tajikistan in July 2020 to counter the COVID-19 impact.

In consultation and close coordination with development partners, the Government of Tajikistan has amended its annual budget legislation¹⁶¹ on July 4, 2020. The amended legislation revises down revenue and expenditure estimates for 2020, widens fiscal balance, and adjusts the composition of spending by

¹⁵⁷ Such as in-kind support by the Government of Tajikistan to dehqan farmers and other agricultural producers in the form of agricultural inputs (including seeds and fertilizers).

¹⁵⁸ The Government of Tajikistan has been supported by the UN Food and Agriculture Organization (FAO) and the UN World Food Programme (WFP) in carrying out a National Food Supply Assessment to assess crop and food stocks. In the medium term, the Ministry of Agriculture is initiating the preparation of the National Investment Plan for the Sustainable Development of the Agricultural Sector and Food Security for the period 2021–2030. The first draft will be available later in the year.

¹⁵⁹ The joint IMF-World Bank Debt Sustainability Analysis completed in December 2019, i.e. before the shock, found that Tajikistan remains at high risk of debt distress. The post-COVID-19 fiscal expansion and increased concessional borrowing as well as slower growth will increase total public debt from 45.4 % of GDP in 2019 to 47.6 % of GDP in 2020 (baseline scenario).

¹⁶⁰ Source: <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative> (accessed on August 25, 2020). On April 15, 2020, the World Bank's Development Committee and the G20 Finance Ministers endorsed the Debt Service Suspension Initiative (DSSI) in response to a call by the World Bank and the IMF to grant debt-service suspension to the poorest countries to help them manage the severe impact of the COVID-19 pandemic.

¹⁶¹ Law of the Republic of Tajikistan 'On the State Budget of the Republic of Tajikistan for 2020.' (#1693 dated July 4, 2020).

sectors and economic line items. In addition, the amended budget legislation introduces the following temporary measures¹⁶² which are intended to support businesses and livelihoods:

- Property tax holiday for all individuals (from May 1, 2020 until September 1, 2020); and
- Income tax rate for individual deposits in financial institutions is reduced by 50 % in accordance with Article 127 of the Tax Code of the Republic of Tajikistan (from June 1, 2020 until December 31, 2020).

Furthermore, the Government of Tajikistan is providing lump-sum assistance equivalent to minimum wage to vulnerable households and other socially disadvantaged groups. Most health workers receive supplemental pay to their monthly wages, while tariff increases on utility services (e.g. electricity, water and communal services) have been postponed until the end of 2020. Although there had been isolated reports of delayed salary payments in the second quarter of 2020, these delays were mostly dealt with and salaries fully disbursed by respective financial bodies. The government is also providing free medical care to citizens placed under medical care/treatment and COVID-19 patients, as well as sick leave and compensation benefits.

Business support measures

Business support measures introduced by the Government of Tajikistan are in line with the Decree of the President of the Republic of Tajikistan ‘On Countering the Socio-Economic Impact of COVID-19 Outbreak on the Republic of Tajikistan’ (#1544 dated June 5, 2020) and the Country Preparedness and Response Plan (CPRP) prepared by the Republican Task Force and endorsed by the Prime Minister. The full package of business support measures is estimated to cost approximately \$160 million in line with the CPRP and is intended to support MSMEs and employment through temporary tax concessions and relief to domestic producers and entrepreneurs. According to June 2020 estimates of the Ministry of Finance, these measures are estimated to cost more than 600 million somoni in forgone tax revenue.

Specifically, amended annual budget legislation introduces the following measures to support MSMEs:

- Tax holidays and fee waiver for late submission of tax declarations for businesses in the tourism and hospitality sector, recreational and sports centers, sanatoriums, food places, international passenger transport and air navigation (from April 1, 2020 until September 1, 2020);
- Tax exemption for individual entrepreneurs operating under a patent in local markets (bazaars), trading centers, shopping malls and consumer service points, including beauty salons, fashion houses, hairdressers and sewing workshops (from May 1, 2020 until August 1, 2020);
- Exemption of businesses which import disinfectants, medical supplies and personal protective equipment, other medical equipment and instruments for equipping medical laboratories, and other supplies required for COVID-19 testing from value added taxes (VAT), excises and customs duties (from July 1, 2020 until September 1, 2020);¹⁶³
- Exemption of medical facilities, hotels and sanatoriums, which are hosting, diagnosing and/or treating COVID-19 patients free of charge from corporate income tax (CIT), value added taxes (VAT), and automobile road user tax (from July 1, 2020 until December 31, 2020);

The Tax Committee under the Government of the Republic of Tajikistan has also introduced moratorium on tax and audit inspections of businesses. In the meantime, the Tax Committee and the Ministry of Finance are also drafting the amended Tax Code of the Republic of Tajikistan, which is meant to provide further ‘breathing space’ for businesses which have been affected by the coronavirus pandemic.

¹⁶² All of these measures have become retrospectively effective from April 1, 2020.

¹⁶³ The list of products/supplies which are exempt from VAT, excise duties and customs duties is approved by the Government of Tajikistan upon submission by the Ministry of Health and Social Protection of the Population (MoHSP) in consultation with the Ministry of Finance.

Through the state-owned Entrepreneurship Support Fund (ESF)¹⁶⁴ under the Ministry of Finance, the government is disbursing concessional loans to struggling MSMEs in need of urgent financing as a result of COVID-19, including businesses which produce and/or import food and medical products.

Monetary and financial measures

The National Bank of Tajikistan (NBT) has undertaken several measures to ease monetary and liquidity conditions of local financial institutions, which is intended to increase risk-hedged volumes of lending to MSMEs. The NBT has relaxed enforcement of prudential requirements to ease banking pressures and maintain credit provision to businesses and individual borrowers. In April 2020, the NBT recommended the banks to review loan terms to support borrowers facing temporary difficulties. It also recommended banks to waive penalties for businesses and individuals that face hardships in repaying their loan obligations between May 2020 and October 2020. To accommodate these the NBT waived supervisory sanctions (until September 1, 2020) against those banks that are providing adequate loan loss provisions and as a result fail to meet capital adequacy ratio and liquidity ratio. As a result, banks have already restructured more than 60,000 loans to MSMEs.

Despite a temporary waiver of penalties, financial institutions are required to ensure that established prudential requirements are met. The NBT has recommended that they do not pay dividends or bonuses to shareholders but keep these profits to boost capital. Financial institutions are exempt from paying fees for the settlement system and have been asked to avoid non-essential expenditures. To reduce further dollarization, the income tax rate for interest income on domestic currency deposits was lowered by 5% until December 31, 2020.

On May 1, 2020 the NBT has cut the policy interest rate from 12.75% to 11.75% to support businesses. It has also allowed a one-time 5% exchange rate depreciation in March 2020 and greater exchange rate flexibility to align the official rate with the market rate. On April 1, 2020 the NBT has also lowered required reserve ratios from 3% to 1% for local currency deposits and from 9% to 5% for foreign currency deposits. Furthermore, interest rate on bank deposits have been lowered from 12% to 6% from July 1, 2020 until December 31, 2020.

¹⁶⁴ The Entrepreneurship Support Fund is in the process of being restructured into a state-owned bank 'Sanoatsodirobank'.



IMPACT OF COVID-19 ON LIVES AND LIVELIHOODS

Photo Credits: Tahmina Rozikova

KEY CHARACTERISTICS OF SURVEYED HOUSEHOLDS

The survey consisted of 1,000 households who were distributed by geographic locations in Tajikistan proportionate to the distribution of the general population. In particular, 34 % of households (HHs) reside in Khatlon oblast, representing the largest group, while only 3 % are in GBAO (the smallest group). In total, 38.4 % of respondents were heads of their respective HHs (112 out of 384 are women), with 33.1% siblings of heads of HHs, and 18 % spouses of heads of HHs (of which 98.9 % were women). The remaining 10 % of respondents are shown in Figure 17. Approximately 69.2 % of HHs are located in rural areas, with 30.8 % of HHs residing in urban areas (i.e. towns and cities).

FIGURE 16: COMPOSITION OF SURVEYED HOUSEHOLDS BY GEOGRAPHIC LOCATIONS.

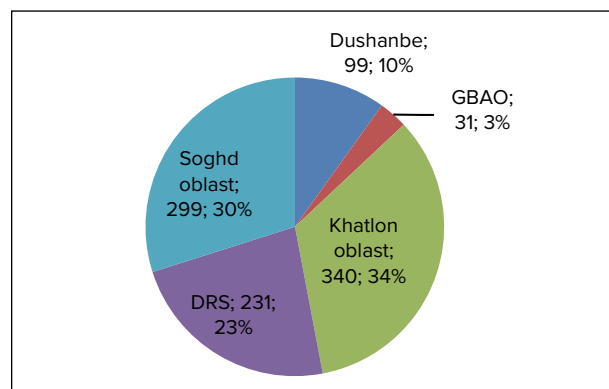
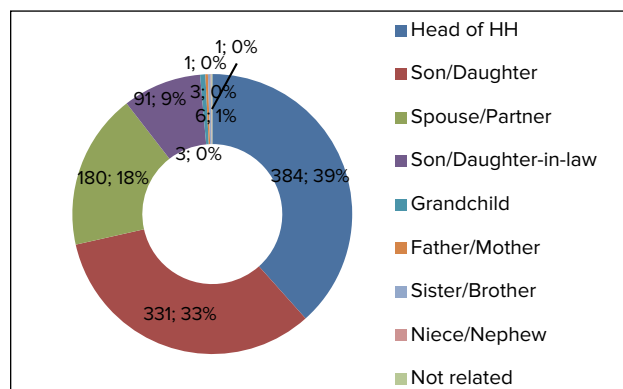


FIGURE 17: COMPOSITION OF RESPONDENTS BY STATUS IN THE HOUSEHOLD.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 16: N=1,000; Figure 17: N=1,000.

Among the surveyed respondents, 483 out of 1,000 HHs were women which is slightly below the minimum anticipated 50 % of the sample. Of the total number of women who were surveyed, 19 % were young (i.e. aged 15–24 years). At the same time, the proportion of youth among male respondents was higher (33.3 %) relative to female respondents. Overall, 26.4 % of all respondents were young.

FIGURE 18: COMPOSITION OF RESPONDENTS BY AGE GROUP AND GENDER.

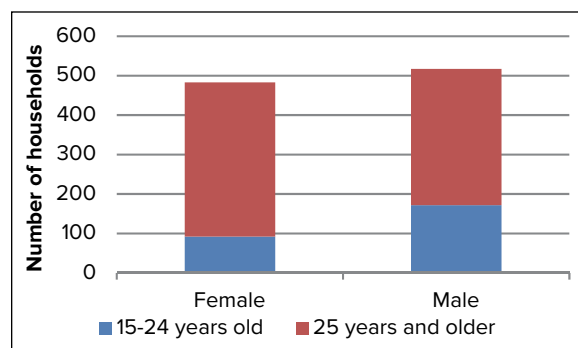
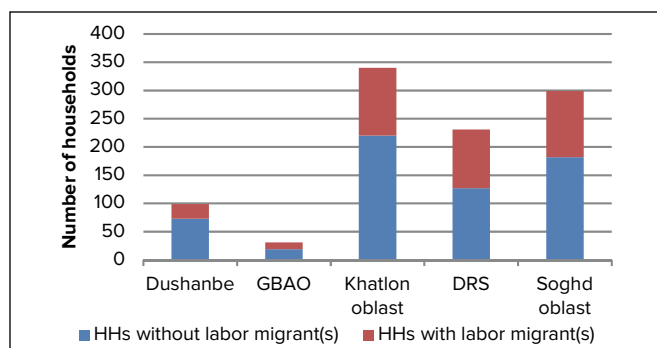


FIGURE 19: COMPOSITION OF SURVEYED HOUSEHOLDS BY GEOGRAPHIC LOCATIONS AND MIGRANTS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 18: N=1,000; Figure 19: N=1,000.

In general, 37.9 % of all surveyed HHs reported having at least one migrant labor, with regional variations showing a stark difference between urban and rural areas. This suggests strong positive correlation between HHs' income level and having migrant labor. For example, 26.3 % of HHs from Dushanbe (26 out of 99) reported having at least one labor migrant, compared to 39.1% of HHs from Soghd oblast (117 out of 299) and 45 % of HHs from districts of republican subordination, or DRS (104 out of 231). This shows that HHs in urban areas are less likely to send their HH members away on labor migration in comparison with HHs in rural areas.

Interestingly, 59.6 % of female respondents indicated that they have a HH member who is a migrant, but in accordance with statistics from the Agency for Statistics under the President this is not representative of the gender breakdown of all migrant labor in Tajikistan (whereby the majority are men). The higher share of women in migrant labor may be partly explained by higher demand for them due to wage discrepancies, as well as lower HH income with more female members, especially amongst the women-headed HHs.

FIGURE 20: COMPOSITION OF LABOR MIGRANTS IN THE SURVEYED HOUSEHOLDS BY GENDER.

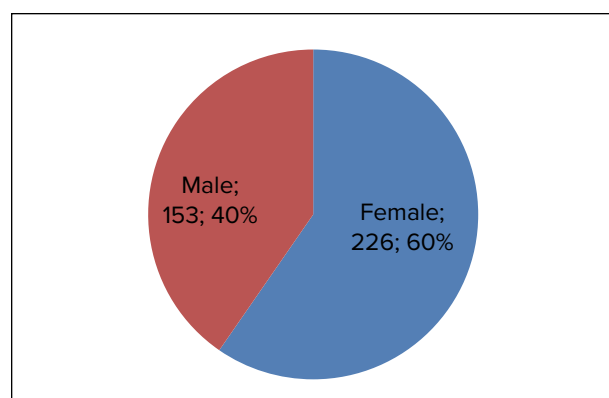
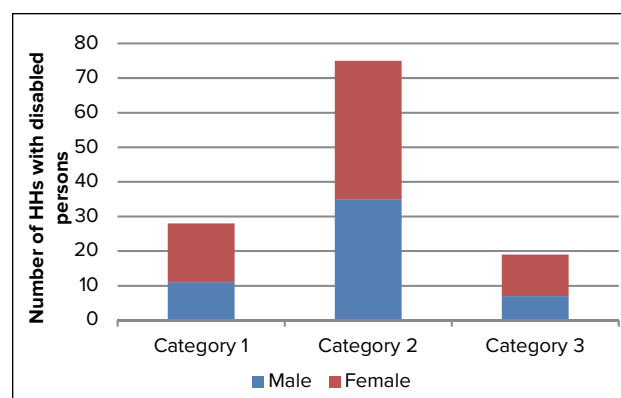


FIGURE 21: COMPOSITION OF SURVEYED HOUSEHOLDS WITH PEOPLE WITH DISABILITY AND GENDER.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 20: N=1,000; Figure 21: N=1,000.

Similarly, 12.2 % of all surveyed HHs reported having at least one person with disability, including 69 women and 53 men. Of 122 persons with disability, 30 persons had Category I disability, 82 persons had Category II disability, and the remaining 10 persons had Category III disability.

TABLE 8: AVERAGE NUMBER OF HOUSEHOLD MEMBERS BY KEY GROUPS.

	Average no. of HH members	No. of female HH members	No. of male HH members	No. of children under 15	No. of youth (15–24)	No. of retired persons
HHs with a labor migrant	7.5	3.6	3.8	2.4	1.2	0.5
HHs without a labor migrant	6.4	3.2	3.2	2.1	1.0	0.5
Dushanbe	6.1	2.8	3.3	1.8	1.1	0.4
GBAO	6.2	3.1	3.1	1.6	1.1	1.0
Khatlon oblast	7.0	3.6	3.5	2.4	1.0	0.5
DRS	6.3	3.1	3.2	2.1	0.9	0.5
Soghd oblast	7.3	3.5	3.7	2.4	1.2	0.6
TOTAL (average):	7.0	3.3	3.4	2.2	1.0	0.5

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

JOBS AND EMPLOYMENT

OVERVIEW

The latest comprehensive, relevant data are provided by the Labor Force Survey 2016 (LFS 2016),¹⁶⁵ published in 2017, and covering some aspects as lately as 2017. A summary of their findings related to main features of Tajikistan's labor market would serve well as the backdrop to the present assessment, with the strong assumption that they may have changed little in structure or substance since 2017. The data portray discrepancies which have widened over the past decade and a half, especially in terms of rural-urban employment and gender structure. The features provide some long-term and structural phenomena with the labor market in Tajikistan that even without the outbreak would have been in need of specific labor and employment policy reforms.

According to the LFS 2016, the rural economy has remained by far the largest source of employment. The share of employment in the rural areas has only slightly decreased from 80 % to 75.4 % during 2004 and 2016.

Overall, formal sector employment in Tajikistan is dominated by men whose likelihood of market entry and employability are higher compared to women. The proportion of employed men has increased from 53.4 % in 2004 to 59.5 % in 2016, with the reversal trend for women over the same period, decreasing from 46.6 % to 40.5 %. The share of women among those who hold top management positions was 24.1 %.

The age structure of employment has seen a gradual decline in the proportion of young people¹⁶⁶ as opposed to the adult employment rate, which has constantly grown from 56.3 % in 2004 to 68.9 % in 2016. In general, the women's employment rate (40.5 %) was significantly lower than men's (59.5 %) and the youth unemployment rate (15–29 years old) stood at 10.6 %, twice higher than the adults (30–75 years old) and more than 1.5 times more than the national average. The gender gap in labor market reflects women's domestic responsibilities and other social factors (such as spousal refusal) which affect employment and employability. This is also supported by survey findings as shown in Figure 26. Relatively low employment participation rates of women reflect a long standing pattern, which was demonstrated by earlier assessments by UNDP.¹⁶⁷

Unskilled workers formed the largest group (27.4 %), compared to professionals (14.8 %) and service and trade workers (11 %). Amongst the employed youth, 58.7 % did not have matching education for their acquired qualifications. This rate was slightly lower for the adults, standing at 50.2 %. This can imply a generally an economy with average low-productivity.

According to LFS 2016, the share of informal employment was 15.6 % of the total number of employed persons. The majority of persons employed in the informal sector¹⁶⁸ were men (79.8 %), consisting of those working for their own account (30.9 %) and as employees (29.3 %). Furthermore, a large number of workers with informal employment were engaged in the formal sector, forming 16.2 % of the total employees in the formal sector. Notably, 29.4 % of the total employed population had informal employment without any social security, paid sick leave and paid annual leave.

¹⁶⁵ http://oldstat.www.tj/en/img/de8558ce74dda7d9d14c5f7b0cdea0a2_1518005366.pdf

¹⁶⁶ LFS 2016 uses a slightly different description of young-age population compared to the present survey; 15–29 compared to 15–24 respectively, which subsequently also affects the description of adults working age.

¹⁶⁷ Khitarishvili, T. 2016. *Gender Inequalities in Labor Markets in Central Asia*. Paper prepared for the joint UNDP/ILO Conference on Employment, Trade and Human Development in Central Asia. Almaty. p.6 and p.20.

¹⁶⁸ With regard to Informal sector and informal employment, it should be noted that according to ILO's recommended methodology, agriculture was excluded from the calculation of employment in the informal sector by LFS 2016. If included, the ratios for informal employment would have been much higher. The informal employment included all persons aged 15–75 years old who were engaged in unregistered private business or worked in unregistered enterprises where the accounting of the income and expenses were not maintained or recorded.

Furthermore, available data suggest that the private sector's role in the economy remains limited, contributing on average over the recent years to only 13 % of formal employment and 15 % of total investments.

In the context of the recent survey related to COVID-19 outbreak, it should be noted that it is not a Labor Force Survey, nor a Household Budget Survey, hence differences in methodology and scope of the questionnaires should be emphatically noted. In this survey, for instance, period of 3 preceding months (March-May) was considered to allow for a more comprehensive context of employment status, as well as associated changes in income and consumption for HHs and production and staffing for MSMEs. The choice of period as well as the nature of the questionnaires were meant to provide the supply and demand sides to the labor market and consumption of goods and services. The response rate to questions on employment, employability and other labor market characteristics were understandably reserved, with at least some respondents preferring not to disclose information. Reasons for non-disclosure differ and could include stigma attached to being unemployed, lack of trust in the interviewers, and reluctance to disclose income for tax purposes. This could have had some implications on the main findings of the assessment. Furthermore, although no specific question referred to more technical issues such as labor productivity, the selected sectors can be assumed to be characterized by low productivity, judged by the wages, level of qualifications of the workforce, and lack of competitive opportunities. This is further verified and compounded by the share of capital investment expenditure, especially in human resources, both in public and private sectors (See Chapter 5 for further details).

TABLE 9: TOP 10 ECONOMIC SECTORS IN WHICH RESPONDENTS WERE EMPLOYED (March-May 2020).

	1st option	2nd option	3rd option
Agriculture (including subsistence farming)	87	13	0
Education (including private tutoring/mentoring)	61	13	1
Construction, building trades and architecture	59	3	3
Health and pharmaceutical industry	48	11	1
Retail trade (including cross-border trade)	39	7	0
Transport industry and transportation services	27	6	3
Social services (including nursing and care)	27	6	1
Manufacturing and processing (including textiles)	30	4	0
Business and administration (w/o secretarial work)	30	0	1
Cleaning, laundry, dry cleaning, and domestic work	18	5	0
TOTAL:	426	68	10

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=426.¹⁶⁹

In total, 491 out of 1,000 respondents¹⁷⁰ reported having been employed in the three months between March 2020 and May 2020. This finding is evidently higher than registered unemployment rates because people are generally reluctant to register as unemployed due to lack of incentives, lack of trust in the job centers, and stigmatization of financially disadvantaged population. The choice of the period allowed for most of the immediate effects of the pandemic to be translated into the job market, as well as inclination of retaining employment for a minimum period of three months. It is plausible that respondents worked on more than one job as a result of needing to earn more income. The majority of those who had a job in the three months concerned were dehkan farmers and other agricultural producers (representing 16.9 % of the total employment), and 11 % engaged in the construction sector as plasterers, bricklayers, electrical

¹⁶⁹ Not everyone responded to the question or provided meaningful analysis which could have brought value to the analysis.

¹⁷⁰ Responses from adolescents, which represent 1 % of the total sample (i.e. 3 respondents aged 16 and 7 respondents aged 17), were discounted from the calculation. Their exclusion does not significantly alter the survey findings.

workers, fitters, crane operators, and other specialists. At the same time, 22.8% of respondents worked in education and health sectors, often in public sector institutions, which signifies the important role that Tajikistan's large public sector plays in formal employment. Two other biggest sectors were retail trade (often salespersons in local markets and bazaars, or cross-border traders) and transportation services (e.g., taxi and lorry drivers, or road maintenance specialists).

There were significantly more respondents reporting having been employed by a private enterprise in urban areas (32.1%) compared to rural areas (13.1%). Partnerships (including dehkan farms) comprise 20.9% of employment in rural areas, compared to 6.4% of employment in urban areas. Similarly, 25.4% of employment in rural areas were self-employed (e.g. individual entrepreneurs), while this proportion in urban areas is only 16%. These findings correspond to the general structure of economic sectors and labor market features in the country. A larger share of adults worked in private enterprises compared to young people (18.4% compared to 9.8% respectively). Significantly more men were self-employed (25.1%) than women (16.7%), while 18 out of 491 of all respondents (3.7%) who reported having been employed over March-May 2020 stated working for an unregistered enterprise, i.e. informal economy. This proportion of people working on a non-registered basis is not representative of the actual size of informal sector in Tajikistan because carrying out interviews by the phone may have affected the quality of responses to sensitive questions such as on informal employment (See Figures 22 and 23).

FIGURE 22: EMPLOYMENT OF RESPONDENTS DURING MARCH-MAY (BY TYPE OF WORK).

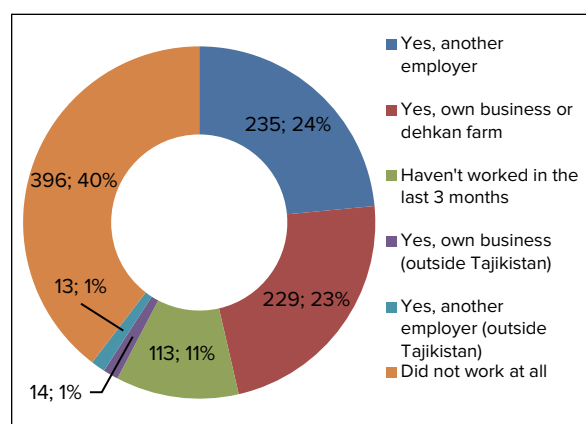
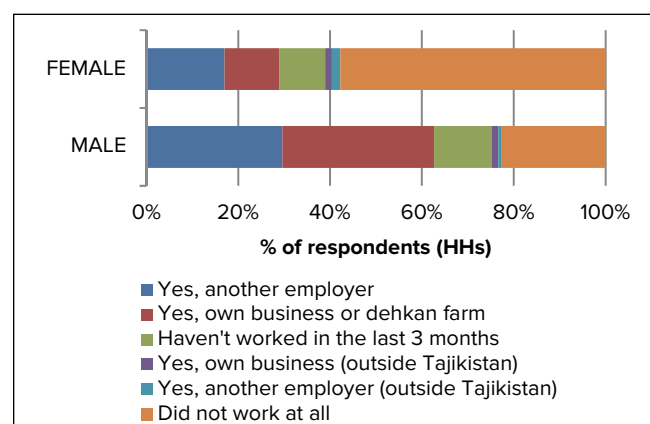


FIGURE 23: EMPLOYMENT OF RESPONDENTS IN THE PAST 3 MONTHS (BY TYPE OF WORK AND GENDER).

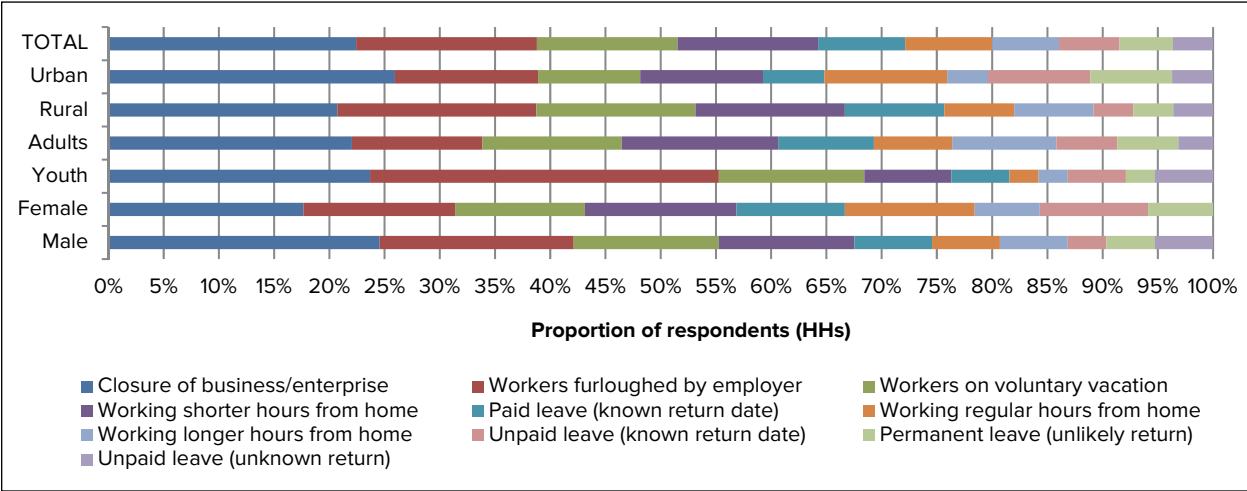


/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 22: N=1,000; Figure 23: N=1,000.

Only 4.2% of all young girls (aged 15–24) in the surveyed HHs had a job in the three months concerned, compared to 13.1% of young boys. There is gender discrepancy amongst both the youth and the adults (as well as the elderly) in Tajikistan's labor market, with only marginal change over the past generation. Similar discrepancy in the proportion of those who had a job is also visible among adult men (81.9%) and adult women (30.8%), and among elderly men (76.2%) and elderly women (27.5%). The survey showed that in 1,000 HHs there were 2,271 men and 732 women who had had a job during March-May 2020, equaling on average 3 HH members employed in each HH. Bearing in mind that on average, there are 7 members in each HH (See Table 8), it means that more than 40% of all HH members have been employed in the period concerned. This is a much higher ratio than in high-income economies, indicating the structural differences in job and labor markets and that gender disparity in employment has widened over time. This demonstrates that workforce participation rates are relatively high among surveyed HHs. However, as Figures 22–23 show, this also implies that many are employed informally or temporarily and mainly in low-paid jobs, exacerbating income volatility and increasing financial vulnerability. Besides, gender disparities are significant. Men occupy more than 3/4 of the total (reported) employment whereas women on average have fewer opportunities to get a job, due to family obligations or restrictions, child-care responsibilities, housework and other reasons. These are further confirmed by fundamentally different reasons between

men and women for not seeking employment. Whereas for men it is likely to be a temporary reason, such as the uncertainties about COVID-19, for women the reasons are more structural, such as HH obligations or lacking in required qualifications (See Figure 24).

FIGURE 24: WAYS IN WHICH EMPLOYMENT OF INDIVIDUAL RESPONDENTS HAS BEEN AFFECTED BY COVID-19.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 24: N=238.

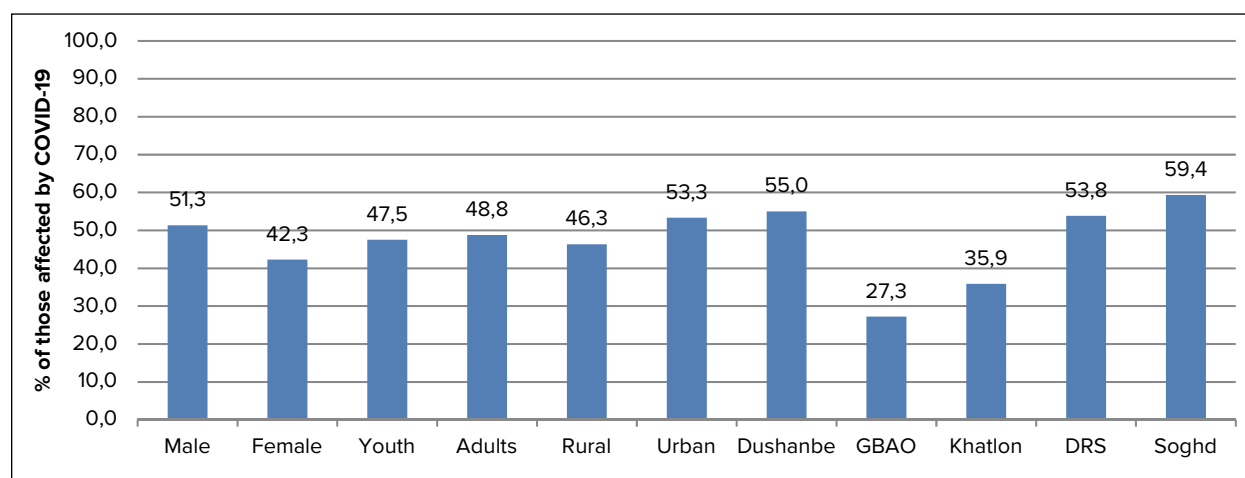
Key findings:

1. Public sector continues to be a significant urban, formal employer in Tajikistan, as reflected in the representative sample, based upon which a large proportion of respondents were employed in the public sector such as educational institutions and health facilities.
2. In general, the structure of employment in the sample is consistent with the labor market features in Tajikistan regarding sectoral, regional, gender and age composition of employment.
3. Employment rate during the first 6 months of the pandemic aftermath among the respondents was reportedly higher than expected (40 % of all HH members). However, the majority of jobs held by respondents are relatively low-paid and in low-productivity activities, including agriculture or production for own consumption, which will have long-term implications for sustainability of income and economic growth.
4. Domestic employment is dominated by men whose likelihood of market entry and employability are relatively higher compared to women in Tajikistan. This finding also holds true for youth (aged 15–24) and has only marginally changed since the early 2000s.
5. Social factors, such as unpaid and larger share of housework, childcare and marital obligations affect women’s mobility and time management, which disadvantages them in terms of employment and employability. These are compounded by weaker access to information, options for self-development, social biases about girls’ education and career seeking, and responsibilities for health care of extended family members. These are visibly prevalent in rural areas (See ADB, 2020). Notably, this provides a rather sharp contrast with pre-market liberalization, whereby like all other CIS countries, Tajikistan had a more equitable gender participation in its labor market.
6. Structural, long-term unemployment seems to apply more to women than men.

OVERALL IMPLICATION OF COVID-19 ON LIVELIHOODS

Of the 491 individuals who were employed at the time of the survey, 238 (48.5 %) reported their employment status or working conditions having been affected by the COVID-19 outbreak. A relatively lower proportion of affected residents in GBAO is explained by low employment of respondents, which is different from Soghd oblast where employment is much higher, hence increasing job vulnerability. Same logic is applied when comparing the proportions among men and women, whereby significantly more men reported having been employed and expected to earn a living for their HH. In rural areas, residents have greater variety of coping mechanisms, particularly if they happen to have a land plot or livestock which smoothens the negative impact of likely changes in employment (such as through subsistence farming). This could also imply that rural HHs have less exposure and less vulnerability to shocks compared to urban HHs, but if they fall into poverty trap, then it is likely that they will experience more sustained poverty in the long term.

FIGURE 25: PROPORTION OF RESPONDENTS (WHO HAD BEEN EMPLOYED IN THE PRECEDING 3 MONTHS) WHOSE EMPLOYMENT WAS AFFECTED BY THE COVID-19 OUTBREAK (BROKEN DOWN BY KEY TARGET GROUPS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=238.

Since the COVID-19 outbreak, 117 out of 509 respondents (23 %) had tried to find paid jobs but it is unclear how they may have sought employment, e.g. via employment centers or simply by looking out for job announcements in local media outlets or word of mouth or gathering at some casual labor hiring spots. In the meantime, only 16.8 % of women and girls had been seeking paid jobs since the COVID-19 outbreak, compared to 34.1 % of men. In addition, 32.4 % of young people were also in search of employment opportunities, compared to 19.3 % of adults. This difference is probably attributed to the relatively higher mobility of young people relative to adults. As noted earlier, women are more constrained than men, both socially, domestically and most probably in required skills and qualifications, which significantly restricts their market entry, employment, and employability.

The majority of the remaining 392 respondents who did not seek to find paid jobs since the COVID-19 outbreak had in fact claimed that they: (i) were engaged in housework which prevents them from looking out for a job (27 % of all respondents not seeking employment), (ii) are awaiting for the situation to improve (21.4 % of respondents), (iii) perceive that there are no jobs (16.3 % of respondents), (iv) have entered retirement age (15.1 %), and (v) are studying or intend to study (8.4 %).

TABLE 10: TOP 10 REASONS FOR NOT SEEKING EMPLOYMENT SINCE THE COVID-19 OUTBREAK.¹⁷¹

	Men	Women	TOTAL
Housework	3	103	106
Awaiting the COVID-19 situation to improve	48	36	84
There are perceivably no jobs in the market	25	39	64
In retirement (or considering retirement)	17	42	59
Studying (or intending to study)	18	15	33
Child caretaking responsibility (including pregnancy or lactation)	0	27	27
Temporary sickness (except chronic disease or disability)	7	14	21
Spouse does not allow	0	12	12
Disability (preventing mobility or limiting employability)	4	8	12
Awaiting to leave Tajikistan on labor migration	10	1	11
TOTAL:	132	297	429

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=392.

As captured by Figure 26 below, only 2 % of men had stopped seeking work due to household responsibilities, as opposed to 35 % of women. Similarly, 15 % of men were not seeking jobs due to being engaged in studying, as opposed to only 5 % of women, most probably both amongst the youth age group. Furthermore, for nearly 10 % of women, childcare was the reason for not seeking jobs, whereas none amongst men indicated that factor. These observations signal the fundamental and structural gender discrepancies in the employment and labor market contexts in Tajikistan. This means that most probably unemployment is more structural and prolonged for women, as compared to men due to more significant lack of qualifications, social and economic mobility barriers, and lack of opportunities for professional training.

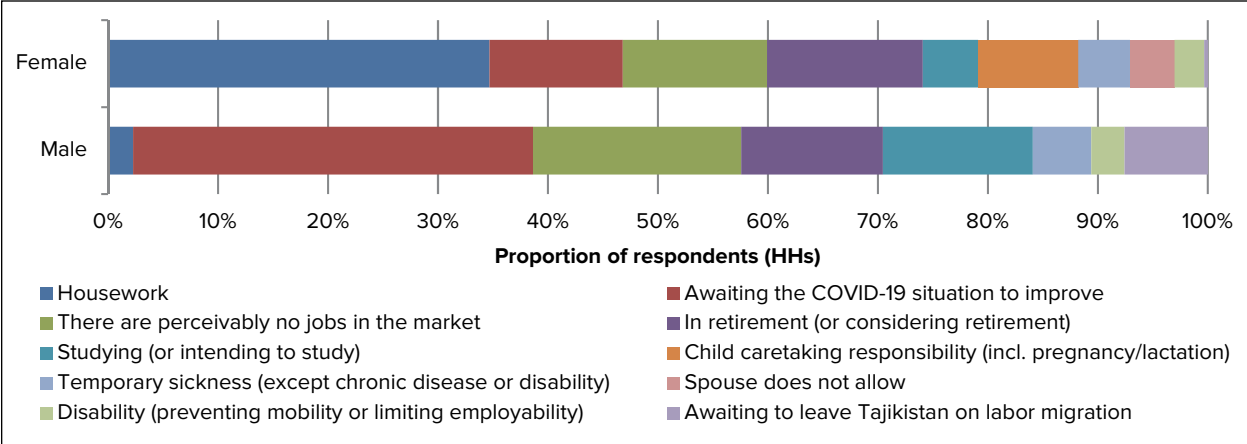
With regard to the reasons they had lost their work, Table 11 summarizes the findings. Notably, 15.6 % of respondents said that they were forced to close their business, meaning either filing for bankruptcy of their enterprise or voiding certificates (or patents) as individual entrepreneurs. In addition, 3.4 % of workers were put on unpaid leave with unlikely return to their workplace which effectively means that they were fired as a result of reduction of the activities and staffing at their workplace. Other employers had reportedly found some alternative ways of adapting to circumstances, such as allowing to work shorter hours from home (21 out of 238 workers, or 8.8 % of all respondents) or putting workers on leave while also preserving their remuneration (18 out of 238 workers, or 7.6 % of all respondents). To that end, the cost of job retainment is the sole responsibility of employers, i.e. there are no publicly-funded job retainment schemes in Tajikistan.

Generally, the findings of the survey are consistent with some other recent assessments. According to a recent World Bank report,¹⁷² domestic employment sharply deteriorated in May. The share of household reporting that no member had worked in the preceding 7 days spiked from 20 % in March to nearly 40 % in May. The share of household heads reported as having worked in May fell by 16 percentage points over the same period. Nearly 63 % of respondents report changes to the working conditions of members due to COVID-19, and about 8 % of those who halted work were reported as ‘unlikely to resume.’

¹⁷¹ Respondents could choose more than one response option (through a multiple-choice question), which is why the total number of affirmative responses (N=429) does not necessarily correspond to the sample size (N=392).

¹⁷² World Bank. 2020. *Tajikistan: Country Snapshot*. Dushanbe, April 2020.

FIGURE 26: TOP 10 REASONS FOR NOT SEEKING EMPLOYMENT SINCE THE COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=392.

TABLE 11: WAYS IN WHICH EMPLOYMENT WAS AFFECTED BY THE COVID-19 OUTBREAK.

	Men	Women	Youth	Adults	Rural	Urban	TOTAL
Closure of business/enterprise	28	9	9	28	23	14	37
Workers furloughed by employer	20	7	12	15	20	7	27
Workers on voluntary vacation	15	6	5	16	16	5	21
Working shorter hours from home	14	7	3	18	15	6	21
Paid leave (known return date)	8	5	2	11	10	3	13
Working regular hours from home	7	6	1	9	7	6	13
Working longer hours from home	7	3	1	12	8	2	10
Unpaid leave (known return date)	4	5	2	7	4	5	9
Permanent leave (unlikely return)	5	3	1	7	4	4	8
Unpaid leave (unknown return date)	6	0	2	4	4	2	6
Paid leave (unknown return date)	3	2	1	4	2	3	5
Respondents did not specify	55	13	19	49	45	23	68
TOTAL:	172	66	58	180	158	80	238

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=238.

In any impact assessment, establishing the counterfactual is important. Therefore, the survey has also determined that in the absence of the COVID-19 outbreak, 376 respondents (out of 1,000) would have probably engaged in own entrepreneurial activity and a further 88 respondents (out of 1,000) would have scaled up their existing business. On average, more than 60 % of respondents from urban areas and youth argued that they would have opened their own business if their current circumstances were different and more conducive. However, this was a hypothetical question which helped to determine the degree of vulnerability of the surveyed HHs. The finding reiterates the importance of entrepreneurial spirit in Tajikistan and also highlights constraints that the COVID-19 outbreak imposes on people’s lives and aspirations.

Key findings:

1. Compared to urban areas, HHs in rural areas appear to have a greater possibility of coping options to withstand the risk of falling incomes and changes in employment. This is because HHs in rural areas are more likely to have ownership of land plots, cattle, or orchards which can be utilized for subsistence farming or generate alternative sources of subsistence and income at the time of hardship. The survey hypothesized that HHs in urban areas would have fewer coping options available to them, which was confirmed through the survey.
2. Almost a quarter of respondents (23%) have tried to find paid jobs since the COVID-19 outbreak, which could indicate that the outbreak must have contributed to the pre-COVID 19 rising unemployment levels. Of those who did not seek employment, many are either not available for work (e.g. due to family obligations) or awaiting the risk of coronavirus pandemic to subside.
3. Gender and age disparity are also evident among respondents seeking employment. Women are more at risk of long-term unemployment, measured by barriers to entry and reasons for not seeking jobs. There are significantly more young men looking out for jobs since the COVID-19 outbreak than any other demographic category.
4. Some of the sample HHs contained an entrepreneur member. The local entrepreneurs' coping strategies appear to be limited. For instance, the most common actions taken by entrepreneurs were: (i) closure of business, (ii) furloughing of staff, or (iii) placing staff on vacation. Only a small fraction of entrepreneurs initiated flexible and adaptive approaches, such as allowing staff to work remotely and for shorter hours.
5. The COVID-19 outbreak has restrained entrepreneurial activity. A large share of respondents indicated that they would have probably engaged in entrepreneurial activity (37.6%) or scaled up their business (8.8%). However, this is highly hypothetical, depending on the perception of the respondents only, in the absence of more comprehensive appraisal of the business environment without the pandemic.

MIGRANT LABOR

According to the survey, 37.9% of all surveyed HHs reported having at least one migrant labor, as pointed out earlier. A total of 13.5% of all surveyed HHs reported having two or more migrant. This means that almost 40% HHs in Tajikistan have at least one migrant. In total, the surveyed HHs reported having 624 migrant labor, of which 86.9% were outside Tajikistan in the preceding 12 months, mainly working in construction, retail trade, and care/personal services in the Russian Federation. At the time of the survey, 83.4% of all migrants were away from home and outside the country.

FIGURE 27: THE MAIN REASONS WHY LABOR MIGRANTS HAVE NOT RETURNED TO TAJIKISTAN (FROM THEIR DESTINATION COUNTRY).

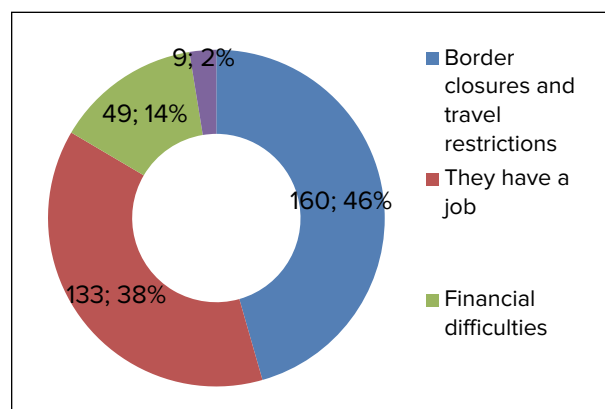
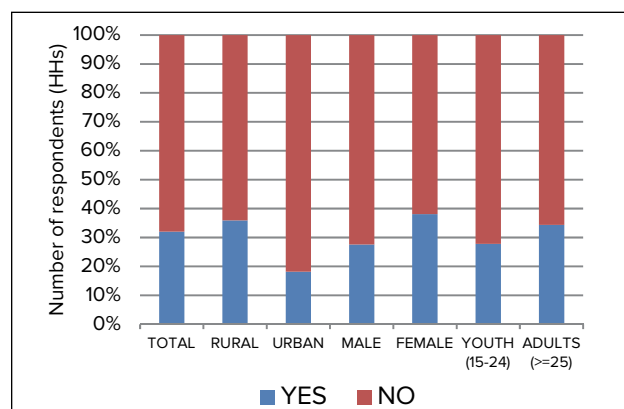


FIGURE 28: WHILE MIGRANTS CANNOT LEAVE TAJIKISTAN, HAVE THEY BEEN ABLE TO SECURE SOME PAID JOB OR WORK IN THE COUNTRY?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 27: N=379; Figure 28: N=379.

On average, the migrants were outside Tajikistan for about 249 days in the preceding 12 months, i.e. they spent 68.2 % of their time away from their HHs, often leaving behind their spouses and children. There are regional variations, however. For instance, migrants from GBAO had spent on average 347 days (out of 365 days) outside Tajikistan, compared to 229 days (out of 365 days) being away from home by migrants from DRS. This variation could be explained by: (i) lack of labor market opportunities in their respective geographic locations, and, consequently, (ii) greater variation in real or probable poverty incidence across the geographic locations within Tajikistan.

According to the survey results, at least 46 % of all migrant labor have been affected by the border closures and other travel restrictions, limiting the possibility to return to Tajikistan. Another 14 % reported financial difficulties but they may not necessarily be attributable to COVID-19 situation because many migrants have continuously been financially constrained, often forcing them to choose the cheapest lodging and meals in the destination country. In turn, 80 % of migrants who are currently in Tajikistan argued that border closures prevented them from leaving the country for work. Only 32 % of them have been able to secure some paid jobs in Tajikistan while others are awaiting travel restrictions to be lifted in order to continue working in Russia and other neighboring countries such as Kazakhstan, the Kyrgyz Republic and Uzbekistan. In the meantime, it is presumptuous to expect the demand for migrant labor to remain unaffected in the destination countries and that once restrictions are lifted, migrant labor will all return to their pre-COVID jobs and marketplaces. And 10 out of 16 returning migrants who have found some paid jobs in Tajikistan argued that their current earnings did not compensate for the income they would have earned abroad.

In general, 292 out of 379 HHs (or 77 % of all surveyed HHs that reported having at least one migrant labor) reported that the migrants support them financially by regularly remitting money back home. The remaining 23 % either receive support from migrant labor on *ad hoc* basis or not at all, citing their financial struggles. This means that HHs are heavily dependent on these remittances, which have been adversely affected by border and travel restrictions imposed by governments in response to the COVID-19 outbreak. Besides, according to the World Bank, remittances have greatly contributed to the decline in poverty rate to 27.4 % in 2018, which confirms their significant role not only in HH incomes and consumption levels, but also on the income distribution strata.

TABLE 12: THE MAIN REASONS OF MIGRANT LABOR FOR RETURNING TO TAJIKISTAN (PRE-COVID).

	Men	Women	Youth	Adults	Rural	Urban	TOTAL
Family obligations or commitments	8	11	9	10	15	4	19
Homesick (want to see family)	3	5	2	6	6	2	8
Seasonality (temporary nature of job)	4	0	1	3	4	0	4
Difficulty obtaining work abroad	3	1	1	3	2	0	4
Financial difficulties	2	1	1	2	2	1	3
Deportation by host country	2	1	0	3	2	1	3
Other different reasons	5	10	4	5	7	2	9
TOTAL:	21	29	18	32	39	11	50

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=50.

These findings stress the particularly high financial vulnerability of migrant labor for several reasons: the unknown period of borders closures, the high probability of diminished economic activities and demand for emigrant labor in recipient countries after the borders re-open and the lack of alternative domestic employment opportunities. The data are further verified by the World Bank report,¹⁷³ which provides the following conclusions: (i) Tumbling remittances are expected to push the poverty rate higher; (ii) Future migration expectations have evaporated (or significantly diminished), and (iii) The share of HHs with current migrants abroad remains quite high.

Key findings:

1. The labor market is characterized by high ratios of employment in informal sector or migration; both mostly in low-skill and short-term contexts.
2. The workforce and the labor market in Tajikistan heavily feature migrant labor (40 % of HHs reported having at least one migrant member).
3. Remittances continue to play a significant role in fueling domestic consumption and contributing to HH incomes. Almost one in four HHs have at least one migrant labor. The COVID-19 outbreak has significantly affected those HHs' incomes and consumption.
4. One of the pre-survey hypotheses was that HH consumption would go down as a result of falling incomes. This is confirmed by the findings, given that about 77 % of surveyed HHs reported that the migrants support them financially, which increases HH vulnerability through exposure to changes in employment of migrant labor in Russia and other neighbouring countries.
5. Travel restrictions negatively affected migrant labor from Tajikistan. Almost half of all migrant labor had difficulties returning to Tajikistan from their destination countries due to border restrictions. At the same time, 68 % of migrant labor could not leave Tajikistan to work abroad, and only one third of them could find some paid jobs in the country.

INFORMAL SECTOR

The size of informal economy in Tajikistan continues to be large, affecting coping options available to citizens. At the same time, credibility and accuracy of data on the informal sector largely depend on open and honest responses which at times have been difficult to collect through phone interviews. Notwithstanding these limitations, respondents cautiously reported informal employment through the survey.

Overall, 36.7 % of respondents who reported having a job over March-May 2020 (i.e. 180 out of 491 persons) had in fact worked informally, without a contract or for an unregistered enterprise. The proportion of informally employed workers is different among men (42.7 %) and women (33.8 %) and is relatively high in both groups. Geographically, informal workers are almost evenly spread out; 35.6 % of workers in rural areas are informally employed, compared to 30.5 % of workers in urban areas. At the same time, the share of the youth (aged 15–24) who are informally employed is much higher than the share of informally employed adults. Specifically, 46.6 % of the youth were informally employed, compared to 28.6 % of adults. This could be partly explained by: (i) lower education level of the youth compared to adults, which forces them to seek informal employment to provide for their HHs; and (ii) rising demands of local employers in the formal economy who often seek labor with skills or experience, which young people may not possess; and (iii) lower wages and not having to observe any labor law and regulations making it more commercially attractive for employers.

¹⁷³ World Bank. 2020. *Tajikistan: Country Snapshot*. Dushanbe, April 2020.

FIGURE 29: THE NATURE OF RESPONDENTS' EMPLOYMENT IN THE PAST 3 MONTHS (BY GENDER).

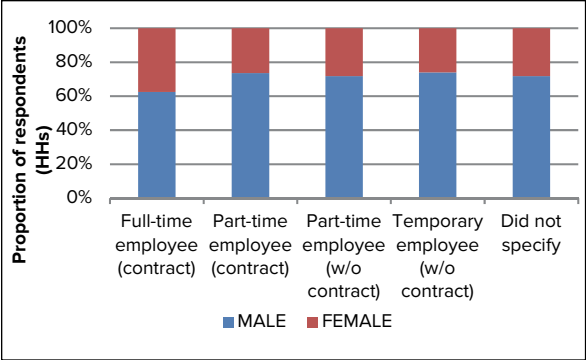
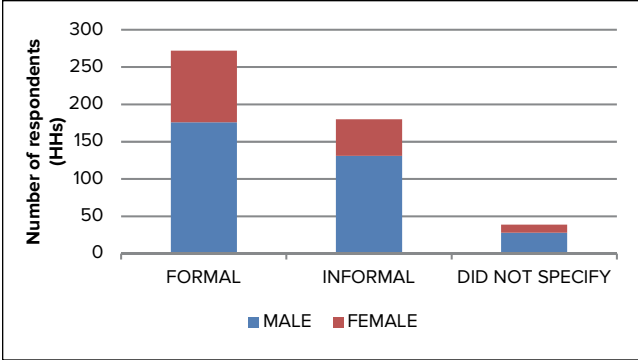
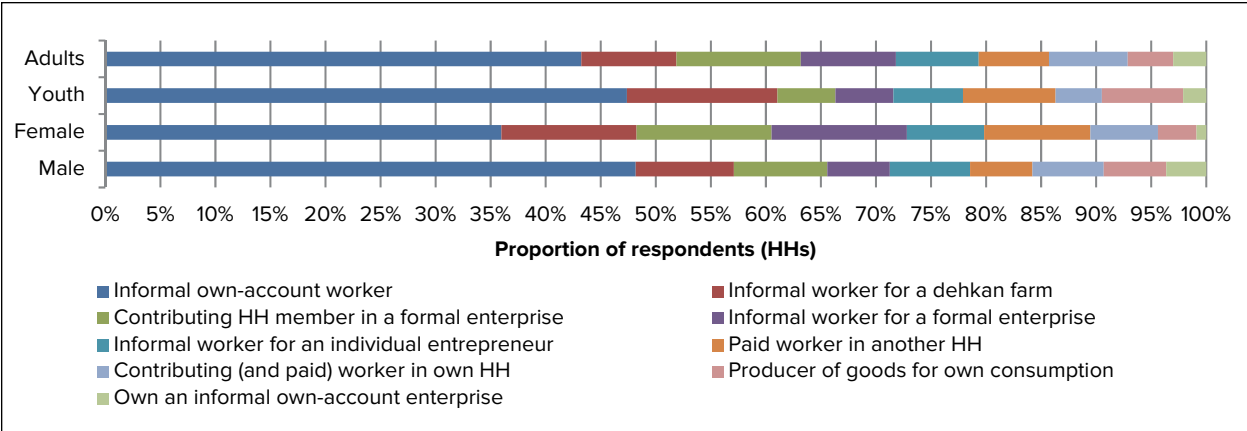


FIGURE 30: PROPORTION OF WOMEN IN SURVEYED HOUSEHOLDS WHO HAVE BEEN EMPLOYED IN THE PAST 3 MONTHS (BY AGE GROUPS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 29: N=491; Figure 30: N=491.

FIGURE 31: BREAKDOWN OF NON-REGISTERED (i.e. INFORMAL) EMPLOYMENT AND SUBSISTENCE FARMING AMONG SURVEYED RESPONDENTS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=180.

While informal employment in Tajikistan’s domestic market is already high, it could further expand due to COVID-19 outbreak to the detriment of government revenues and the population’s low resilience to withstand future socio-economic shocks. In particular, 38.6 % of all respondents emphasized that they would accept a non-registered job as a result of having been affected by the COVID-19 situation. The proportion of respondents willing to consider transitioning into informal employment or seeking their first job in the informal sector varies between 33.3 % and 43.5 % depending on the target group (See Figure 32). The share of respondents willing to accept a non-registered job is predictably higher among those who reported their job/work having been affected by the COVID-19 outbreak (See Figure 33).

Notably, the shares of women and youth working informally in the formal sector, both around 16 %, is higher than for men, at approximately 10 %. Because of the lower barriers to entry in the informal sector, there are more women employed on a non-registered basis than men. Besides, informal work is often available to young, inexperienced and unskilled workers, whereas women may be more inclined to seek informal jobs because of the flexibility that informality provides to them.

TABLE 13: DISTRIBUTION OF INFORMAL EMPLOYMENT AMONG RESPONDENTS (SURVEYED HHs).¹⁷⁴

	Men	Women	Youth	Adults
Informal own-account worker	119	41	45	115
Informal worker for a dehkan farm	22	14	13	23
Contributing household member in a formal enterprise	21	14	5	30
Informal worker for a formal enterprise	14	14	5	23
Informal worker for an individual entrepreneur	18	8	6	20
Paid worker in another household	14	11	8	17
Contributing (and paid) worker in own household	16	7	4	19
Producer of goods for own consumption	14	4	7	11
Own an informal own-account enterprise	9	1	2	8

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=180.

FIGURE 32: AS A RESULT OF HAVING BEEN AFFECTED BY COVID-19, WOULD YOU ACCEPT A NON-REGISTERED (INFORMAL SECTOR) JOB?

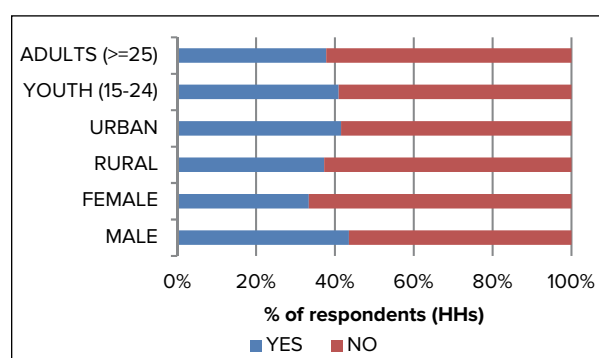
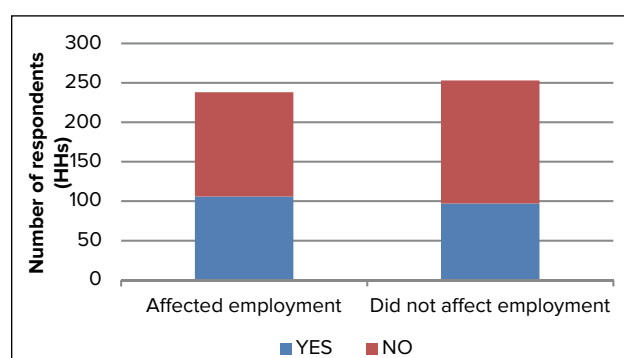
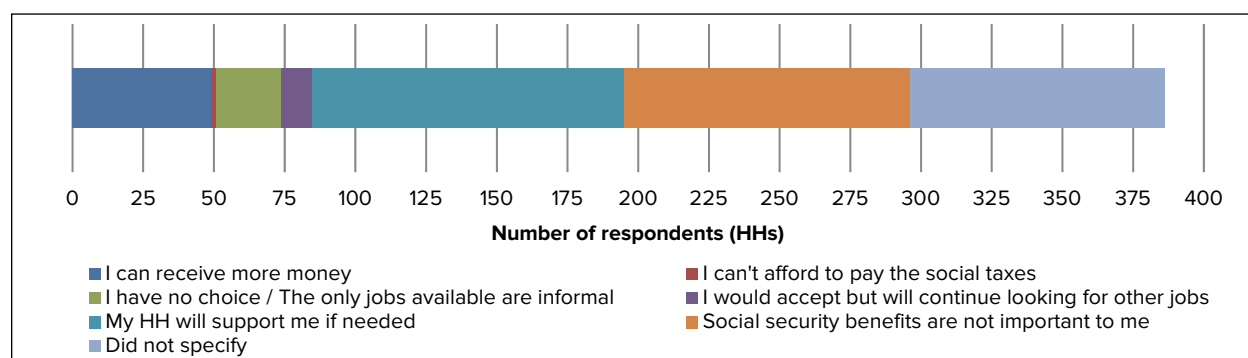


FIGURE 33: AS A RESULT OF HAVING BEEN AFFECTED BY COVID-19, WOULD YOU ACCEPT A NON-REGISTERED (INFORMAL) JOB?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 32: N=1,000; Figure 33: N=491.

FIGURE 34: MAIN REASONS WHY RESPONDENTS WOULD ACCEPT A NON-REGISTERED (INFORMAL SECTOR) JOB.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=386.

¹⁷⁴ Respondents could have picked more than one response choice, which is why these numbers cannot be aggregated.

Notwithstanding the COVID-19 situation risking to potentially expand the informal sector in Tajikistan, respondents seem to be equally likely to accept a non-registered (i.e. informal sector) job in the absence of COVID-19 and its effects on their employment and livelihood. This again shows that informal economy is on the rise in any case.

Key findings:

1. Employment among surveyed respondents was reportedly higher than the national average, but a large share of it was non-registered employment. One of the pre-survey hypotheses was that informal sector in Tajikistan is relatively large, although it is problematic to measure its size in any economy, even if triangulation methods were to be used. According to the survey, almost 37 % of employment is reportedly non-registered (i.e. consisting of non-registered jobs).
2. The informal sector in Tajikistan has been expanding even before the COVID-19 outbreak, partly due to excessive business regulations and incentives of market players to minimize costs.
3. The COVID-19 outbreak is likely to have expanded Tajikistan's informal sector. On average, almost 40 % of respondents would reportedly accept a non-registered, informal job as a result of having been affected by the COVID-19 situation. There are significantly more young people who are informally employed than adults and is partly attributable to declining education level of the youth and rising demands of local employers. Consequently, the COVID-19 outbreak affected employment of youth more extensively than that of adults.

FINANCE AND CONSUMPTION

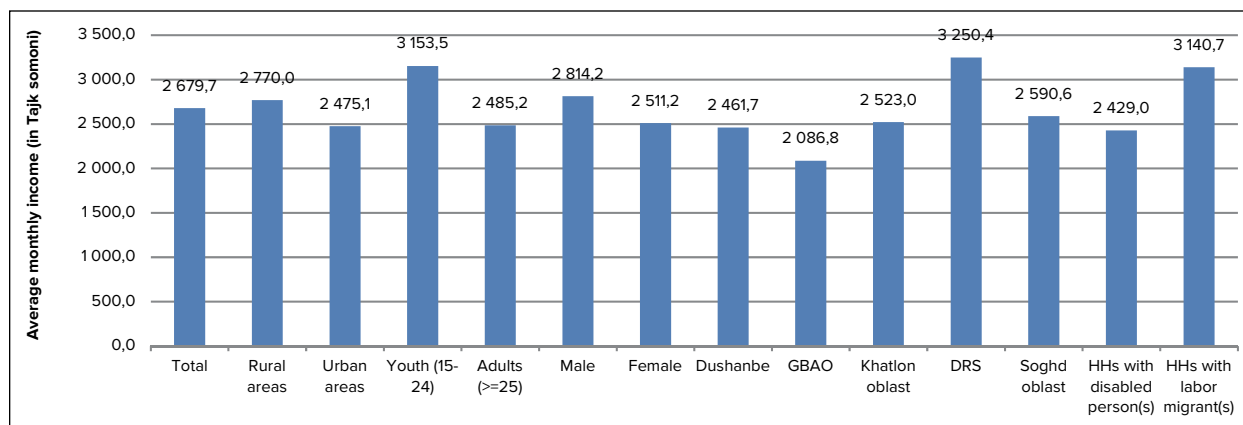
The backdrop to the impact of COVID-19 on incomes and the potential adverse effects on poverty incidence and depth provides the context for better understanding the continued challenges as well as the added ones ahead. Over the past decade, Tajikistan had made steady progress in reducing poverty, which was strongly associated with the economic growth performance at an annual average of 7 %. Between 2000 and 2018. However, poverty reduction can not only rely on remittances, but on well-formulated, plausible and applicable policies regarding inclusive growth, facilitating private sector investments and productive activities, employment, and income distribution, amongst other things.

In that context, the rate of job creation in Tajikistan has not kept pace with the growing population, especially regarding the youth, hence exacerbating the economy's vulnerability to external shocks. In addition, non-monetary poverty indicators in rural areas remain high. According to latest data and information available, mostly 2018–2019, only 36 % of the population in rural regions have access to safe drinking water. Tajikistan scores 0.53 in the Human Capital Index, which is lower than the average for its region but higher than the average for its income group.

An additional challenge for Tajikistan is its high vulnerability to climate change and natural disasters, which would require better prepared and adapted management. Admittedly, this is an ongoing challenge for most of the world, including industrially developed, high income economies. According to the World Bank, between 1992 and 2016, natural and climate-related disasters in Tajikistan resulted in considerable GDP losses of roughly US\$1.8 billion and affecting all the population directly or indirectly.

The economic effect of the COVID-19 outbreak on lives and livelihoods ultimately depends on the net financial and well-being implications due to loss of incomes and quality of life at HH level. To that end, the COVID-19 outbreak in Tajikistan has already had significant footprints. The only caveat is that only 65.3 % the 1,000 HHs chose to respond to questions pertaining to income and consumption. Respondents were somewhat reluctant to disclose information about consumption and income of their respective HH.

FIGURE 35: REPORTED MONTHLY INCOME EARNED BY HOUSEHOLDS PRIOR TO THE COVID-19 OUTBREAK (i.e. BEFORE JANUARY 1, 2020), IN CURRENT PRICES (TAJIK SOMONI) AND BY MAIN TARGET GROUPS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=653 (but for each target group, the sample size is different).

According to the survey, the 653 HHs in Tajikistan earned on average 2,679.7 somoni per month (or 382.8 somoni per person per month). These earnings vary significantly by geographic locations and gender. For instance, on average, women-headed HHs earn about 10.8% less than men-headed HHs. Besides, HHs in DRS earn on average 515.9 somoni per person per month, compared HHs in GBAO with 336.6 somoni per person per month, or Khatlon oblast with 360.4 somoni per person per month. The geographical and gender variations by the survey confirm the situation analysis as a pre-COVID trend. But the decline in the incomes are largely associated with the pandemic, according to the survey.

The short-term impact of the COVID-19 outbreak has translated first and foremost into falling incomes earned by HH members. Tables 14-15 present a revealing picture of the reported short-term impact of government-imposed (and health-related) restrictions on monthly HH incomes in Tajikistan. The largest margin of change in monthly income is attributed to: (i) individual entrepreneurs (53.4% decline), (ii) migrant labor (52.3% decline), and (iii) informal workers (43.8% decline). In other words, the COVID-19 outbreak has hit them particularly hard, at least in the short term. Other sources of income have also been negatively and significantly affected, with the decline in pension benefits (or other social benefits) most commonly explained by social distancing and self-isolation measures adopted by many HHs. In other words, many people were somewhat reluctant to collect their social benefits, such as pensions, because it required them to visit branches of financial institutions at the time when social distancing was highly recommended by the government. This also shows that for a brief period utility companies and financial institutions have not uniformly addressed the payment structure or adapted to the situation, e.g. which could have prevented overcrowding in their offices across the country.

Pay differentials continue to be relatively high between men and women and across different geographic locations. On average, women-headed HHs earn about 10.8% less than men-headed HHs and there are significant variations in HH incomes between the regions.

The real reduction in income and consumption are probably not fully captured, given the role of provision of goods and services for own use, especially in agriculture and rural sectors. According to the LFS 2016, the great majority of the sample population (2,757,272 persons) was engaged in unpaid housework or homecare in their households out of which 82.7% were women. Another most numerous cluster included persons who took care or cared for children living in their households (1,985,867 persons) out of which, as in the previous case, the absolute majority were women (75.8%).

Figure 36 provides the data for the average percentage decline in the monthly income (23.8), with a fairly considerable discrepancy for men (37.5) compared to women (19.8). The fall in incomes has been

TABLE 14: PERCENT DECLINE OF MONTHLY HOUSEHOLD INCOME (May-June 2020) DUE TO COVID-19 OUTBREAK (BY KEY TARGET GROUPS).

	Rural	Urban	Youth	Adults	Men	Women	Dushan-be	GBAO	Khatlon oblast	DRS	Soghd oblast	TOTAL
Formal work for an employer	28.4	35.6	32.0	30.3	35.5	25.0	43.6	13.4	32.6	18.7	33.4	30.8
Informal work for an employer	48.5	31.1	38.7	46.0	30.0	60.8	29.2	--	42.5	51.9	42.8	43.8
Self-employment (registered)	51.2	57.7	71.7	43.4	50.4	57.1	37.7	43.3	61.3	42.9	41.9	53.4
Self-employment (non-registered)	46.2	26.9	25.9	48.8	40.5	47.1	28.3	85.0	46.6	38.8	40.3	42.9
Income from labor migrants	54.0	46.9	61.5	49.2	53.8	51.1	54.6	41.5	48.5	60.3	49.3	52.3
Rent of property or asset	48.0	5.0	45.0	28.8	42.5	26.7	--	--	30.0	--	48.3	35.7
Pension benefits	17.4	7.1	27.1	10.8	17.6	11.6	5.9	0.0	23.4	4.3	15.0	14.4
Other social benefits	17.5	12.5	15.8	15.3	15.6	15.3	42.0	--	5.3	44.0	0.0	15.4
Income from own farming activity	18.8	23.8	18.8	19.9	17.8	22.6	35.0	15.7	21.7	20.5	16.9	19.6

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=653.

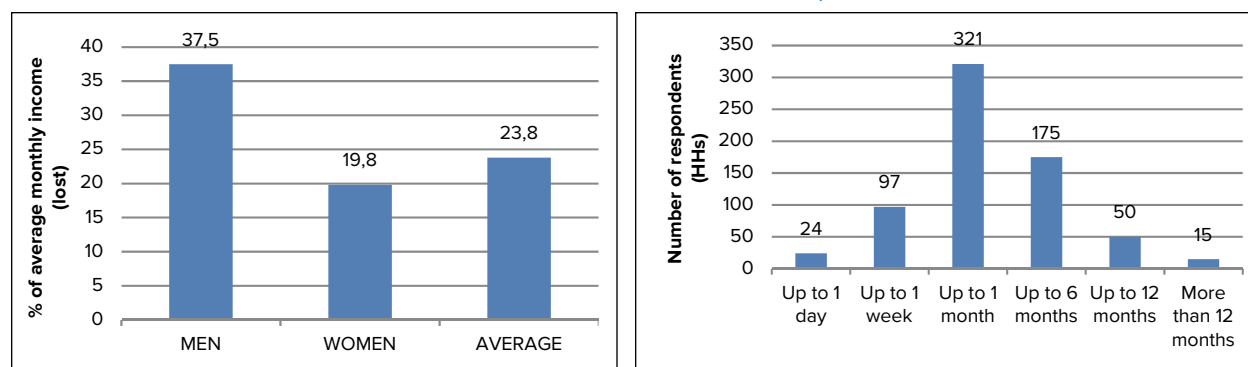
TABLE 15: SAMPLE SIZE OF HOUSEHOLDS REPORTING A DECLINE OF MONTHLY INCOME DUE TO COVID-19 OUTBREAK (BY KEY TARGET GROUPS).

	Rural	Urban	Youth	Adults	Men	Women	Dushan-be	GBAO	Khatlon oblast	DRS	Soghd oblast	TOTAL
Formal work for an employer	290	150	129	311	242	198	55	16	163	84	122	440
Informal work for an employer	112	42	46	108	85	69	20	1	53	42	38	154
Self-employment (registered)	98	51	53	96	82	67	10	3	39	45	51	149
Self-employment (non-registered)	77	16	24	69	60	33	6	2	41	24	20	93
Income from labor migrants	276	88	91	273	160	204	21	10	110	103	120	364
Rent of property or asset	10	4	6	8	8	6	0	0	7	1	6	14
Pension benefits	257	108	79	286	167	198	27	19	136	79	104	365
Other social benefits	28	20	10	38	23	25	5	1	17	10	15	48
Income from own farming activity	160	30	55	135	119	71	4	7	63	42	74	190

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=653. Note that the totals are derived by adding only: rural and urban; youth and adults; men and women; and all regions.

compounded by the reduced purchasing power due to inflationary pressures on prices, particularly basic consumption. The strongest factor in pushing up the average HH expenditure was the increase of food prices, cited by 64.5 % of the HHs, followed by higher expenditure on medical supplies, cited by 18.4 % of the HHs. These are alarming signs of a potential widening and deepening of poverty incidence in Tajikistan, against a backdrop of the relatively high indebtedness HHs, claiming an average of 29.4 % of the HH monthly income for repayment of loans in men-headed HHs. The women-headed HHs are on an even a steeper slope towards poverty trap with 39 % of their incomes going into loan payment.

FIGURE 36: PERCENTAGE OF AVERAGE MONTHLY INCOME THAT RESPONDENTS HAVE STOPPED RECEIVING AS A RESULT OF COVID-19 OUTBREAK. **FIGURE 37: THE SIZE OF SAVINGS THAT HHs HAD PRIOR TO THE COVID-19 OUTBREAK (i.e. BEFORE 1 JANUARY 2020).**

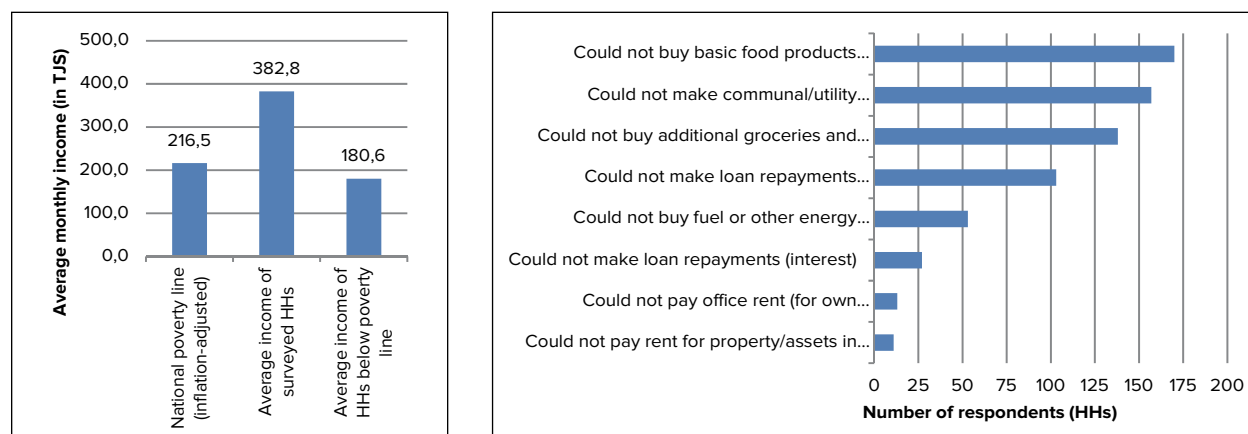


/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 36: N=63; Figure 37: N=682.

According to the World Bank,¹⁷⁵ food prices were already amongst the main drivers of inflation in Tajikistan during 2019. In lieu of the drop in the incomes, the food consumption would eventually have to drop too, leading to potential long-term malnutrition and their aftermaths, especially for children and vulnerable groups.

According to Figure 38, up to 17 % of all surveyed HHs have fallen back into poverty as a result of significant financial hardship and inability to afford even some of the basic food products for their HHs. About 15.7 % of all sampled HHs reported being unable to make utility payments due to loss of income. In total, 672 HHs (67.2 %) reported some type of implication associated with the experienced loss of income.

FIGURE 38: AVERAGE INCOME PER PERSON PER MONTH COMPARED TO NATIONAL POVERTY LINE. **FIGURE 39: MAIN IMPLICATIONS OF REDUCED INCOME OF YOUR HOUSEHOLD DUE TO THE COVID-19 OUTBREAK (IN THE LAST 30 DAYS).**



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 38: N=653; Figure 39: N=1,000.

¹⁷⁵ World Bank. 2020. *Tajikistan: Country Snapshot*. Dushanbe, April 2020.

Up to 17% of all surveyed HHs are likely to experience income poverty (as demonstrated by inability of 17% of HHs to afford basic consumption according to survey results). Some 15.8% of the total sample reported that their average monthly income was lower than the inflation-adjusted national poverty line (extrapolated to be equivalent to 216.5 somoni per person per month, based on data from the Agency for Statistics under the President of the Republic of Tajikistan).

There are also noticeable variations regarding income effects, according to age, gender and rural-urban dichotomy, as captured by Table 14. The largest decline in monthly earnings was reportedly experienced by individuals who are: (i) individual entrepreneurs (53.4%), (ii) migrant labor (52.3%), and (iii) informal workers (43.8%). Figure 39 shows that the decline in monthly earnings led to inability of affected HHs to afford basic food supplies, make utility payments, and repay loans.

Approximately 10.3% of the respondents (i.e. 103 out of 1,000 HHs) could not make loan payments which deepens their indebtedness and limits future access to finance. At the same time, 272 HHs reported at least one member of their HH having an outstanding loan. This means that nearly 38% of all HHs (which have with outstanding loans) reported being unable to meet principal repayments. on their outstanding loans.

Evidently, most of the loans are essentially either for immediate basic consumptions and utility bills or for repayment of existing debts, risking an accumulative spiral of debt-trap (See Table 16 and Figures 40 and 41). In the absence of financial inclusion and lack of access to regulated, formal borrowing channels, the risk of spiral poverty and indebtedness traps are quite real.

TABLE 16: NUMBER OF SURVEYED HOUSEHOLDS WITH OUTSTANDING LOANS (BY TARGET GROUPS).

	Men	Women	Youth	Adults	Rural	Urban	TOTAL
Consumption loan(s)	99	101	46	154	135	65	200
Business loan(s)	29	13	10	32	29	13	42
Mortgage loan(s)	18	12	5	25	19	11	30
TOTAL:	146	126	61	211	183	89	272

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=272.

Approximately 10.3% of the general sample could not make loan payments which deepens their indebtedness and limits future access to finance. At the same time, 272 HHs reported at least one member of their HH having an outstanding loan. This means that nearly 38% of all HHs with outstanding loans reported being unable to meet repayments. Figure 40 further shows that having a vulnerable person within a HH, such as a person with disability or pregnant woman or person whose employment was negatively affected by COVID-19 situation, increases the likelihood that this HH has an outstanding loan. For instance, 31.1% of HHs who have a person with disability admitted having an outstanding loan compared to 26.7% of HHs without a person with disability. Similarly, 32.4% of HHs who have at least one member whose employment was negatively affected by COVID-19 situation have an outstanding loan, compared to 27.3% of HHs without members whose employment was negatively affected.

FIGURE 40: DOES ANY MEMBER OF YOUR HOUSEHOLD HAVE OUTSTANDING LOANS (i.e. DEBT)?

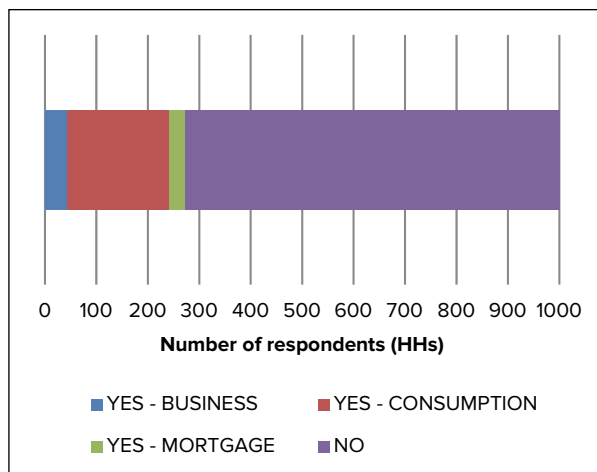
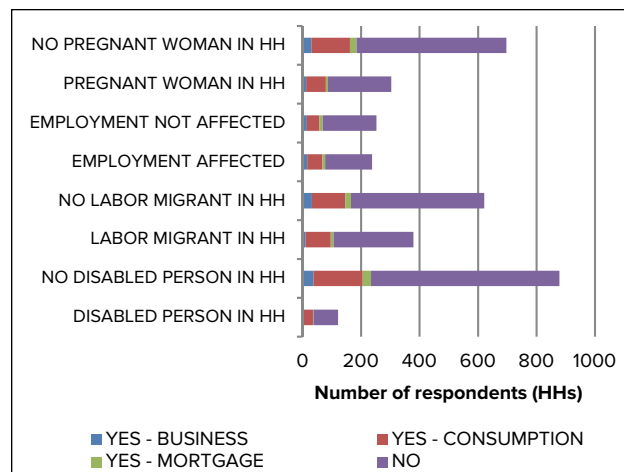


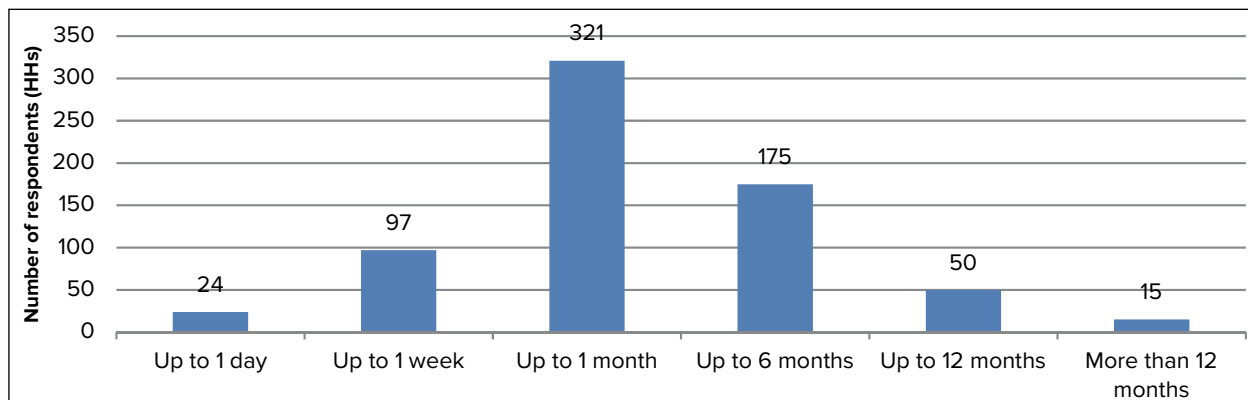
FIGURE 41: OUTSTANDING LOANS AMONG SURVEYED HOUSEHOLDS BY KEY TARGET GROUPS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 40: N=1,000; Figure 41: N=1,000.

Although incomes of surveyed HHs have fallen between 19 % and 53 % in the preceding 30 days, the share of HHs being unable to purchase food supplies to support their livelihoods appears to be relatively low, at least temporarily, at 17 % as described above. In comparison, absolute poverty level in Tajikistan was stated to be 27.5 % in 2019¹⁷⁶ and, according to the Agency for Statistics under the President, 53.4 % of average monthly HH income is spent on purchasing food supplies.¹⁷⁷ This could be explained by not only varying degree of short-term impact, but also because of savings that HHs reportedly have used to ‘smoothen’ their consumption pattern over the preceding 30 days (See Figure 42).

FIGURE 42: THE SIZE OF SAVINGS THAT HOUSEHOLDS HAD PRIOR TO THE COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=682.

Accordingly, 321 HHs (out of 682 HHs that reported having savings)(47.1%) had savings equivalent to approximately one month of their average monthly cost of consumption; and a further 175 HHs (25 %) indicated that they had savings equivalent to up to 6 months of their average monthly cost of consumption. On the contrary, 12.1% of all surveyed HHs (or 121 out of 1,000 HHs) live paycheck to paycheck, meaning

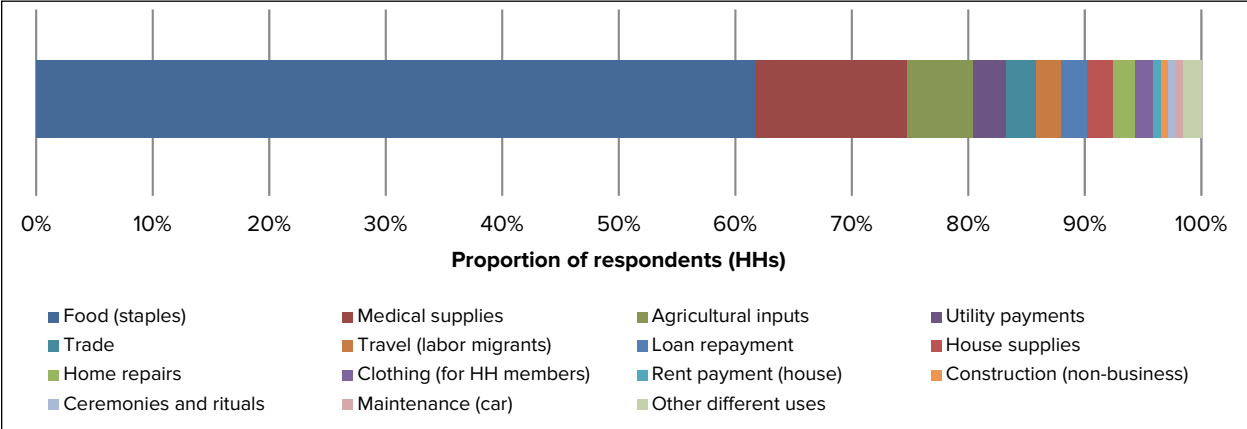
¹⁷⁶ <https://tj.sputniknews.ru/country/20191226/1030454543/tadzhikistan-uroven-bednosti-rahmon-otchet.html>.

¹⁷⁷ Agency for Statistics under the President of the Republic of Tajikistan. 2020. *Food Security and Poverty*. #4–2019. Dushanbe, p.83.

that they are extremely vulnerable to socio-economic shocks. These HHs are most likely to slip into extreme poverty and are highly unlikely to withstand any further drops in their incomes due to job losses.

Accordingly, 47.1% of HHs that reported having savings had savings equivalent to approximately one month of their average monthly cost of consumption; and a further 25 % of HHs that they had savings equivalent to up to 6 months of their average monthly cost of consumption. On the contrary, 12.1% of all surveyed HHs (or 121 out of 1,000 HHs) live paycheck to paycheck, meaning that they are extremely vulnerable to socio-economic shocks. These HHs are most likely to slip into extreme poverty and are very unlikely to withstand any further drops in their incomes due to job losses.

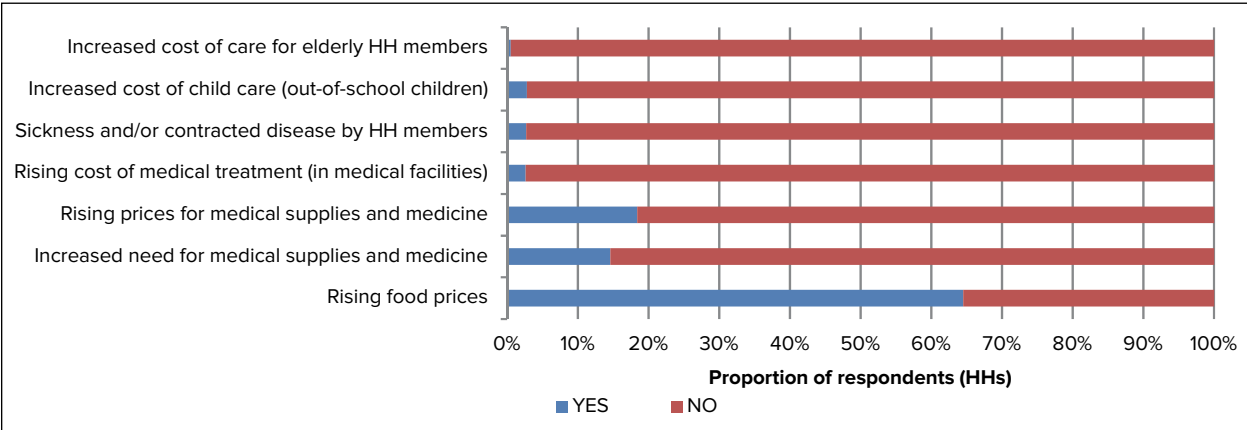
FIGURE 43: INTENDED USE OF ANOTHER LOAN (IF TAKEN IN THE NEXT 30 DAYS) BY SURVEYED HOUSEHOLDS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=317.

Due to financial difficulties, some HHs are also more likely to take another loan. In total, 31.7 % of all surveyed HHs were considering borrowing funds (or taking another loan if already with outstanding debt) in the following 30 days at the time of responding to the survey. Of these HHs, 61.8 % are most likely to spend the new loan on purchasing food supplies (mainly, staples) and another 12.9 % of HHs intend to purchase medical supplies (including but not limited to face masks, antiseptics, medicinal drugs, and other items).

FIGURE 44: THE MAIN REASONS CAUSING HOUSEHOLDS TO SPEND MORE DURING THE COVID-19 OUTBREAK (i.e. IN THE PAST 30 DAYS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

In total, 64.5 % of all HHs admitted that rising food prices caused them to spend more in the preceding 30 days, compared to a pre-COVID period which was before 1st January 2020. 18.4 % of all HHs argued

that rising prices for medical supplies (such as face masks and antiseptics) and medicine, as well as panic buying, has forced them into spending more in the preceding 30 days, compared to a pre-COVID period. In hindsight, market speculation and panic buying have also led to rising food prices which, in turn, forced nearly 2/3 of surveyed HHs into spending more (See Figure 44).

Key findings:

1. Pay differentials continue to be relatively high between men and women, and across different geographic locations within Tajikistan. On average, women-headed HHs earn about 10.8 % less than men-headed HHs. There are also significant variations in the size of HH incomes between the regions with the highest and lowest population, and density of employers.
2. Incomes from self-employment, migrant labor and non-registered jobs have had the largest declines (43 %–53 %) as a direct result of the COVID-19 outbreak. This is consistent with the pre-survey assumption that individual entrepreneurs, migrant labor, and informal sector workers are the most financially vulnerable to changes in employment.
3. It is highly likely that up to 17 % of all surveyed HHs have fallen back into poverty as a result of substantial financial difficulties and their inability to purchase food or pay monthly utility bills. At the same time, further empirical analysis may be required to validate this finding.
4. 43.9 % of all respondents indicated having some savings which provides a financial cushion to withstand the implication of changes in employment. Observations have also shown that only 24 % of all HHs had savings equivalent to more than one month of their aggregate consumption. 12.1% of all surveyed HHs continue living paycheck to paycheck and have little to no savings.
5. A relatively high share of HHs that have at least one member with an outstanding loan (38 % of 272 HHs) have difficulties meeting repayment, with consequences on future access to finance. This is a direct consequence of falling incomes due to COVID-19 outbreak and is likely to raise the proportion of non-performing loans unless they are restructured (e.g. payment is delayed).
6. The absence of savings and the presence of loans forces HHs into further indebtedness. 31.7 % of HHs were considering to borrow in the preceding 30 days.
7. More than 15 % of HHs were unable to make utility payments due to loss of income, which has resulted in the loss of revenues for the utility companies.
8. The bulk of the outstanding debt or new borrowing intended to be spent on basic consumption, such as food supplies, utility payments, medicine, and repayment of existing debts, and not necessary for improving living standards through better education or health, or investment.
9. Nearly 65 % of HHs stated that they increased their spending in the 30 days preceding the survey, which was mainly caused by the perceived shortage of food and medical supplies.
10. A sizeable proportion of HHs will require targeted social assistance in order to pre-empt their falling (back) into poverty or exacerbating their financial difficulties. The crisis underscores the need to tackle long-term structural reforms to the business environment to support long-term recovery and resilience.

SOCIAL DIMENSIONS

In general, 90 % of surveyed HHs had undertaken some self-isolation measures, particularly in the last 30 days prior to the survey. This proportion is similar across various target groups by gender, geographic locations, and age. Specifically, 83 % of surveyed HHs used television channels, while web-based (online) resources were used by 32 % of surveyed HHs, and text messages through mobile phones by 15.5 % of surveyed HHs. Text messages from ‘official sources’ (i.e. from mobile network operators or government agencies such as the Ministry of Health and Social Protection of the Population of the Republic of Tajikistan) were considered more trusted by HHs than, for example, online resources. This could be explained by: (i) lack of access to Internet and limited computer skills and/or browsing skills among respondents, and (ii) greater access to (and ownership of) mobile phones and in-built text messaging software.

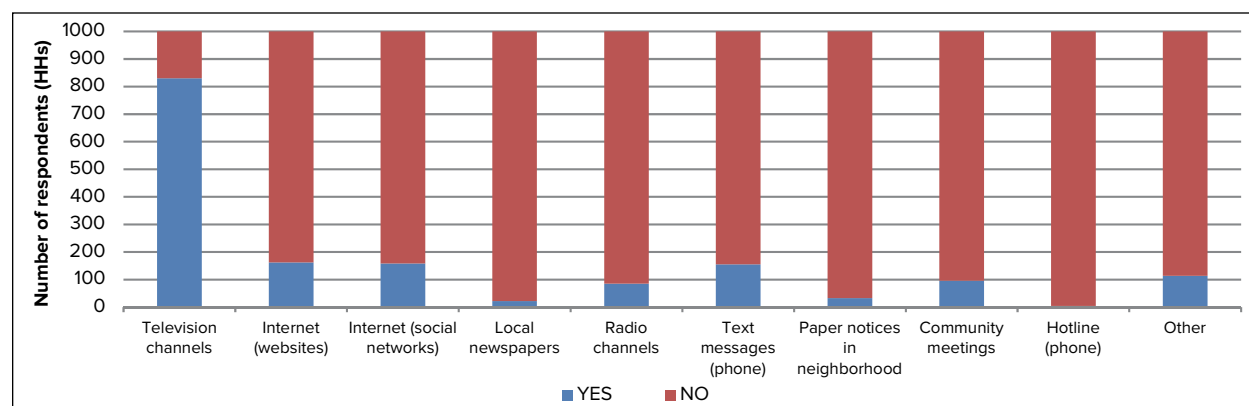
TABLE 17: TOP 5 MOST WIDELY USED INFORMATION CHANNELS BY SURVEYED HOUSEHOLDS.

	No. of HHs	Level of trust ¹⁷⁸
Television channels	830	8.0
Internet (online resources)	162	6.6
Internet (social networks)	158	6.7
Text messages (mobile)	155	8.1
Community meetings	96	6.4

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

The use of various information channels resulted in 83.6 % of all surveyed HHs stating increased knowledge of coronavirus infection or other infectious diseases. HHs in urban areas were slightly more advantaged because of greater access to a greater variety of digital means of communication.

FIGURE 45: THE USE OF VARIOUS INFORMATION CHANNELS BY SURVEYED HOUSEHOLDS.¹⁷⁹



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

EDUCATION

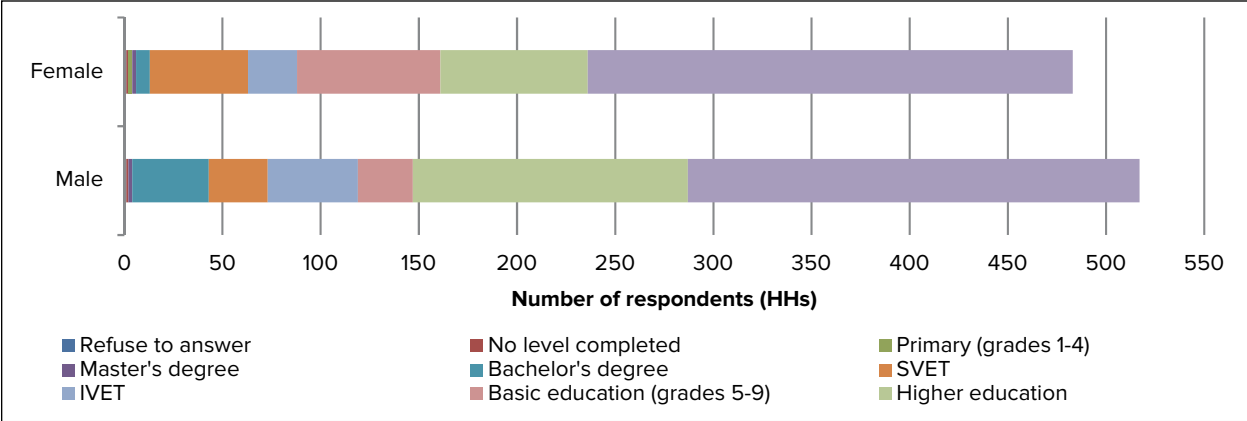
Although the mean average age of 1,000 respondents was 37.7 years, the highest level of education which was completed by 58.2 % of respondents did not exceed general secondary education (grades 1–11). All respondents were aged between 16 and 87, with 94 % of them were of working age between 18 and 63. Besides, 101 respondents had only completed basic education (grades 5–9), while 4 respondents did not obtain any education above primary (grades 1–4). This could also explain some of the baseline conditions of HHs in Tajikistan, which are characterized by relatively low employability and low productivity of the workforce.

The coronavirus pandemic is unlikely to have had a significant short-term impact on employability and productivity, as opposed to incomes and employment, but it has exacerbated people’s vulnerabilities. More importantly, it is the long-term impact of potentially prolonged interruptions in education, for which many countries in the west have started discussions. Tajikistan will not be an exemption regarding a potentially irreversible long-term fall-outs should the closures and/ or affected quality of education continue to the new school year.

¹⁷⁸ On a scale between 1 and 10, where 1='Don't trust the source' and 10='Most trusted source' (as perceived by surveyed HHs).

¹⁷⁹ The category 'Other' includes medical staff/facilities, family doctor, workplace, HH members, and educational institutions.

FIGURE 46: THE HIGHEST LEVEL OF FORMAL EDUCATION OBTAINED BY RESPONDENTS (BY GENDER).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

The Ministry of Education and Science of the Republic of Tajikistan has closed educational institutions since April 27, 2020. Initially, the nationwide school closure was planned only until May 10, 2020 but subsequently extended until August 17, 2020¹⁸⁰ when the new academic year will commence.¹⁸¹ The transfer of schoolchildren from one grade to another took place according to the results of their academic progress from September to April of the 2019–2020 academic year. This is mainly because the school closure has only impacted a small proportion of school curriculum instruction. Graduation exams for schoolchildren of 9th and 11th grades were carried out over June 15–24, 2020 and the procedure for university entrance examinations was the same as last year.

The closure of schools has reportedly affected 28.2 % of surveyed HHs. Adults were affected more by the closure (30 % of all HHs), compared to young people aged 15–24 (23.1% of all HHs). Similarly, 31.1% of HHs which reported having at least one person with disability has been affected by school closure. The regional disparity is notable: only 17.2 % of HHs from Dushanbe reported having been affected by school closure, compared to 36.8 % of HHs from Soghd oblast and 32.3 % of HHs from GBAO. The three most likely reasons for this disparity could be that: (i) residents in Dushanbe have greater access to audio-visual means of education and communication than in other geographic locations, (ii) Dushanbe has the highest density of private educational institutions, including kindergartens, and private tutoring courses compared to other geographic locations, and (iii) the proportion of children under home schooling is relatively higher in Dushanbe than in other geographic locations in Tajikistan.

Further data regarding disaggregation by income levels would serve a more detailed account of the mitigation methods during school closures and would hence serve a clearer policy analysis. Data in UK, for instance, indicate that on average the higher income HHs have spent 6 hours more every week compared to lower income HHs on educational activities for their children during the school closures.

Among the 282 HHs (out of 1,000) who were affected by school closure, 63.8 % had school-aged children who no longer were studying, 22.3 % had preschool-aged children who no longer attended early childhood education facilities, 15.6 % had students aged 18 and above who no longer attended professional educational institutions (e.g. primary and secondary VET institutions and universities). In addition, 9.2 % of 282 HHs had teachers who had stopped attending educational institutions due to school closure which had also perceptibly implied the reduction of their monthly remuneration.

¹⁸⁰ The academic year in general secondary education in Tajikistan begins on 1 September and ends on 10 June, although all final examinations are practically concluded by 25 May.

¹⁸¹ In addition, according to the decision of the Republican Headquarters for the Prevention of the Spread of COVID-19, chaired by the Prime Minister, vacations in preschool institutions in Tajikistan will be extended until the epidemiological situation in the country is stabilized.

FIGURE 47: HAS CLOSURE OF EDUCATIONAL INSTITUTIONS AFFECTED YOUR HOUSEHOLD IN ANY WAY? (BY GEOGRAPHIC LOCATIONS)

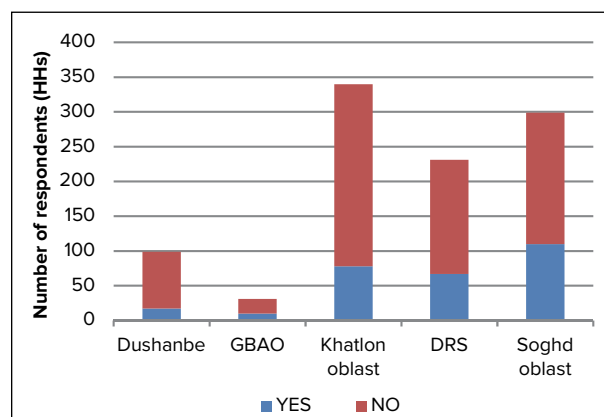
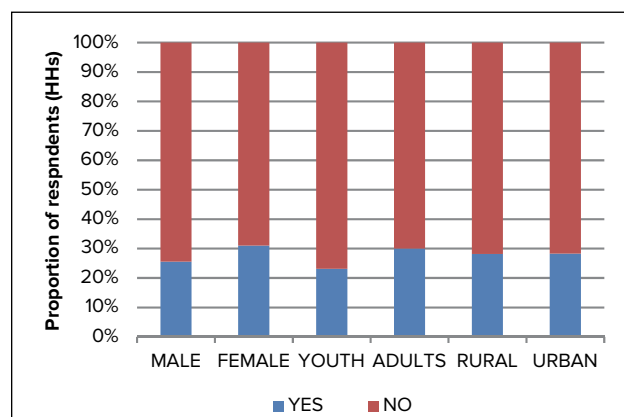


FIGURE 48: HAS CLOSURE OF EDUCATIONAL INSTITUTIONS AFFECTED YOUR HOUSEHOLD IN ANY WAY? (BY KEY TARGET GROUPS)



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 47: N=1,000; Figure 48: N=1,000.

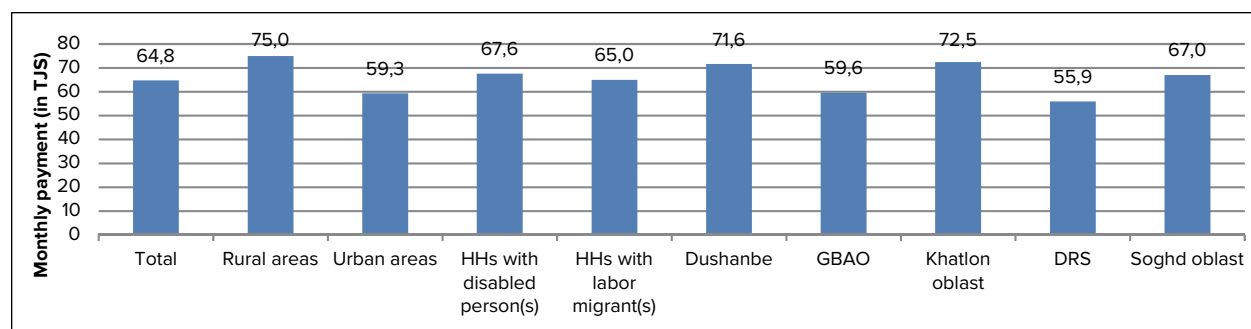
Furthermore, 79.1% of the 282 HHs who were affected by school closure had to increase care for children immediately following school closure. This is mainly related to school-aged children staying at home starting since April 2020. By the time the survey was carried out, children had been at home for at least six weeks. About 64.7% of HHs from Dushanbe and 90% of HHs from GBAO said they had to increase care for children as a result of school closure. Interestingly, only 40 respondents out of 1,000 mentioned that they had to take leave from their workplace in order to manage increased caretaking responsibility, whereas another 30 respondents said that they agreed with their employer to work at home so that they could look after their children. Assuming these responses pertain to female HH members, the low proportions of these two groups may reflect the low rate of women’s participation in the formal sector, as well as the lower rate of the employed men in childcare responsibilities.

One of the alternative ways to safeguard the continued learning of children includes distance learning, but it also requires the presence of various conditions within HHs. For instance, 49.4% of all surveyed HHs reported having Internet connection but 10.6% of HHs mentioned very low and insufficient speed for educational purposes. Thus, the survey showed that there are only 38.8% of HHs who had good-quality Internet connection through modem router or optic fiber, which may be used for educational and learning purposes. At the same time, further clarification revealed that about 60% of respondents only had Internet connection through their mobile phones, and not personal computers such as desktops, laptops or tablets.

According to a recently completed Education Rapid Needs Assessment (ERNA),¹⁸² 78.3% of surveyed schools and 61.7% of district/oblast education departments stated that distance learning was *timely*, particularly in the context of temporary school closure. In the meantime, more than 4/5 of respondents were skeptical about *readiness* of general secondary educational institutions to distance learning. In particular, top five commonly shared factors constraining access to distance learning include: (i) no internet connectivity either at school or at children’s homes (or both), (ii) lack of computers (or tablets) owned or used by children, (iii) teachers not being adequately trained to supervise/monitor distance learning, (iv) poor conditions at children’s homes which prohibit the use of various distance learning tools, and (v) financial difficulties of children’s families which prevent children from maintaining regular communication or access to various distance learning tools (such as utility payments, Internet and mobile network usage fees, and others). The report further asserts that people with disabilities and ethnic minorities are less likely to benefit from the potential roll out of distance learning, such as due to limited learning materials for children with disabilities and in languages other than Tajik.

¹⁸² Mirzoev, S. 2020. *Education Rapid Needs Assessment (ERNA) Summary Report*. Commissioned and funded by UNICEF Tajikistan. Dushanbe, pp. 18–19.

FIGURE 49: AVERAGE MONTHLY PAYMENT FOR INTERNET CONNECTIVITY BY SURVEYED HOUSEHOLDS (IN CURRENT PRICES; IN TAJIK SOMONI).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=494.

The expenditure on Internet connectivity among surveyed HHs was relatively low, perhaps highlighting that HHs prefer lowest-cost broadband usage plans offered by Internet network operators. Besides, the expenditure also included average monthly cost of mobile Internet, which significantly tilts the average monthly payment downwards. Therefore, average monthly payment for Internet connectivity among 494 HHs equaled 64.8 somoni, which represents a mere 2.4 % of their average monthly HH income.

Equitable access to education and learning is vital when considering the implementation of alternative modes of education during school closure, as mentioned earlier. According to the survey results, 49.7 % of the HHs without person(s) with disability reported having no Internet connectivity, The ratio was higher (57.4 %) for HHs with at least one HH member with disability. A relatively smaller proportion of HHs from Dushanbe reported having no Internet connectivity (43.4 % of all HHs) compared to HHs from GBAO (58.1 %) or Khatlon oblast (55 %). In sum, Internet connectivity appears to be a major impediment across the board.

Key findings:

1. The survey confirms low level of education of the labor force whereby the average education level amongst the respondents was low, with 60 % of respondents averaging 37.7 years not having completed the secondary school.
2. Almost 30 % HHs were affected by the closure of educational institutions in Tajikistan. Adults bore the brunt of closure of educational institutions, not least due to increased housework and care responsibilities.
3. 79 % of affected HHs had had to increase care for children immediately following school closure.
4. According to the survey, women-headed HHs with school-aged children were the most affected by the closure of educational institutions.
5. Many HHs only have Internet connectivity through their mobile network operators, while those who have broadband connection reported that the speed was too low to be used for educational purposes.
6. Besides, the schools most probably would not have had the structure and equipment to conduct distant learning in an effective and regular manner. The full implications of the missed-out school time would only be clear in the medium and long term.

HEALTH

Health considerations are at the forefront of HHs' daily lives, particularly against the backdrop of risks associated with COVID-19 and other diseases (such as pneumonia). According to various studies, people with underlying health conditions¹⁸³ are at greater risk of contracting coronavirus or succumbing to other

¹⁸³ Examples of chronic illnesses include diabetes, asthma, cancer, heart disease, hepatitis, HIV/AIDS, and others.

illness which is exacerbated by the coronavirus infection. Accordingly, 16.7% of all surveyed HHs reported having at least one member of their HH who suffers from a chronic illness.

Overall, 84.4% of those who have had chronic illness were unable to receive medical treatment due to patient congestion or closure (or quarantine) of a number of medical facilities across Tajikistan in order to enable due ‘absorption’ of patients with coronavirus (or pneumonia) symptoms. Besides, social distancing and self-isolation have also contributed to patients opting not to visit medical facilities. Elderly HH members and adults (aged 25 and older) were the two largest groups of patients with chronic illness who have been unable to receive medical treatment during the COVID-19 outbreak. Moreover, the condition of 25 out of 141 patients with chronic illness (or 10.6%) had reportedly resulted in health complications as a result of being unable to receive medical treatment during the outbreak.

TABLE 18: TYPE OF TREATMENT THAT PATIENTS WITH CHRONIC ILLNESS HAVE BEEN UNABLE TO RECEIVE DUE TO THE COVID-19 OUTBREAK (BY RURAL AND URBAN AREAS).

	Rural	Urban	TOTAL
Regular consultation with medical specialist	20	5	25
Regular treatment procedure (at home or in a medical facility)	9	2	11
Emergency treatment procedure (at home or in a medical facility)	5	1	6
Medically certified test (e.g. blood test)	2	3	5
Emergency consultation with medical specialist	5	0	5
Surgery	2	2	4

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=25.

FIGURE 50: THE NUMBER OF HOUSEHOLD MEMBERS SUFFERING FROM CHRONIC ILLNESS WHO HAVE BEEN UNABLE TO RECEIVE MEDICAL TREATMENT AS A RESULT OF COVID-19 OUTBREAK.

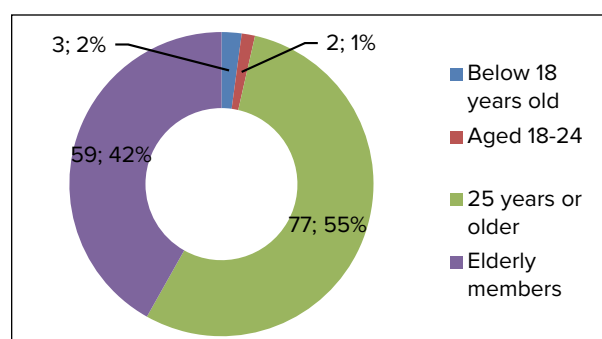
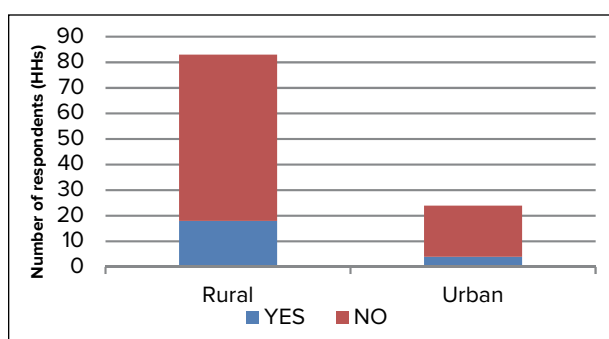


FIGURE 51: IF MEMBERS OF YOUR HOUSEHOLD SUFFERING FROM CHRONIC ILLNESS HAVE BEEN UNABLE TO RECEIVE MEDICAL TREATMENT, DID IT RESULT IN HEALTH COMPLICATIONS?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 50: N=141; Figure 51: N=107.

Out of 1,000 respondents, 20.8% chose not to attend medical facilities out of fear of contracting the virus or passing it on to other HH members; but 60.7% of all respondents continued to visit medical facilities as usual (with taking any precautions). This is despite the known risks for elderly and adults, as well as the fact 30.3% of surveyed HHs reported having pregnant (or lactating) women. The total number of pregnant women included 148 young girls (aged 15–24) and 155 adults (aged 25 and above). The mean age of pregnant (or lactating) women is 25.6 years.

FIGURE 52: SINCE THE START OF THE COVID-19 OUTBREAK, HAVE YOU BEEN RELUCTANT (UNSURE) ABOUT VISITING A MEDICAL FACILITY IN YOUR AREA WHEN YOU NEEDED TO?

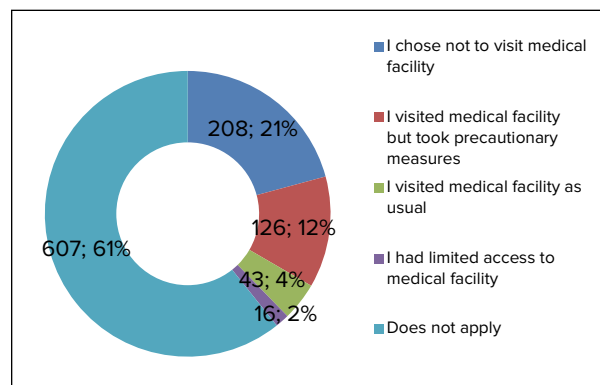
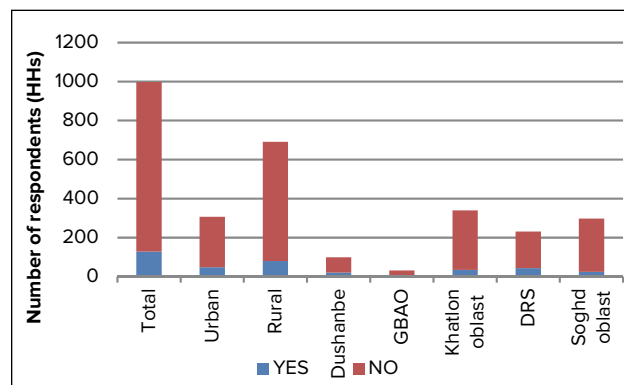


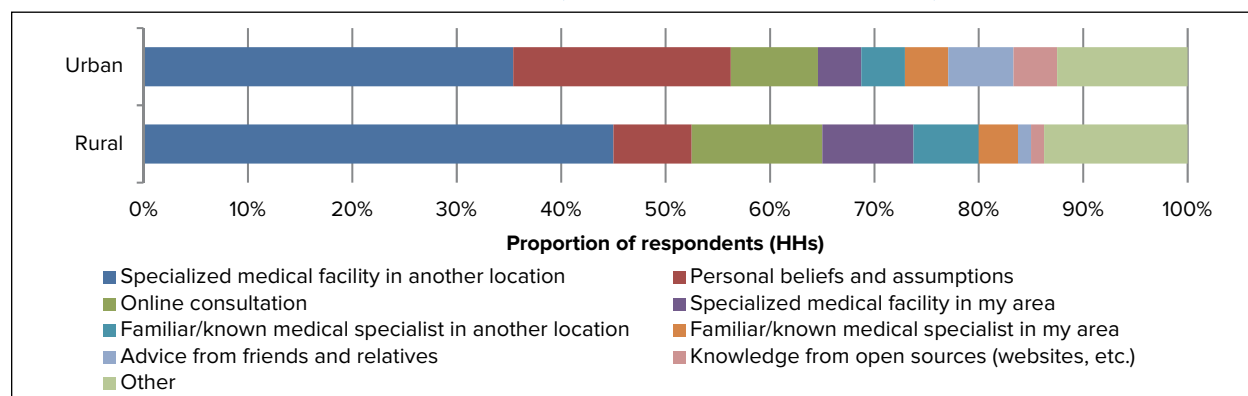
FIGURE 53: HAVE YOU (OR ANOTHER MEMBER OF YOUR HOUSEHOLD) FALLEN SICK WITH COMMON SYMPTOMS WHICH ARE CHARACTERISTIC OF COVID-19 OR PNEUMONIA?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 52: N=1,000; Figure 53: N=1,000.

The total number of respondents who thought that they may have contracted coronavirus infection (or succumbed to pneumonia) was relatively low, equaling 128 out of 1,000 respondents (See Figure 53). Many respondents (53 out of 128 respondents, or 41.4%) sought specialized medical facility in another location, followed by personal beliefs and assumptions (16 responses, or 12.5%) and online consultation, including the use of web-based sources of information (14 responses, or 10.9%). In the meantime, these figures should be interpreted with caution because respondents' understanding of the symptoms of the coronavirus infection may differ (and the degree by which it may differ remains unknown).

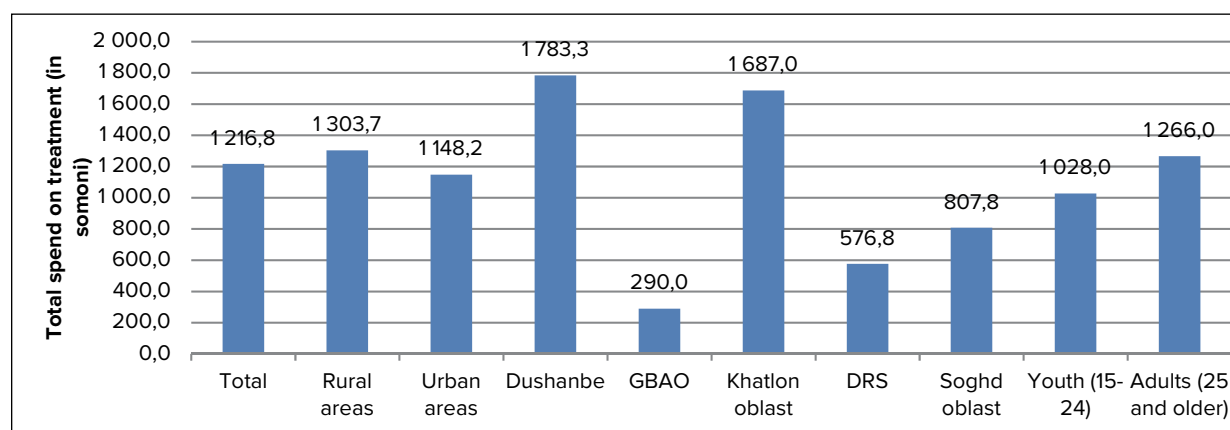
FIGURE 54: SOURCES OF INFORMATION USED FOR TREATMENT OF ALLEGED PNEUMONIA OR COVID-19 AMONG SURVEYED HOUSEHOLDS (BY RURAL AND URBAN AREAS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=128.

On average, HHs reportedly spent nearly 1,217 somoni in the past 30 days to treat common symptoms of pneumonia or COVID-19. This is equivalent to 45.4% of average monthly HH income. Adults spent 50.9% of their monthly income on treatment costs, compared to 32.6% of monthly income of young HH members. Besides, HHs from Dushanbe reported having spent 72.5% of their average monthly income on treatment costs (which are significantly higher in Dushanbe than in other geographic locations), compared to 66.9% of average monthly income by HHs from Khatlon oblast and 17.7% of average monthly income by HHs from districts of republican subordination (DRS). These variances are explained by: (i) price differentials, (ii) availability (i.e. supply) of professional consultation, treatment protocols and medical supplies, and (iii) adherence to social norms (e.g. residents in some communities are more inclined to use 'traditional' means to treat diseases rather than antibiotics and other medical drugs).

FIGURE 55: AVERAGE HOUSEHOLD SPENDING ON TREATMENT OF COMMON SYMPTOMS OF PNEUMONIA OR COVID-19 IN THE PAST 30 DAYS (IN CURRENT PRICES; IN TAJIK SOMONI).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=125.

Average monthly spending on health measures exceeded 40 % of average monthly HH income in 23 HHs, which represents 2.3 % of the total sample. In other words, 2.3 % of all HHs are experiencing catastrophic health expenditures due to the COVID-19 situation.

TABLE 19: PRECAUTIONARY MEASURES UNDERTAKEN BY HOUSEHOLDS TO PREVENT/REDUCE THE RISK OF CONTRACTING THE CORONAVIRUS INFECTION (BY KEY TARGET GROUPS).

	Youth	Adults	Men	Women	TOTAL
Face masks	255	674	482	447	929
Regular use of sanitizers	241	634	448	427	875
Regular hand washing	215	586	408	393	801
Regular use of other disinfectants	162	441	279	324	603
Self-isolation at home	78	245	151	172	323
Avoiding public places and groups	38	88	79	47	126
Increased vitamin intake	27	83	41	69	110
Social distancing (away from home)	25	72	43	54	97
Social distancing (home and away)	27	62	47	42	89
Did not take any precautions	0	5	4	1	5

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

In addition to having treated the common symptoms, respondents also undertook precautionary measures to reduce the risk of contracting the coronavirus infection (See Table 19). On average, HHs had spent 197.9 somoni in the last 30 days on these precautionary measures. The cost of precautionary measures appears to have been higher among men (207.3 somoni) than among women (180.6 somoni); and also higher in rural areas (214.7 somoni) than in urban areas (185.3 somoni). Men are perceivably more mobile, requiring them to spend more on hand sanitizers, face masks, and other disinfectants. The relatively higher cost in rural areas is explained by scarce supply and higher price of these precautionary measures compared to towns and cities. More than 85 % of respondents emphasized that they would prefer undertaking similar precautionary measures in the next 30 days to reduce the risk of infection.

Furthermore, psychological stress and mental health are other increasingly noted factors across the countries which need to be properly accounted to understand the social impact of the COVID-19 outbreak on lives and livelihoods in Tajikistan. In particular, 21.9 % of all respondents admitted that they

had experienced psychological stress and anxiety, such as due to heightened risk of contracting the coronavirus infection, concern for their relatives, loss of income (and paid work), increased responsibility to care for children during school closure, and other reasons.

FIGURE 56: THE PROPORTION OF RESPONDENTS WHO EXPERIENCED PSYCHOLOGICAL STRESS AND ANXIETY AS A RESULT OF THE COVID-19 OUTBREAK.

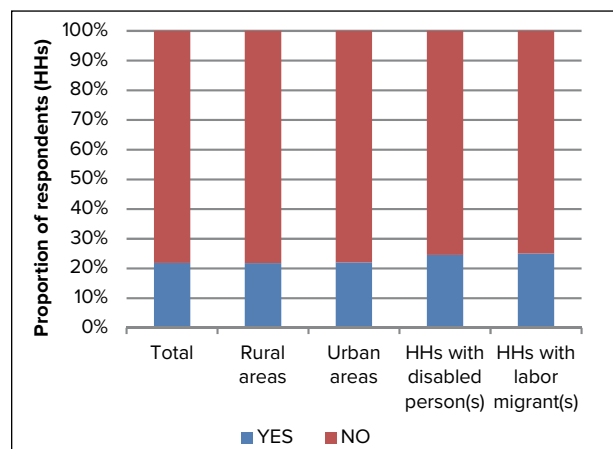
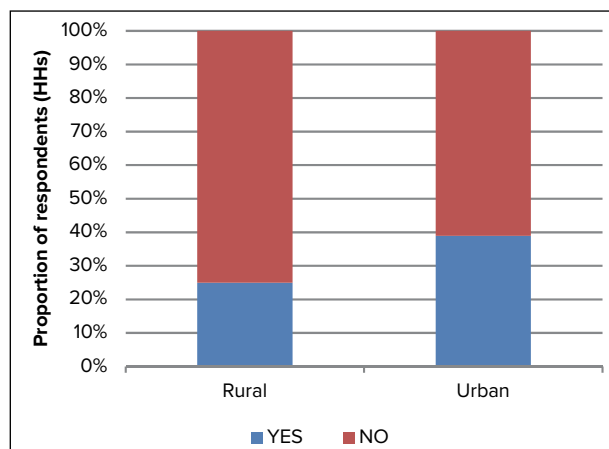


FIGURE 57: DID PSYCHOLOGICAL STRESS AND ANXIETY THAT YOU EXPERIENCED DUE TO COVID-19 LED TO OTHER HEALTH COMPLICATIONS?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 56: N=1,000; Figure 57: N=1,000.

There are significantly higher proportion of individuals from Soghd oblast who reportedly experienced psychological stress (86 respondents, equivalent to 28.8 % of all respondents from Soghd oblast) in comparison with DRS (43 respondents, equivalent to 18.6 % of all respondents from DRS) or GBAO (only 2 respondents, equivalent to 6.5 % of all respondents from GBAO).

At the same time, psychological stress and anxiety has led to other health complications among 89 out of 219 respondents, or nearly 9 % of all respondents who participated in the survey. This is a relatively high number of respondents with psychological stress and anxiety, which merits greater availability and access to psychological counseling and other professional support for HHs during this difficult period.

Regarding the relative gender share in caring for the unwell HH members, the LFS 2016 provides some detailed data, summarised as follows. The highest average duration of time spent on this type of work was 40.7 hours per week, equivalent to full-time job by ILO standards. This average weekly amount of work was carried out solely by women who were engaged in caring or providing gratuitous support to the HH members aged 18 years and above with a disability, dealing with problems associated with elderly persons who were suffering from mental or physical illnesses or other sick persons. Men, by comparison, spent on average half of that time for similar work with 20.4 hours per week.

Key findings:

1. The COVID-19 outbreak has had additionally negative effects on HH members with chronic illnesses which require regular treatment or consultation.
2. More than 84 % of HHs (who have had at least one HH member with chronic illness) were unable to receive timely medical treatment due to patient congestion or closure of a number of medical facilities on quarantine and in a number of cases resulting in health complications.
3. More than 20 % of all HHs reported social distancing and self-isolation measures which they had adopted, and which have subsequently prevented them from visiting medical facilities when required. Instead, these HHs sought online/phone consultations and web-based resources which helped them replace face-to-face consultation with a medical specialist at a medical facility.

4. Almost 13 % of all HHs reported that at least one member of their HH may have contracted pneumonia (or symptoms which are commonly assumed to be characteristic of the coronavirus infection). These findings should be interpreted with caution because respondents' knowledge and understanding of COVID-19 may differ by demographic groups or geographic locations.
5. Those HHs where at least one member reportedly contracted pneumonia (or COVID-19) had spent, on average, 1,217 somoni in the preceding 30 days on medical treatment and consultation. This is equivalent to more than 45 % of average monthly HH income, which further exacerbates an already challenging financial situation that many HHs faced due to the COVID-19 outbreak.
6. Psychological stress and anxiety have also been mentioned and in need of addressing. Nearly 22 % of respondents had experienced psychological stress and anxiety due to heightened risk of contracting the coronavirus infection, concern for their relatives, loss of income (and paid work), increased responsibility to care for children during school closure, and other reasons.

KEY FINDINGS FROM IN-DEPTH INTERVIEWS

In addition to the general sample of 1,000 HHs, the survey has also carried out in-depth interviews (IDIs) with 165 HHs, 100 women and girls, and 100 young people (aged 15–24). The three target groups are overlapping. These interviews took on average 80 minutes each. The purpose of IDIs with selected HHs was to better understand the underlying baseline conditions and other characteristics such as coping or adaptation strategies, issues of access to resources or public services, employability, income generation and consumption patterns, susceptibility to domestic or social violent, and personal outlook.

In general, the findings from the IDIs were found to be broadly consistent with the findings from the survey's general sample of 1,000 HHs. Therefore, this section presents only the main findings which differ from the earlier narrative and may add value to the previous analysis.

JOBS AND EMPLOYMENT

IDIs were conducted with representatives of 165 HHs, of which 63 of them (38.2 %) had reportedly worked in the preceding three months, predominantly for large enterprises (23 respondents), medium-sized enterprises (13 respondents) and as individual entrepreneurs (12 respondents).

In Tajikistan, the workforce is generally less resilient to economic and financial disturbances, but some respondents stated that they had more than one job, whereby formal sector employment is often complemented by some non-registered (i.e. informal sector) job. Others had an informal sector job but did not seek registered employment because they could not find jobs suitable to their skills, due to lacking the required skills or a university degree. Some did not actively seek jobs in the formal economy as they did not believe that there were any suitable ones available in the market. This is also important in the context of frictional unemployment and inter-temporal changes in employment. This appears to be relatively low in Tajikistan due to a mismatch in skills and level of education with the demand in the labor market. This also contributes to the weak resilience and coping mechanisms because the loss of jobs due to COVID-19 cannot be replaced by other alternatives easily and therefore is likely to have a prolonged disruptive effect on incomes and livelihoods. The table below summarizes the responses by the interviewees regarding what they consider the government should do.

The most preferable measure proposed by the respondents was financial compensation to the population, most likely in the form of Targeted Social Assistance (TSA) to most vulnerable and financially disadvantaged persons. The second most widely shared measure expected from the government was to control market prices for essential food and medical products

TABLE 20: MEASURES THAT THE GOVERNMENT OF THE REPUBLIC OF TAJIKISTAN SHOULD UNDERTAKE IN ORDER TO REDUCE THE ECONOMIC CONSEQUENCES OF THE COVID-19 OUTBREAK ON HOUSEHOLDS.

	Number of affirmative responses
Financial compensation to the population	41
Control (and reduce) food prices	40
Did not specify	18
Material assistance to vulnerable HHs	17
Free supply of masks and disinfectants	13
Increased and timely payment of salaries	8
Other (15 different responses)	28

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=165.

Notably, there were few respondents who received some sort of social assistance from the government. For instance, only one out of 165 respondents reportedly received unemployment benefits; only two out of 165 respondents received cash transfers; only two out of 165 respondents received child and family benefits; and only 9 out of 165 HHs were eligible for compensation payments as vulnerable HHs.

Key findings:

1. The population expects the Government to take measures in order to secure monetary or material compensation, especially in the form of TSA to the most vulnerable and financially disadvantaged HHs. They are also concerned about recent increase in food prices which has negatively affected their average monthly cost of living.
2. Those who have non-registered jobs are unlikely to transfer to formal sector employment due to the lack of skills, education and lack of information. A relatively sizeable share of those who have registered jobs are also likely to have a side job in the informal sector (34.9%). Thus, the former group are less resilient to withstand labor market shocks, while the latter have a greater number of coping options which potentially reduce their vulnerability.

FINANCE AND CONSUMPTION

The average monthly salary of 63 respondents was equivalent to 940.1 somoni, but with significant wage gaps between men and women. For instance, women earned, on average, 34.6% less than men in the reporting period. Women’s minimum pay was 200 somoni, which is two times lower than the minimum monthly wage (equivalent to 400 somoni), while men’s minimum pay was 500 somoni. This disparity in remuneration in the private sector is likely to have widened further in the presence of COVID-19.

As observed in the general sample survey, the COVID-10 outbreak has had a detrimental effect on livelihoods, particularly due to unforeseen changes in income. For 63 respondents their earnings comprised approximately 55.5% of their HHs’ average monthly income. This is significant because it shows the degree of dependency of other HH members on the respondents’ monthly earnings. Interestingly, women’s earnings are higher than men’s as a share of their respective HHs’ average monthly income. This could be explained by the fact that many women in the sample are in fact the heads of their HHs because their spouses and, in some instances, other HH members are migrant labor who are outside the country, which puts additional financial burden on women heads.

FIGURE 58: AVERAGE MONTHLY SALARY FROM CURRENT PRIVATE SECTOR EMPLOYER BY AMOUNT (IN CURRENT PRICES; IN TAJIK SOMONI).

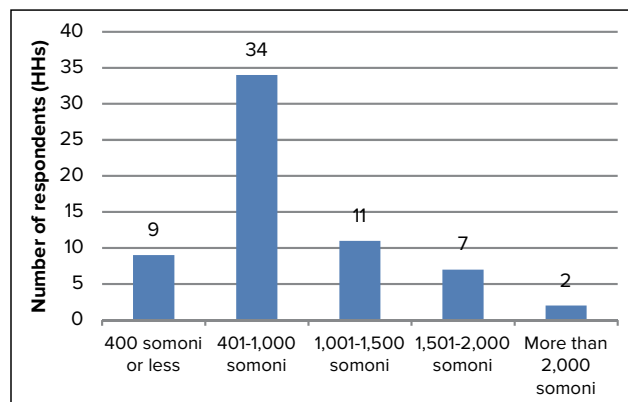
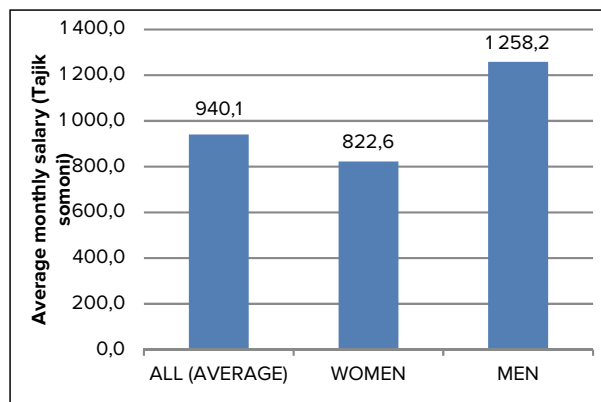


FIGURE 59: AVERAGE MONTHLY SALARY FROM CURRENT PRIVATE SECTOR EMPLOYER BY GENDER (IN CURRENT PRICES; IN TAJIK SOMONI).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 58: N=63; Figure 59: N=63.

A direct negative consequence of COVID-19 has been a 23.8% decline in average monthly salary of 63 respondents, ranging from 19.8% decline for women and 37.5% decline for men. This difference is attributed to pay differentials between men and women, i.e. women already earn lower wages which means that there is a bottom threshold for how much further women’s monthly earnings can drop. Hence a smaller proportionate loss of income by women compared to men. This can be partly explained by the fact that there are significantly more men than women who are individual entrepreneurs and migrant labor, and these two groups are among those who have been hit the hardest by the coronavirus pandemic.

FIGURE 60: AVERAGE MONTHLY SALARY (OF THE PAST 3 MONTHS) AS A SHARE OF RESPONDENTS’ AVERAGE MONTHLY HOUSEHOLD INCOME.

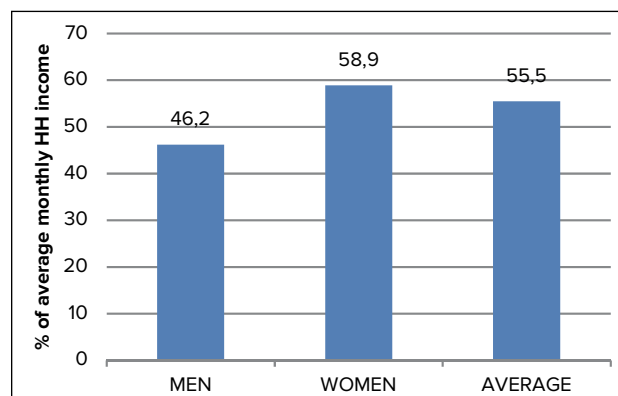
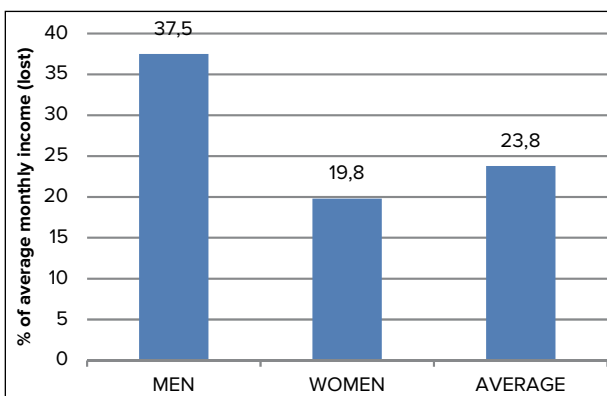


FIGURE 61: PERCENT OF AVERAGE MONTHLY SALARY THAT RESPONDENTS HAVE STOPPED RECEIVING AS A RESULT OF COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 60: N=63; Figure 61: N=63.

The impact of the decline in incomes is compounded further for 44 out of 165 respondents (26.7%) who had outstanding debt obligations. In particular, 44 respondents stated that a sizeable share of their HHs’ monthly income is spent on loan repayments, on average, 37% of monthly HH income. The gender disaggregated figures stand at 29.4% of average monthly income in men-headed HHs and 39% of average monthly income in women-headed HHs.

In hindsight, any proportion of income that women-headed HHs need to spend on anything other than basic consumption would be problematic 45 % of women-headed HHs earn, on average, no more than 1,000 somoni per month which is barely sufficient to cover minimum cost of meals and utility bills. Even those women-headed HHs which are relatively better off earn on average no more than 3,000 somoni per month. Since HHs have on average 7 members, this amount barely covers their aggregate consumption needs.

Key findings:

1. Gender inequality is evident, which contributes to greater vulnerability of women in the workforce. On average, women earn 34.6 % less than men in Tajikistan. This wage gap between men and women is likely to have widened even further due to the COVID-19 outbreak.
2. Women contribute more to the HHs' average monthly earnings than men (58.9 % by women compared to 46.2 % by men), particularly if they are members of women-headed HHs. However, the decline in men's average monthly earnings has been much higher than that of women's.

EDUCATION

The education level of Tajikistan's workforce is a cause for concern. While the highest level of education obtained by most respondents' was general secondary education, there were also few respondents who reportedly completed vocational education and training (17.6 % of all respondents, a total of 29 out of 165 respondents, including 8 men and 21 women). A total of 23 out of 29 respondents had obtained a certificate upon completion of professional skills-development courses in initial and secondary VET institutions, as well as private enterprises and other entities.

IDIs showed that 67.3 % of HHs (111 out of 165 respondents) were affected by the closure of educational institutions starting from the end of April 2020. For women-headed HHs, this proportion rises to 84.2 % (out of 76 women-headed HHs that have children below 18 years). Many HHs have also had to adjust the HH members' work schedule and costs to accommodate school and pre-school age children at home in order to provide them with school meals and ensure continued learning during the temporary closures.¹⁸⁴

TABLE 21: HOUSEHOLDS' COPING OPTIONS DURING THE CLOSURE OF EDUCATIONAL INSTITUTIONS.

	1st option	2nd option	TOTAL
Voluntarily undertake assignments without teacher supervision	39	5	44
Undertake assignments as instructed by teacher(s)	34	8	42
Maintain communication with teacher(s) remotely	25	4	29
Neither studying nor working (engaged in HH activities)	21	8	29
Obtained learning materials to study independently	10	11	21
Awaiting further instruction from educational institution	5	5	10
Enrolled (or plan to enroll) in a distance learning course	6	3	9
No one studies in HH (i.e. no children below 18 years)	25	0	25
TOTAL:	165	44	–

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=165.

¹⁸⁴ In 84.6 % of surveyed HHs, parents are the primary caretakers of their children (namely, in 140 HHs which have children below 18 years of age).

Temporary closure of educational institutions has resulted in HHs exploring alternative ways of ensuring continued education and learning for their children. In 31.4% of 140 HHs which had children below 18 years, children voluntarily undertook assignments without teachers' supervision but under their primary carers (parents or grandparents). This, however, does not guarantee the required standards of education could be provided by non-professional teaching or supervision. Besides, the broader aspects of learning at schools would be missing such as play-time, learning in groups, learning to share and participate in group activities, amongst other things. The HHs are aware of the disruptive effect that temporary closures may have on early childhood development and learning. In addition, 42 HHs (30% of HHs with children) reported that their children had undertaken assignments as instructed by their teachers, and 29 HHs highlighted that they (parents and children) maintained remote communication with teachers. Another 20.7% of HHs mentioned that they had the means and sources to obtain some learning materials which had enabled their children to continue to study independently. On the other hand, a further 29 HHs said that the temporary closures had led to their children increasing their time dedicated to housework and other HH related activities, including working on HH-owned land plots. To a certain degree, these variations may reflect differences in income levels of the HHs concerned.

Importantly, 9 HHs (out of 140 HHs which have children below 18 years) mentioned that since the temporary closure of educational institutions their children had been looking for paid jobs (temporary, part-time or full-time jobs), and another 16 HHs stated that their children already had some paid jobs in their HHs (mostly, dekhkan farms or producers of agricultural crops or livestock breeders). This shows that 17.9% of out-of-school children entered the labor market to earn a living and support the livelihood of their respective HHs. While the age of these children could not be determined, it is evident that the need to support the livelihood of HHs from an early age exacerbates school dropouts, particularly among girls.

More than 50% of HHs who had school-age children (73 out of 140 HHs) reported an additional cost of caretaking responsibilities for children not attending schools. This included but not limited to the need to secure hot meals, provide for means of communication for children, and procure learning materials for children so that they do not fall behind the curriculum.

FIGURE 62: IF YOUR HOUSEHOLD HAS CHILDREN WHO ARE AFFECTED BY TEMPORARY SCHOOL CLOSURE, WHAT IS YOUR MAIN CONCERN ABOUT THEIR EDUCATION AND DEVELOPMENT?

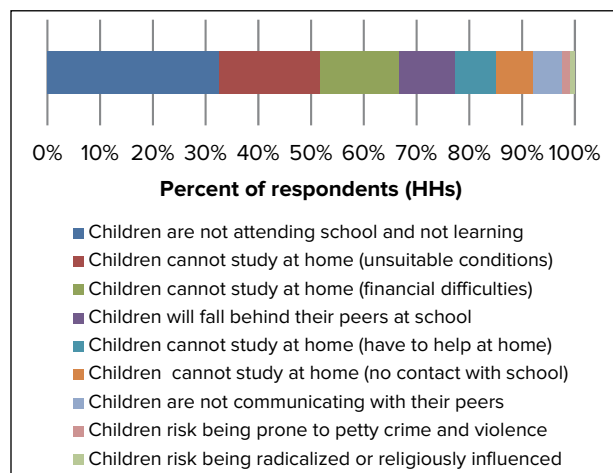
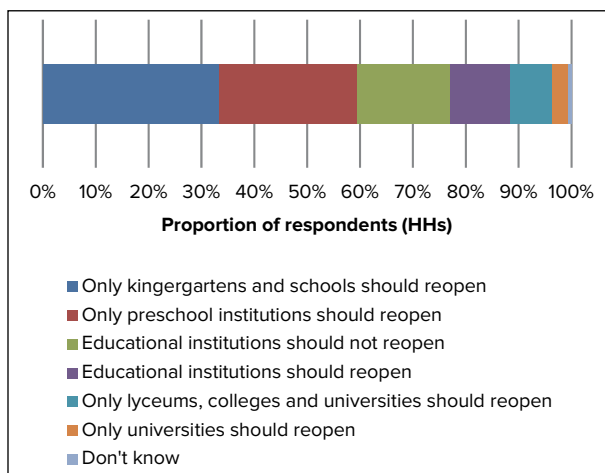


FIGURE 63: DO YOU BELIEVE THAT EDUCATIONAL INSTITUTIONS IN TAJIKISTAN SHOULD RE-OPEN?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 62: N=140; Figure 63: N=165.

Despite the risk of contracting the coronavirus infection, 33% of all HHs believed that kindergartens and schools should reopen. Another 26.1% believed that only the pre-school institutions should reopen. This

is directly related to parents' (and grandparents') concerns about the disruption in children's learning and development, caused by the temporary closure of educational institutions. There is also significant concern over education staff's wellbeing and health, which translated into 58 % of the 165 respondents believing that education staff should be put on paid leave for the duration of the temporary closure. Only 27.3 % of respondents argued in favor of continuing to work as usual without needing to take additional precautions which would affect employment.

Key findings:

1. Women-headed HHs were particularly concerned about the temporary closure of educational institutions in Tajikistan. They have fewer coping strategies and their average monthly earnings are relatively low, and yet they are forced to adapt their working schedules or agree on flexible working arrangements with their employers in order to increase supervision and caring responsibilities at home.
2. 20 % of HHs who have children below 18 years reported that their children did not study at all. Instead, these children either looked out for paid work or increased their HH responsibilities.
3. In total, more than half of all HHs were keen for kindergartens and/or schools to reopen as soon as possible. This is because they are concerned about: (i) their children's disrupted learning and development over a prolonged period of time, and (ii) the cost implication which is becoming increasingly hard to bear in the context of COVID-19 risks and HHs' rising spending needs.
4. In some cases, the demand for child labor within or outside the HHs has increased due to school closures and falling incomes of the HHs.

HEALTH

HH members with chronic illness are particularly exposed to health risks. In addition to findings from the general sample of 1,000 HHs, the IDIs showed that people with chronic illness were unable to carry out their usual activities, on average, for approximately 14.6 days (in the preceding 30 days).¹⁸⁵ This is a significant impediment, which hampers employability and likelihood of welfare improvement (even in the absence of the COVID-19 outbreak).

Chronic illness, disability¹⁸⁶ and other medical condition has a cost implication, which deepens financial disadvantage of such HHs. In total, 125 out of 165 HHs (75.8 %) stated that none of their members were covered by health insurance. Only 22 HHs were covered by health insurance through their workplace and another 12 HHs are covered by health insurance through private insurance firms. This is another risk factor as a result of: (i) relatively underdeveloped insurance sector, and (ii) low demand for insurance services of any kind, particularly among HHs in rural areas.

About 20 % of respondents adopted self-isolation measures in response to the COVID-19 outbreak, while another 15 % had reported significant stress and anxiety associated with the risk of contracting the coronavirus infection. This highlights the importance of availability of required professional psychological support for vulnerable individuals, and the importance of awareness raising efforts by the Government in order to increase understanding of the risks and encourage the population to become more responsible for their and their HH members' wellbeing.

It is impossible to determine whether domestic violence has been the result of the COVID-19 outbreak or has heightened a pre-existing situation due to self-isolation at home, schools closure, heightened anxiety and frustration due to loss of income, amongst other reasons. A total of 16.4 % of HHs (27 out of 165) reported that they had observed domestic violence in their neighborhood in the preceding 30 days. Regardless of whether COVID-19 was the trigger point, the proportion of HHs reporting domestic violence incidents is another cause for concern.

¹⁸⁵ On average, 15.5 days for women and 10.9 days for men (in the past 30 days).

¹⁸⁶ E.g. amputated limbs, delayed development, visual impairment, mental disability, and others.

FIGURE 64: HOW HAS YOUR BEHAVIOR OR ATTITUDE CHANGE AS A RESULT OF THE COVID-19 OUTBREAK?

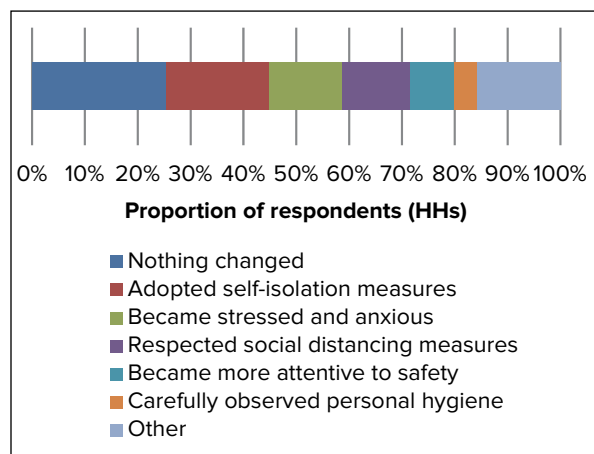
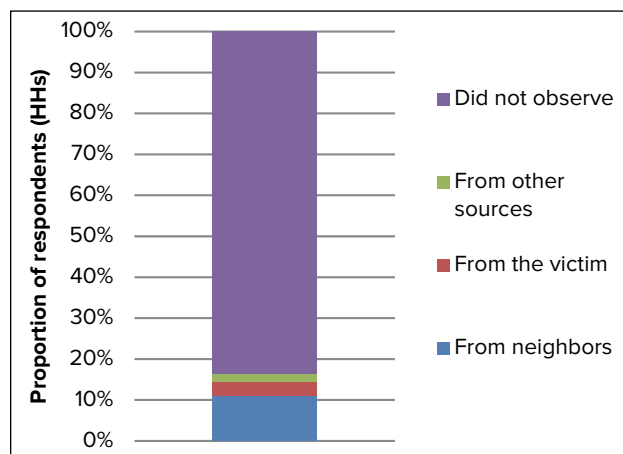


FIGURE 65: IF YOU HAVE OBSERVED AN INCREASE IN DOMESTIC VIOLENCE SINCE THE COVID-19 OUTBREAK, HOW DID YOU FIND OUT ABOUT IT?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 64: N=165; Figure 65: N=165.

Key findings:

1. Health insurance generally is neither popular nor mandatory among the population. This sentiment extends to both public and private insurance. Only 24.2 % of all respondents reported having some health insurance. This poses additional financial and health risks for HHs which have member(s) with chronic illness or disability or other medical condition.
2. The need for professional psychological support is evident, particularly in the presence of a large proportion of financially disadvantaged and vulnerable HHs. About 15 % of HHs reported stress and anxiety as a direct consequence of the COVID-19 outbreak, which is likely to have remained unattended to, particularly in urban areas.
3. More than 16 % of HHs reported domestic violence at the time of conducting the survey, which may or may not be a direct consequence of the COVID-19 outbreak. Regardless, the share of HHs reporting domestic violence is relatively high. Due the likelihood of some HHs choosing not to trust interviewers with such information via phone interviews, the true number of cases of domestic violence in the reporting period may be higher than what has been reported.
4. Due to the sensitivity of the question and responding via phone interviews, the true number of cases of domestic violence in the reporting period may be higher than what has been reported.



IMPACT OF COVID-19 ON MSMEs

Photo Credits: Didor Sadulloev

KEY CHARACTERISTICS OF SURVEYED ENTREPRENEURS

In total, the sample includes 295 micro enterprises (42.1%), 347 small-sized enterprises (49.6%), and 58 medium-sized enterprises (8.3%), with sufficient representation in all geographic locations in Tajikistan. The survey sample of micro-, small- and medium-sized enterprises (MSMEs) also consists of individual entrepreneurs and dehqan farmers. For simplicity and ease of reference, this broad group is referred to as ‘MSMEs’ throughout the assessment report. The sample distribution is consistent with the original sampling plan, with variations not exceeding the conventional statistical discrepancy level (of 5%).

If migrant labor is taken out of the equation, MSMEs in Tajikistan drive job creation. On average, MSMEs employ 13.2 workers (3.4 workers in micro enterprises compared to 14.5 workers in small-sized enterprises and 55.1 workers in medium-sized enterprises). Due to the spread of MSMEs across geographic locations (based on government registry of legal commercial entities and individual entrepreneurs in Tajikistan), the sample is geographically spread out as follows: 109 MSMEs in the districts of republican subordination (15.6% of the sample), 148 MSMEs in Dushanbe (21.1%), 14 MSMSMEs in GBAO (2%), 217 MSMEs in Khatlon oblast (31%), and 212 MSMEs in Soghd oblast (30.3%).

The predominance of micro- and small-sized enterprises and the low average number of employees and limited scales of production have direct implications on cost-efficiency of investments. The “missing middle” of MSMEs in Tajikistan often deters growth transmission and hampers growth prospects. The economy is dominated by individual entrepreneurs, as well as a few large companies and state-owned enterprises (SOEs) which effectively crowd out smaller firms. In addition, domination of SOEs in many key industries skews MSMEs towards smaller-scale operations, due to a business environment that becomes markedly harsher as businesses get bigger. As a result of these disincentives for growth, many businesses remain small and do not realize benefits from economies of scale. The sample composition confirms this general observation about MSMEs in Tajikistan.

FIGURE 66: COMPOSITION OF MSMEs BY ECONOMIC SECTOR IN TAJIKISTAN.

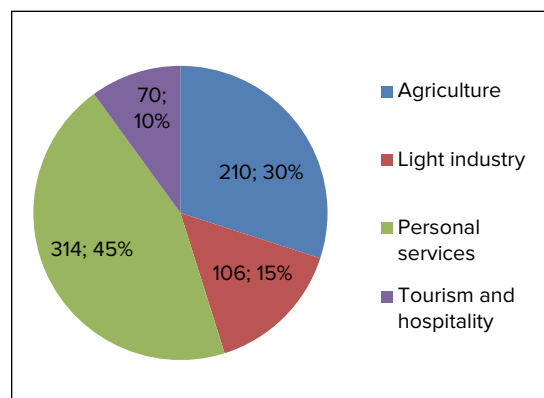
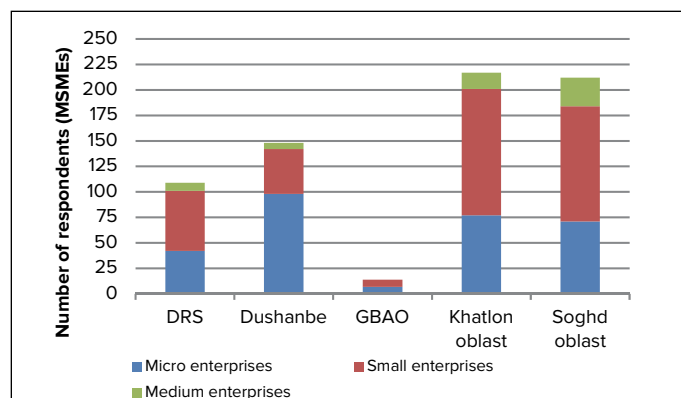


FIGURE 67: COMPOSITION OF MSMEs BY GEOGRAPHIC LOCATION AND SIZE OF ENTERPRISE IN TAJIKISTAN.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 66: N=700; Figure 67: N=700.

The sample contains significantly more MSMEs in the following top 10 sub-sectors: (i) restaurants and cafeterias (170 MSMEs or 24.3%), (ii) processing of agricultural products (83 MSMEs or 11.9%), (iii) beauty industry (74 MSMEs or 10.6%), (iv) production of crops (61 MSMEs or 8.7%), (v) textiles and clothing (60 MSMEs or 8.6%), (vi) horticulture (46 MSMEs or 6.6%), (vii) accommodation and lodging (31 MSMEs or 4.4%), (viii) home products (24 MSMEs or 3.4%), (ix) home improvement services (21 MSMEs or 3%), and (x) booking services and event management services (both tied at 19 MSMEs or 2.7% of the total sample).

FIGURE 68: COMPOSITION OF MSMEs BY TYPE OF ENTREPRENEURSHIP AND SIZE.

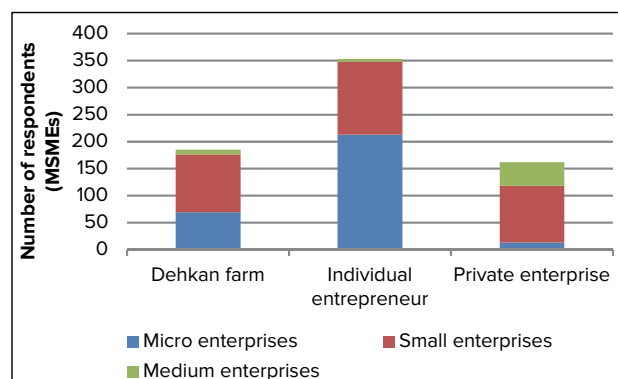
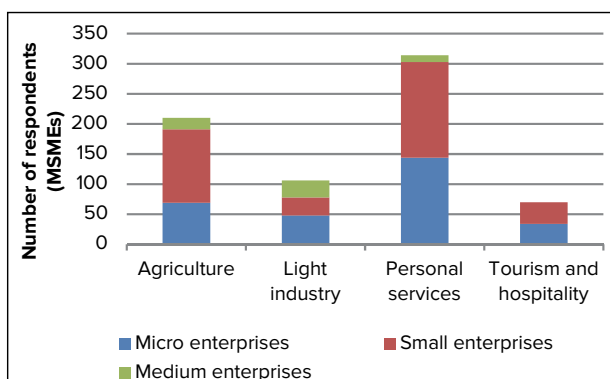


FIGURE 69: COMPOSITION OF MSMEs BY GEOGRAPHIC LOCATION AND SIZE OF ENTERPRISE.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 68: N=700; Figure 69: N=700.

The private sector landscape in Tajikistan is dominated by individual entrepreneurs and small-scale enterprises. The sample is consistent with this landscape and includes 353 individual entrepreneurs (50.4% of the sample), 185 dehkan farmers (26.4%), and 162 private-sector legal commercial enterprises (23.1%). In turn, services are dominated by individual entrepreneurs (working under a patent or a certificate) and micro enterprises, while light industry has the largest share of medium-sized enterprises compared to any other economic sector covered in the survey.

Of 210 MSMEs in agriculture, 185 were dehkan farmers which is equivalent to 88.1% of all sample MSMEs in agriculture. Similarly, 84.7% of all MSMEs in personal services were individual entrepreneurs (namely, 266 out of 314 MSMEs). About 2/3 of all individual entrepreneurs reportedly operated under a patent, while the remaining 1/3 operated under a certificate.¹⁸⁷ In Tajikistan, 75.3% of all individual entrepreneurs work under a patent (as of January 1, 2020), most of whom are engaged in the services sector and retail trade. Both categories of individual entrepreneurs have been negatively affected by the COVID-19 outbreak. Individual entrepreneurs operating under a patent had their fixed monthly fees raised by 8% in accordance with the degree of the Ministry of Finance (#11) and the Tax Committee (#1-f) dated 23 January 2020. In effect, this nominal increase of fixed monthly patent fees represented adjustment for inflation.¹⁸⁸ Individual entrepreneurs operating under a certificate pay income taxes as a percentage of monthly income which, for many entrepreneurs, have fallen by a significant margin.

In addition, 152 enterprises were limited liability companies (LLCs), while 13 out of 185 dehkan farms in the sample are non-registered. A dehkan farmer is allowed to remain non-registered in line with Article 3 of the Law of the Republic of Tajikistan “On dehkan farmers” provided that its size does not exceed 50 workers (#1289 dated 15 March 2016).¹⁸⁹ There were only 9 joint stock companies (JSCs) in the sample.

¹⁸⁷ While individual entrepreneurs who work under a certificate only pay a one-time fee (at the time of registration) and monthly taxes, those that work under a patent are required to make fixed monthly payments which cover income tax and social payments.

¹⁸⁸ Monthly patent fees range from 61 somoni (housekeeping) to 800 somoni (transport of cargo weighing more than 20 tons) for 50 different patents corresponding to different types of commercial activities in retail trade, transportation, and services.

¹⁸⁹ Non-registered dehkan farmers are regarded as individual entrepreneurs.

FIGURE 70: COMPOSITION OF MSMEs BY ECONOMIC SECTOR AND TYPE OF ENTREPRENEURS.

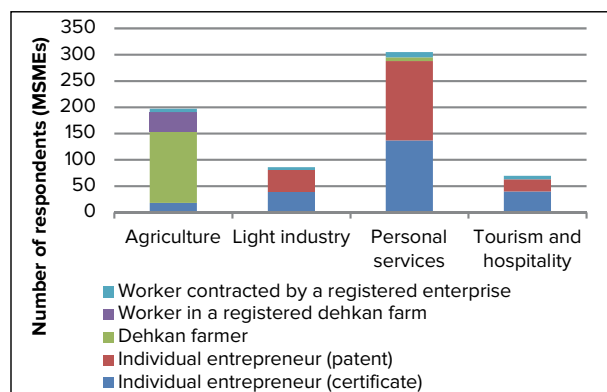
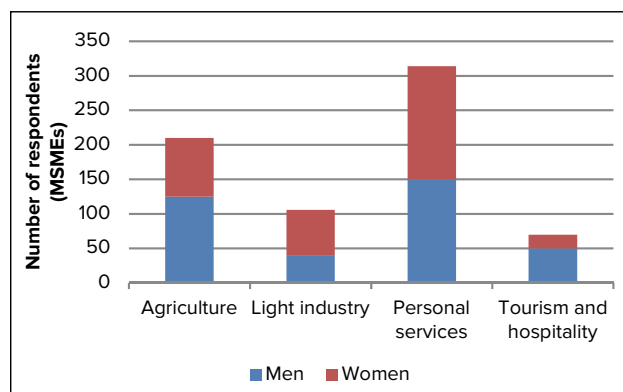


FIGURE 71: COMPOSITION OF MSMEs BY ECONOMIC SECTOR AND GENDER OF RESPONDENT.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 70: N=700; Figure 71: N=700.

The age and gender of respondents was also sufficiently balanced. The sample includes 52 % men and 48 % women, whereas the average age of respondents was 44.6 years. The survey team carried out interviews with men and women in decision-making positions in their respective enterprises. For instance, there were 379 respondents (out of 700) who were co-owners or shareholders of their enterprise, 232 respondents who were executive directors or chief executive officers, and 30 respondents who were chief operations officers or chief finance officers. This group comprised 91.6 % of respondents in the sample.

TABLE 22: COMPOSITION OF THE WORKFORCE AMONG SURVEYED MSMEs.

	Agriculture	Light industry	Personal services	Tourism and hospitality
Individual entrepreneur (certificate)	18	39	137	40
Individual entrepreneur (patent)	0	42	151	23
Dehkan farmer	136	0	7	0
Worker in a registered dehkan farm	37	0	0	0
Worker contracted by a registered enterprise	6	5	10	7
Self-employed (unregistered)	10	7	8	0
Paid worker in own HH	0	6	1	0
Unpaid worker in own HH	0	4	0	0
Worker in a non-registered dehkan farm	3	0	0	0
Worker w/o contract in a registered enterprise	0	2	0	0
Unpaid worker in another HH	0	1	0	0
TOTAL:	210	106	314	70

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

More than 50 % of MSMEs (356 out of 700) reported operating in urban areas, while 3.7 % stated that they operated in both urban and rural areas. It is logical that MSMEs sell their products or services mainly in urban areas because of the larger market and the customers' higher purchasing power relative to rural areas. The physical location of MSMEs and the geographic location of their economic activity were found

to be similar. Among 700 MSMEs in the sample, some were founded as recently as 2020 (e.g. individual entrepreneurs) while a few others, mostly medium-sized enterprises, were established as far back as the 1930's and 1950's.

Understandably, phone interviews constrained the survey team's ability to obtain a more accurate number of formal sector and informal sector employment. Notwithstanding this limitation, 6 % of all surveyed MSMEs reported employing workers informally (i.e. on a non-registered basis). Overall, MSMEs reported that at the time of conducting the survey they employed 9,204 workers, of which 26.9 % were in fact non-registered jobs (including casual employment and unpaid work in households). This finding is generally consistent with previous assessments, which showed that the proportion of all wage employees in the informal sector increased from 28 % to 39 % between 2007 and 2013 (World Bank, 2017).¹⁹⁰ The survey further found that, on average, women occupy the majority of part-time and temporary jobs. For instance, 73.6 % of part-time casual jobs and 69.4 % of temporary/hourly casual jobs are occupied by women. Informal employment is especially prevalent in agriculture and services.

FIGURE 72: COMPOSITION OF WORKFORCE IN THE SURVEYED MSMEs BY GENDER AND EMPLOYMENT.

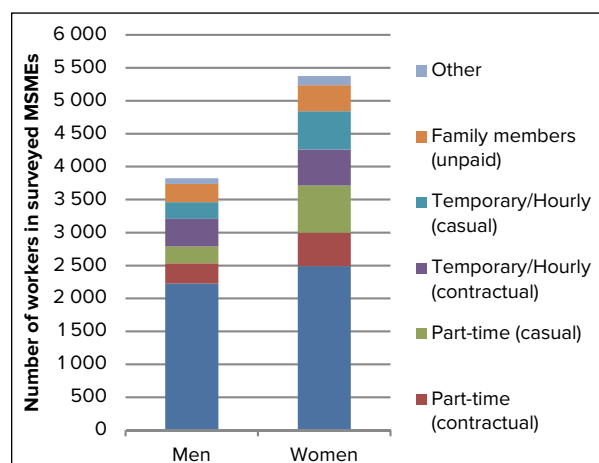
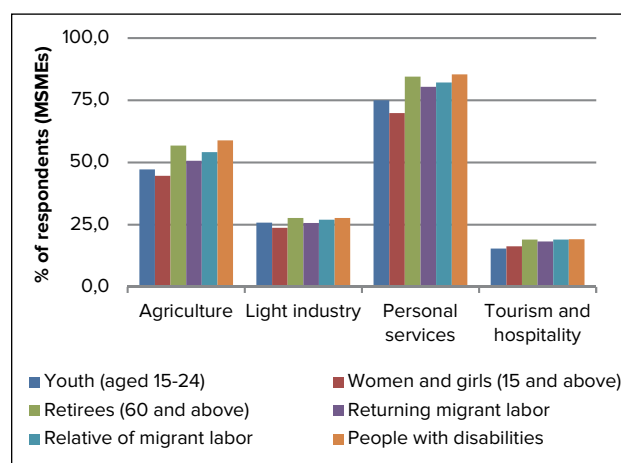


FIGURE 73: PROPORTION OF MSMEs IN EACH ECONOMIC SECTOR THAT EMPLOY WORKERS FROM THE SELECTED VULNERABLE GROUPS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 72: N=700; Figure 73: N=700.

OPERATIONAL ASPECTS

IMPACT ON OPERATIONS AND VIABILITY

According to the survey, 63.1 % of MSMEs felt the negative effect of the COVID-19 outbreak on their firm's operations. This is equivalent to 442 out of 700 enterprises. Border closures and travel restrictions have had a detrimental effect on operations of enterprises in the tourism and hospitality sector, such as hotels, guest houses, tour operators (particularly those that are servicing foreign tourists into Tajikistan), and others. Individual entrepreneurs and enterprises in the services sector were also significantly affected, with many hairdressers, beauty salons, restaurants and cafeterias needing to temporarily close their operations due to restrictions imposed by the Government of the Republic of Tajikistan. These immediate effects are in fact very similar to majority of countries across the world. The difference, however, would be on the depth and duration of these effects, and the ultimate resilience of businesses towards full or partial recovery.

¹⁹⁰ Strokova, V. and Ajwad, M. 2017. *Jobs Diagnostic Tajikistan: Strategic Framework for Jobs*. World Bank. Washington, DC, p.33.

In general, there is an above average representation of MSMEs in economic sectors particularly affected by the COVID-19 outbreak, which include tourism and hospitality, construction, wholesale and retail trade, transport (including air transport), agriculture, and personal services (e.g. beauty industry). Thus, it was not surprising that 63.1% of MSMEs which are heavily represented in the four economic sectors selected for the survey were in fact negatively affected by the COVID-19 outbreak.

On the other hand, 5.8 % of MSMEs (or 30 out of 700 MSMEs, mainly operating in agriculture and light industry), reported that the COVID-19 outbreak has positively affected their commercial operations. Some agricultural producers benefitted from rising prices and anxiety among the population, which led consumers to spend more money than usual on food supplies in order to cope with anticipated shortages. Since then, however, the Government of the Republic of Tajikistan has encouraged domestic agricultural producers to increase their production and sell domestically, which briefly increased the benefits for dehqan farmers. Other businesses, particularly in light industry, repurposed their production which has enabled them to supply sanitary and protective equipment such as face masks, antiseptics and other disinfectants, and paper products (e.g. tissues, paper towels, toilet paper, etc.) domestically. A handful of businesses, mostly in services, has seen a surge in commercial income due to the nature of their operations. Examples of such businesses include delivery services, cleaning services, Internet and computer services, and others. A few firms in the tourism and hospitality sector were also positively affected due to a seasonal surge in demand for local sightseeing and recreational services, and in the temporary absence of travel/recreational alternatives outside Tajikistan caused by border closures.

FIGURE 74: HAS THE COVID-19 OUTBREAK AFFECTED YOUR FIRM'S OPERATIONS IN ANY WAY? (BY ECONOMIC SECTORS)

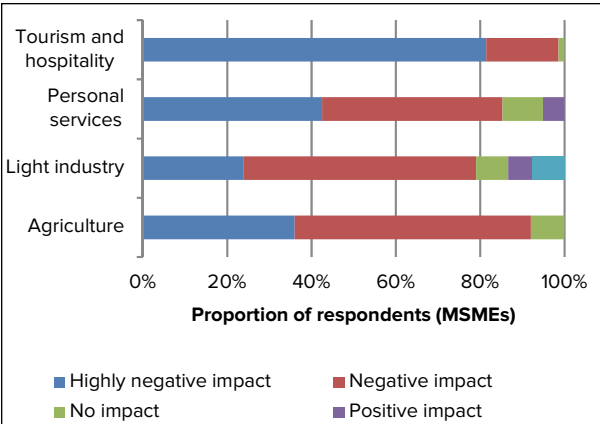
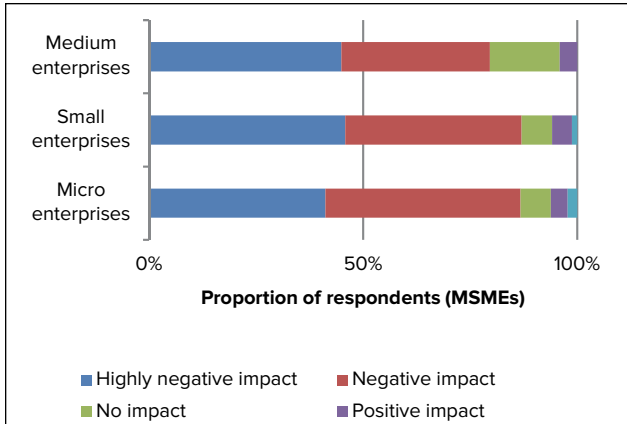


FIGURE 75: HAS THE COVID-19 OUTBREAK AFFECTED YOUR FIRM'S OPERATIONS IN ANY WAY? (BY SIZE OF ENTERPRISE)



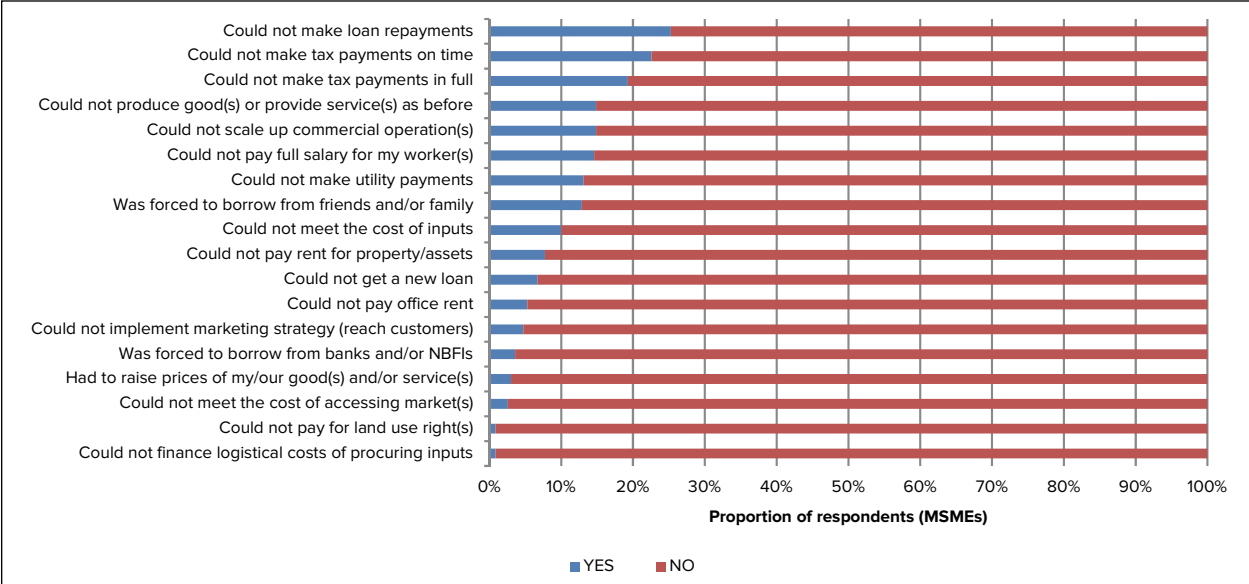
/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 74: N=700; Figure 75: N=700.

The larger the size of enterprise, the higher is its ability to withstand economic disturbances. Medium-sized enterprises were marginally better able to cope with the fallout from the COVID-19 outbreak than micro enterprises and small-sized enterprises. In particular, 79.6 % of medium-sized enterprises were negatively affected by the COVID-19 outbreak, compared to 87 % of small-sized enterprises and 86.7 % of micro enterprises (including individual entrepreneurs). While the survey results suggest increasingly severe disruptions and mounting concerns among small businesses, larger enterprises are financially more resilient to shocks. Geographically, the effect of COVID-19 is more or less evenly spread out across MSMEs in different regions (ranging from 81.8 % of MSMEs in GBAO to 91.2 % of MSMEs in Dushanbe which are reporting negative effect).

The main implications of the COVID-19 outbreak on businesses in the preceding 30 days were slightly different for various target groups (See Annex 3), but most of them are essentially financial losses which led to payment difficulties and deterred business growth. Notably, there were five commonly shared

implications on surveyed MSMEs: (i) being unable to repay outstanding loans, (ii) being unable to make tax payments in full and on time, (iii) being unable to produce goods or provide services as before, (iv) being unable to scale up commercial operations, and (v) being unable to remunerate workers in full.

FIGURE 76: THE MAIN IMPLICATIONS OF THE COVID-19 OUTBREAK ON MSMEs IN THE PAST 30 DAYS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

More than 25 % of MSMEs reported difficulties repaying outstanding loans, and 22.6 % of MSMEs stated that they had difficulties filing in monthly tax payments. There are a number of other consequences of the COVID-19 outbreak, some of which are presented in Figure 76 and Annex 3, including inability to meet the rising cost of inputs (e.g. mineral fertilizers or other imported goods), having to borrow additionally from friends or relatives, as well as being unable to make rent payments or utility payments.

In general, 81.6 % of surveyed MSMEs were concerned about the effect of COVID-19 on their economic and commercial activities. Only 8.5 % of MSMEs were not concerned about the unfolding economic crisis and were reportedly unaffected by the COVID-19 outbreak. In addition to financial concerns, businesses often cited the measures imposed by neighboring countries (such as Kazakhstan) which limited exports of food products and medical products, which could have sidelined MSMEs engaged in wholesale trade. Besides, trade measures, coupled with restrictions in production and logistics, would have pushed up local consumer prices, which in turn may have negatively affected returns through depressed demand.

At the same time, the impact of the COVID-19 outbreak differs by sector. The share of MSMEs who were concerned about their commercial operations was as high as 97.1 % in the tourism and hospitality sector. This is because firms in tourism and hospitality sector are significantly more affected by border and travel restrictions than any of the other three economic sectors. Next in terms of severity are businesses in non-food manufacturing (light industry) and services. In agriculture, 60 % of MSMEs said that they were concerned about their operations as a result of restrictions and measures imposed by the government to counter the outbreak.

As far as regional variations are concerned, MSMEs in GBAO (90.9 %) and Khatlon oblast (89.2 %) were more concerned about the consequences of the COVID-19 outbreak on their commercial operations than anywhere else in the country, compared to 70.3 % of MSMEs in Soghd oblast.

The survey further revealed that, on average, shutdown risks are higher for younger and smaller firms. If restrictions and closures continue on a broad scale, 33 % of affected MSMEs would not be able to continue

operations beyond one month. Another 33% of MSMEs would be able to continue operations between 3 to 6 months, which shows the majority of the private sector firms are highly vulnerable to economic downturns and shocks. This is explained by the fact that younger and smaller businesses are likely to face more severe resource constraints than larger firms. It suggests that even though smaller firms may be no more exposed than others to the COVID-19 outbreak and its economic effects, they are more susceptible, for instance due to lack of diversification and limited access to resources, and thus less able to cope with economic disturbances.

FIGURE 77: HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE COVID-19 OUTBREAK ON YOUR FIRM'S COMMERCIAL OPERATIONS (i.e. ECONOMIC ACTIVITY)?

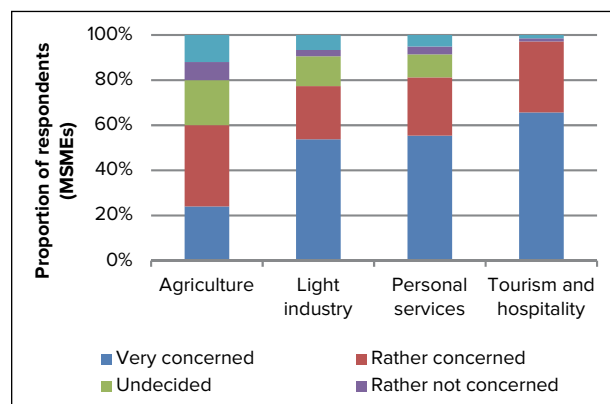
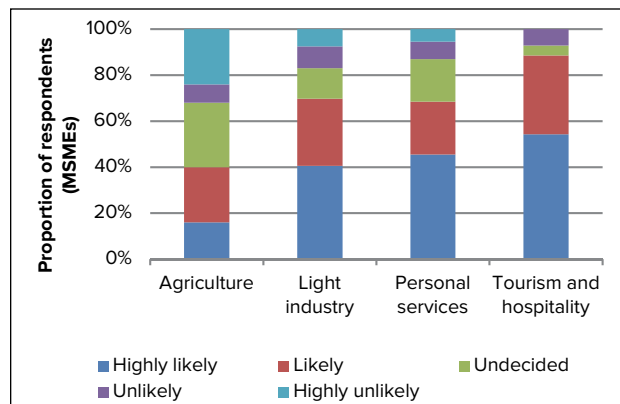


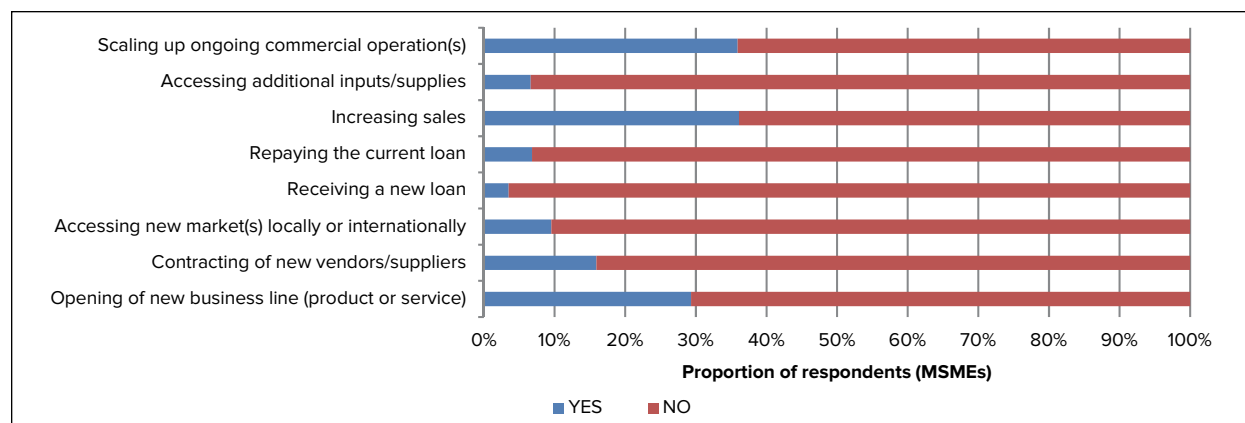
FIGURE 78: IF THE COVID-19 RELATED CLOSURES AND RESTRICTIONS CONTINUE IN THE NEXT 3 MONTHS, HOW LIKELY IT IS THAT YOUR FIRM MAY SHUT DOWN?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 77: N=515; Figure 78: N=515.

In addition, 70.1% of affected MSMEs believed that they would probably have to shut down altogether if the COVID-related restrictions and closures continue for another three months. This is rather concerning as it affects almost 9 out of 10 firms in tourism and hospitality (88.6%), almost 7 out of 10 firms in the personal services sector (68.5%) and light industry (69.8%), and 4 out of 10 firms in agriculture (40%). At the same time, the resilience of MSMEs differs geographically. For instance, 57.4% of MSMEs in Soghd oblast said that they might be forced to shut down if restrictions continued for another three months, compared to 81.8% of MSMEs in GBAO and 81.1% of MSMEs in Dushanbe. This geographic difference is partly attributed to the proximity of businesses in the Soghd oblast to international trade routes and variety of logistical hubs, while also being heavily represented by MSMEs in light industry which are better able to cope due to their unmatched ability to repurpose production, at least temporarily.

FIGURE 79: PLANS THAT WERE CANCELLED BY MSMEs BECAUSE OF THE COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=515.

Amongst the 515 affected MSMEs, 14.8 % were not yet sure of how they intended to return to ‘normal’ operations once the restrictive measures were eventually lifted. About 20 % of the MSMEs intended to gradually re-employ workers, while a further 25 % would gradually expand operations to pre-crisis level. At the same time, 35.1% of dehqan farmers stated that no plans were cancelled, and they had continued operating as usual. This may imply the relative security of more isolated, less exposed lines of production.

Innovation among MSMEs during the COVID-19 pandemic was found to be scarce. In total, about 28 % of affected MSMEs reported employing innovative adaptation strategy in response to the coronavirus outbreak and the resulting disruptions in MSMEs’ commercial operations. In the meantime, interviews confirmed that MSMEs in fact referred to non-conventional ways of addressing their commercial and employment challenges when asked about “innovative adaptation” to the unfolding situation. These non-conventional coping strategies adopted by MSMEs included: (i) transitioning to online marketing and/or sales (24.3 % of MSMEs), (ii) scaling down the production of goods or provision of services in line with depressed demand (40.3 %), (iii) introducing new products or services to the local market such as face masks, antiseptics, delivery services, and online consultations (27.1 %), and (iv) contracting new vendors or suppliers (17.4 %). About 25 % of dehqan farmers have also utilized similar coping strategies.

FIGURE 80: INNOVATIVE ADAPTATION STRATEGIES EMPLOYED BY MSMEs IN THE PAST 30 DAYS IN RESPONSE TO THE COVID-19 OUTBREAK.

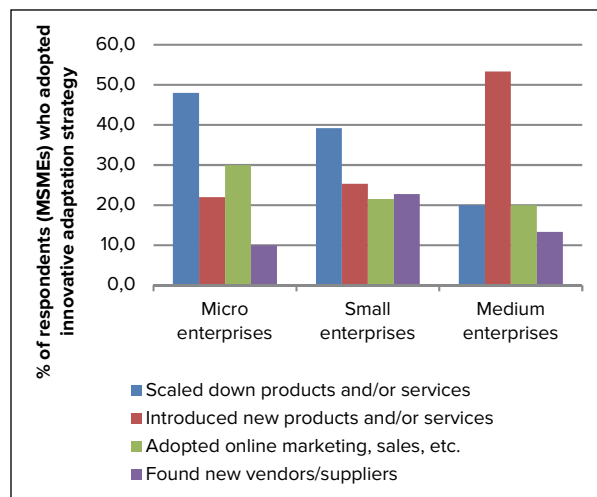
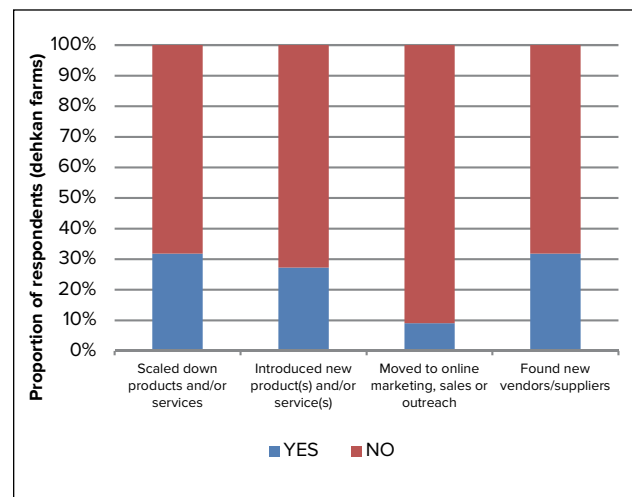


FIGURE 81: INNOVATIVE ADAPTATION STRATEGIES EMPLOYED BY DEHKAN FARMS IN THE PAST 30 DAYS IN RESPONSE TO THE COVID-19 OUTBREAK.

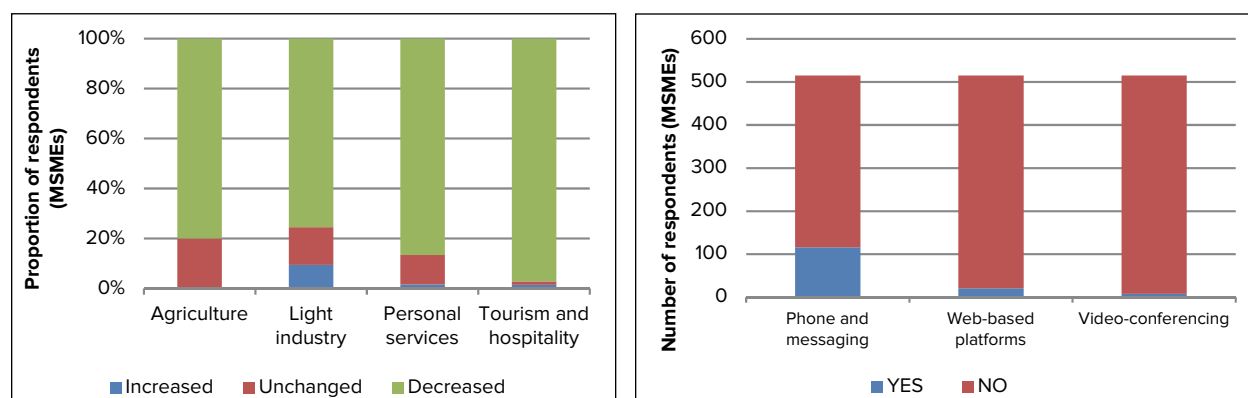


/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 80: N=144; Figure 81: N=88.

In Tajikistan, businesses require systemic, sustained and hands-on support to help them adopt new work processes, speed up digitalization of their operations and/or services, and interact with customers. In the absence of such support, bar few business acceleration and professional support services (operating mainly out of Dushanbe and Khujand), MSMEs will be unable to innovate and employ effective and sustainable measures in order to adapt to a “new normal” of the post-COVID economic reality.

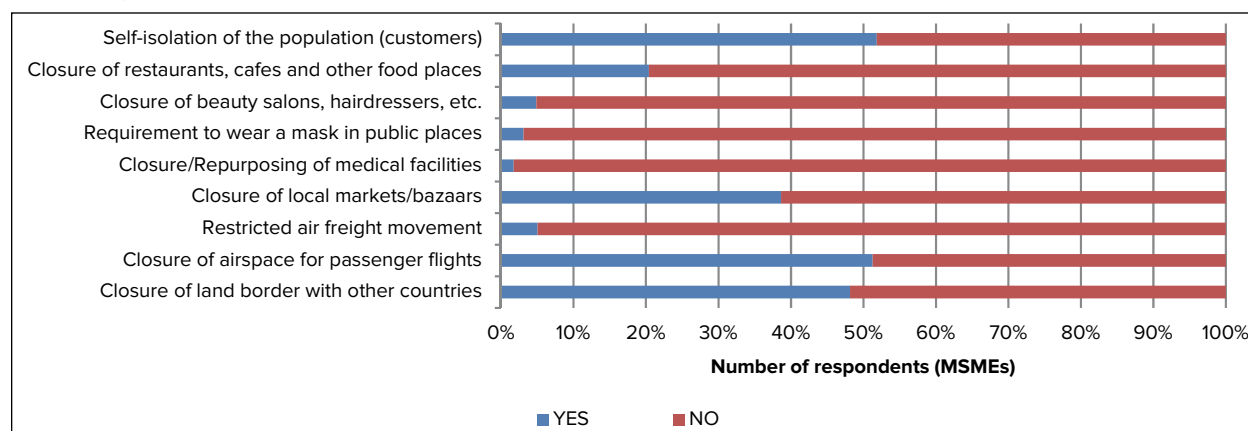
The COVID-19 outbreak has also negatively affected MSMEs’ customer base due to lower demand for products and services. In total, 85.4 % of affected MSMEs stated that their customer base had decreased as a result of nationwide restrictions. Businesses in tourism and hospitality were hit particularly hard, as mentioned above, with 68 out of 70 MSMEs (97.1 %) confirming a decrease in customer base. A total of 90.3 % of micro enterprises reported decreasing customer base, compared to 57.1 % of medium-sized enterprises. In response to the decrease in customer base, some MSMEs had resorted to text messaging (22.5 %) and web-based resources (4.1%) in order to reach out to clients and market their products. This also shows that many MSMEs find it hard to adopt new sales channels, online marketing, and other digital solutions that may help them mitigate the economic impact of the COVID-19 outbreak.

FIGURE 82: HOW HAS THE COVID-19 OUTBREAK AFFECTED YOUR ENTERPRISE'S CUSTOMER BASE? **FIGURE 83: WAYS IN WHICH AFFECTED MSMEs COMMUNICATING WITH CLIENTS/CUSTOMERS.**



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 82: N=515; Figure 83: N=515.

FIGURE 84: MAIN FACTORS THAT AFFECTED MSMEs' COMMERCIAL OPERATIONS (i.e. ECONOMIC ACTIVITY) AS A RESULT OF THE COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=515.

Many businesses said that containment measures and nationwide closures imposed by the Government of the Republic of Tajikistan caught them by surprise, leaving virtually no time to adapt. To that end, a number of factors that have affected MSMEs' operations as a result of the COVID-19 outbreak included: (i) self-isolation of the population, i.e. customers (51.8 % of affected MSMEs), (ii) closure of Tajikistan's land border with neighboring countries (48.2 % of affected MSMEs), (iii) closure of airspace for passenger flights (51.3 % of affected MSMEs), (iv) closure of local markets and bazaars (38.6 % of affected MSMEs), and (v) closure of restaurants and other food places (20.4 % of affected MSMEs). These top five reasons have either restrained or shut down economic activity in many sectors, forcing MSMEs to channel their resources onto staying afloat.

Many MSMEs rate the need to defer loan, rent and tax payments as the most important measures. The largest group of MSMEs believed that temporary tax holiday is the single most important measure that could help MSMEs improve their commercial operations and recover from the negative consequences of the COVID-19 outbreak. Anecdotal evidence suggests that MSMEs are being continually asked by tax officials to make upfront payments against their respective tax obligations, which severely undermines the availability of cash liquidity among MSMEs and their attitude toward tax burden. This may have skewed responses in favor of tax holiday or tax deferral, although tax-related mitigation measures are recognized to have had the greatest effect on the viability of businesses in many countries.

TABLE 23: TOP 10 MOST IMPORTANT (AND POPULAR) MEASURES THAT WILL HELP MSMEs TO IMPROVE THEIR COMMERCIAL OPERATIONS IN THE CONTEXT OF THE COVID-19 OUTBREAK.

	Level of importance ¹⁹¹	Sample size
Temporary deferral of loan payment	9.33	27
Temporary deferral of rent payment	9.29	17
Temporary halting of loan payment	9.12	92
Temporary tax deferral	9.07	161
Specialized mentoring and advisory services	8.86	36
Temporary halting of rent payment	8.79	100
Hotline support for struggling businesses	8.79	28
Temporary tax holiday	8.77	218
Business incubation and acceleration services	8.74	23
Temporary halting of insurance payment	8.71	14

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

Key findings:

1. The COVID-19 outbreak has had a large immediate effect on smaller businesses. In particular, 63.1% of MSMEs were negatively affected, mainly due to closure of international borders and local markets.
2. The pandemic has affected MSMEs in four economic sectors to varying degrees. MSMEs in the tourism and hospitality sector were most adversely affected by COVID-19 while businesses in agriculture were the least affected.
3. A small proportion of MSMEs (5.8 %) has had a positive effect on their sales and turnover, such as due to repurposing of production, nature of economic activity, and seasonality.
4. Larger businesses have a marginally greater ability to withstand economic shocks than smaller ones due to greater financial viability and a multitude of coping options. The resilience of MSMEs to shocks does not depend on geographic locations.
5. The most commonly shared negative implications of MSMEs included firms' inability to repay outstanding loans, pay taxes, produce goods or provide services in line with pre-COVID-19 level, scale up commercial operations, and remunerate workers. For instance, more than 25 % of MSMEs reported difficulties repaying outstanding loans, and 22.6 % of MSMEs have difficulties making regular tax payments, suggesting low cash liquidity in the majority of surveyed MSMEs.
6. Although some MSMEs may not have been affected (yet) by the COVID-19 outbreak, they are nevertheless concerned about the possible implications on their business operations. 81.6 % of MSMEs were concerned about the effect of COVID-19 on their commercial operations, with up to 97 % of MSMEs in tourism and hospitality compared to 60 % of MSMEs in agriculture.
7. A small fraction of surveyed MSMEs (6.3 %) are neither unaffected by nor concerned about the COVID-19 outbreak and its potential implication on their economic activity. These are mainly firms which have the lowest exposure to regional supply chains or medium-sized enterprises.
8. The shutdown risk is particularly high among affected MSMEs, suggesting symptomatically low resilience to economic and financial shocks. Should nationwide restrictions and closures continue, about 33 % of affected MSMEs would only be able to continue commercial operations for no more than a month.

¹⁹¹ On a scale between 1 and 10, where 1-least important and 10-very important.

9. In a scenario where the COVID-19 restrictions and closures would be limited to three months, it is highly likely that the crisis would lead to shutting down of 70.1% of affected MSMEs.
10. While few MSMEs adopted innovative adaptation strategies, 28 % of affected MSMEs employed non-conventional coping strategy in response to the coronavirus outbreak, which included: (i) scaling down the production of goods and services (40.3 % of MSMEs), (ii) introduction of new products or services (27.1%), (iii) transitioning to online marketing and/or sales (24.3 %), and (iv) contracting new vendors or suppliers (17.4 %).
11. Few MSMEs resorted to digitalization in order to market their products/services or reach out to customers. More than 85 % of affected MSMEs (440 out of 515 MSMEs) had their customer base decreased, with 22.5 % of businesses using text messaging and 4.1% of businesses using web-based resources in order to reach out to clients and market their products.
12. Deferral of loan, tax, rent and utility payments are perceivably more important for MSMEs than other measures which would help them to withstand the shock and recover from the pandemic.

SUPPLY CHAINS AND VALUE CHAINS

Any labor market disturbances, including macroeconomic and financial shocks, have a potentially disruptive effect on supply chains and value chains. This is particularly magnified for private sector firms. The COVID-19 outbreak resulted in the temporary disruption between MSMEs and vendors, suppliers, clients, and markets. There are exceptions but they are rare. In total, 73.6 % of all surveyed MSMEs reported that their supply chains and/or value chains have been negatively affected by the pandemic.

TABLE 24: TOP 10 IMPLICATIONS OF THE COVID-19 OUTBREAK ON MSMEs' SUPPLY CHAINS.¹⁹²

	1st response	2nd response	3rd response	TOTAL
Disruption of production (of goods or services)	204	22	7	233
Disruption of sales (due to lower consumer demand)	120	63	17	200
Constrained access to inputs	28	16	2	46
Difficulty transporting produced goods	20	19	2	41
Disruption of commercial distribution network(s)	29	6	4	39
Constrained access to facility/office (by consumers)	5	18	10	33
Disruption of transportation of inputs	10	11	3	24
Disruption of marketing activities	8	5	6	19
Unable to move sales/customer outreach online	3	3	1	7
Disruption of other logistics (besides transportation)	4	0	0	4
TOTAL:	515	163	57	–

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

In total, 31.7 % of MSMEs whose supply chains have been affected stated that their production was disrupted, implying that offices, workshops and factories were reportedly closed since May 2020. This has also constrained access to inputs and posed significant logistical challenges for many businesses, which in

¹⁹² Respondents were asked to provide more than answer choice (option), which are reflected in the table.

turn restricted inter-regional transportation services within the country. Besides, sales were understandably disrupted due to the temporary closure of local bazaars and markets, and restricted international trade (including small-scale cross-border trade). Other MSMEs have had difficulties reaching out to clients and implementing their marketing activities, e.g. due to inability to adapt to the changing business environment and limited flexibility of physical operations.

Disruption in commercial distribution networks was also a direct consequence of travel restrictions and the threat of further spreading of the coronavirus infection, which forced many MSMEs to impose self-isolation and furloughing measures towards their workforce. This has had an adverse effect on sales and turnover.

In terms of value chains, 41.3 % of affected MSMEs mentioned disruption in their relations with the clients. A further 16.6 % of MSMEs reported constrained access to local markets (e.g. bazaars, grocery stores, etc.) and 12.7 % of MSMEs stated that they had difficulties sourcing or procuring inputs from affiliated (or contracted) vendors and suppliers across the country. Many MSMEs, particularly smaller businesses, did not have the means to maintain regular communication with their customers and/or personnel, which also led to 2.9 % of MSMEs having difficulties communicating with business partners. Restrictions imposed on international travel have also led to constrained access to resources and markets for approximately 4 % of affected MSMEs. Another 4.8 % of MSMEs were unable to duly plan their commercial operations due to heightened uncertainty and risks.

TABLE 25: TOP 10 IMPLICATIONS OF THE COVID-19 OUTBREAK ON MSMEs' VALUE CHAINS.¹⁹³

	1st response	2nd response	3rd response	TOTAL
Disruption in customer relations	218	104	36	358
Constrained access to local market(s)	89	39	16	144
Disruption in sourcing/procurement	66	30	14	110
Constrained/Limited product development	17	23	7	47
Disruption in commercial activity planning	15	16	11	42
Constrained access to international markets	13	13	9	35
Communication difficulties with business partners	14	9	2	25
Disruption in supplier alignment/coordination	16	3	1	20
Decrease in demand of international markets	8	5	6	19
Constrained/Limited innovation	2	0	0	2
TOTAL:	515	247	104	–

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

As supply chains or value chains are disrupted, MSMEs should in general be agile and able to diversify their markets. This is where business support organizations come into play, but they are clustered in large cities such as Dushanbe and Khujand. They conduct and share market surveillance, help small businesses build market networks of partners and suppliers, and share market analysis tools. However, a regional disproportion in the availability of business support services creates a distinctly varied resilience of MSMEs to the economic shock caused by the coronavirus pandemic. This means that, on average, MSMEs in urban

¹⁹³ Respondents were asked to provide more than answer choice (option), which are reflected in the table.

areas are generally more capable to withstand the economic implications of COVID-19 in comparison with MSMEs in rural areas.

Key findings:

1. The COVID-19 outbreak resulted in temporary disconnect of MSMEs with vendors, suppliers, clients, and markets, suggesting a significant, and most likely lasting impact on supply chains and value chains. In total, 73.6 % of MSMEs reported that their supply chains and/or value chains have been negatively affected by the coronavirus pandemic.
2. 31.7 % of MSMEs whose supply chains have been affected stated that their production was disrupted, followed by constrained access to inputs, lower sales, reaching out to clients and implementing marketing activities, and disruption in commercial distribution networks. All of these factors contributed to the reduction in sales and turnover.
3. 41.3 % of affected MSMEs indicated disruption in their interaction with customers. A further 16.6 % of MSMEs reported constrained access to local markets (e.g. bazaars, grocery stores, etc.) and 12.7 % of MSMEs stated that they had difficulties sourcing or procuring inputs from affiliated (or contracted) vendors and suppliers across the country.
4. In general, MSMEs in rural areas are disadvantaged compared to MSMEs in urban areas in terms of ease of access to professional business advisory services and ability to diversify their markets (in the context of disrupted supply chains and/or value chains).

CROSS-BORDER TRADE

In general, 10.1% of surveyed MSMEs were engaged in cross-border trade¹⁹⁴ between Tajikistan and other neighboring countries. The majority of these MSMEs are dehkan farmers, other agricultural producers and firms in light industry (mainly, textiles and clothing sub-sector). Since the COVID-19 outbreak, 83.1% of MSMEs that were reportedly engaged in cross-border trade indicated that sales had declined due to border closures and travel restrictions. Figure 84 provides a sectoral breakdown of the decline in sales among MSMEs engaged in cross-border trade due to the COVID-19 outbreak.

In hindsight, a total of 28.6 % of MSMEs (20 out of 70) stated that more than half of their trade was across borders over the 12 months between May 2019 and May 2020. The goods that were sold across borders were mainly agricultural products including grapes, apricots, dried apricots, onions, cotton, sweet cherries, potatoes, cucumber, and many others. In total, MSMEs indicated more than 70 items of traded products.

FIGURE 85: PERCENTAGE OF TRADE AMONG MSMEs THAT WAS ACROSS BORDERS IN THE PAST 12 MONTHS.

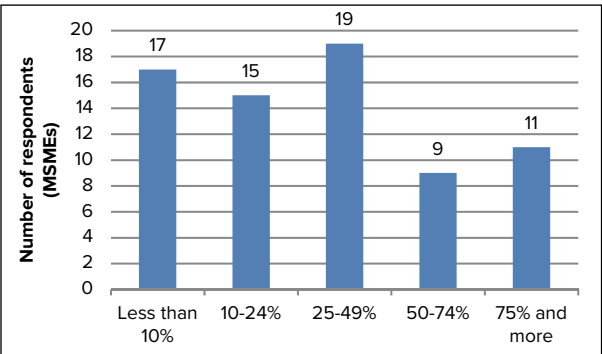
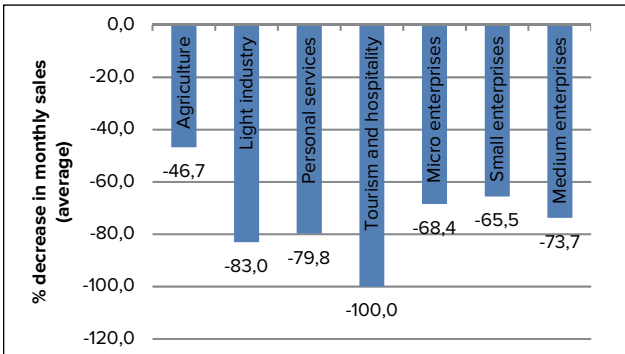


FIGURE 86: AVERAGE PERCENTAGE DECLINE IN SALES AMONG MSMEs ENGAGED IN CROSS-BORDER TRADE (BY ECONOMIC SECTORS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 85: N=71; Figure 86: N=62.

¹⁹⁴ More than 50 % of these MSMEs carried out their economic activities within 30 kilometers from the border and were engaged in small-scale cross-border trade.

According to MSMEs that are engaged in cross-border trade, goods were imported mainly from Russia (17.6 % of MSMEs that import goods across borders), Uzbekistan (14.3 %) and Kazakhstan (8.8 %). The most common destination of exports by surveyed MSMEs included Russia (21.4 %), Afghanistan (13.3 %), as well as Uzbekistan and the Kyrgyz Republic (both at 12.2 %). All of these countries have imposed travel or movement restrictions and closed their international borders. Since cross-border trade is the main source of income for 53.5 % of MSMEs (38 out of 71 MSMEs), the decline in sales has already had a significant negative effect on turnover and viability of commercial operations.

According to the survey results, MSMEs do not necessarily believe that cross-border business is likely to recover quickly because businesses across the border are facing the same challenges and restrictions. Many of these MSMEs require significant support which would help them strengthen risk management, crisis management, and supply chain security. Although the impact on cargo and the movement of goods appears to be less severe than air travel, largely because freight has been subjected to fewer restrictions than passengers, cross-border trade is still restricted to avoid importing virus cases.

Key findings:

1. 10.1% of MSMEs in Tajikistan engage in cross-border trade with other neighboring countries, and 28.6 % of them stated that in the preceding 12 months more than half of their trade was across borders.
2. Since the COVID-19 outbreak, 83.1% of MSMEs that are engaged in cross-border trade (i.e. 59 out of 71 MSMEs) had their sales decline due to border closures and travel restrictions. Since cross-border trade is the main source of income for 53.5 % of MSMEs (38 out of 71 MSMEs), the decline in sales has a significant negative effect on turnover and operations of MSMEs.
3. Nearly all MSMEs believe that cross-border trade is unlikely to recover quickly even after restrictions on cargo movement are lifted between Tajikistan and its neighboring countries.

EMPLOYMENT

OVERALL IMPACT ON WORKFORCE

The surveyed MSMEs undertook a number of measures towards their workers in response to challenges that they had faced due to the COVID-19 outbreak. About 24.5 % of affected MSMEs stated that they had to temporarily shut down operations, most of them being individual entrepreneurs and small-sized enterprises. Another 33.4 % of MSMEs allowed their workers to take leave, although some are either unpaid or do not have a pre-determined return date. A smaller proportion of affected MSMEs (7.3 %) allowed their workers to work from home (e.g. via teleworking), some of them shorter hours.

Dehkan farmers have undertaken broadly similar measures towards their workers but, importantly, 73.7 % of all dehkan farmers indicated that they did not take any measures towards their workers. This is partly attributed to: (i) sizeable non-registered employment among dehkan farmers, and (ii) relatively large number of non-registered dehkan farms which have little to no legally binding obligations towards their workers.

Significant financial losses due to depressed demand or inability to access markets and customers forced many MSMEs, in all sectors and geographic locations, to furlough their workers or, at times, lay them off in order to adjust the cost structure of their commercial operations. On average, 314 MSMEs furloughed 2.2 workers and dismissed 0.6 workers in response to the COVID-19 outbreak and economic implications on businesses. MSMEs in light industry (106) and tourism and hospitality (70) furloughed, on average, 2.5 and 2.4 workers respectively, whereas 49 medium-sized enterprises reportedly laid off 1.6 workers (See Figures 85–86). The layoff and furloughing of workers is significant because, on average, 700 MSMEs employ 13.1 workers, of which 2.2 workers (16.8 % of all workers) were reportedly furloughed and 0.6 workers (4.6 % of

all workers) were reportedly laid off. Among 70 MSMEs in the tourism and hospitality sector, on average, 32.6% of workers were furloughed and 9.5% of workers were laid off. MSMEs in personal services reported that, on average, 19.1% of workers were furloughed and 5.6% of workers were laid off. Agriculture is the least affected of four economic sectors — on average, 210 MSMEs in agriculture furloughed 5.9% of their workers and laid off 2% of their workers. Since there are no government-supported furloughing schemes for struggling businesses in Tajikistan, MSMEs have had to bear the full brunt of the workforce reduction to minimize wage bill.

TABLE 26: MEASURES UNDERTAKEN BY MSMEs TOWARDS WORKERS DUE TO COVID-19.¹⁹⁵

	1st measure	2nd measure	3rd measure	TOTAL
Temporary closure of business	77	31	18	126
Unpaid leave	80	37	7	124
On leave with uncertain return date	62	39	21	122
On forced vacation	50	6	1	57
Work from home	45	8	1	54
Did not disclose (unknown)	33	10	2	45
Furloughed	27	11	2	40
On voluntary vacation	26	6	0	32
Sick leave	5	7	0	12
TOTAL:	405	155	52	–

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=515.

FIGURE 87: THE AVERAGE NUMBER OF WORKERS THAT MSMEs LAID OFF (i.e. FIRED OR DISMISSED) DUE TO DIFFICULTIES RELATED TO COVID-19.

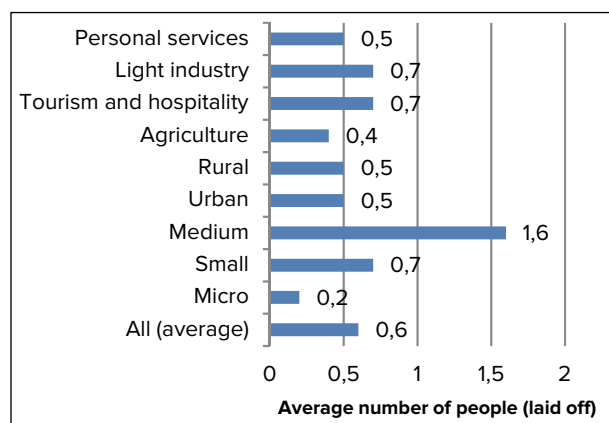
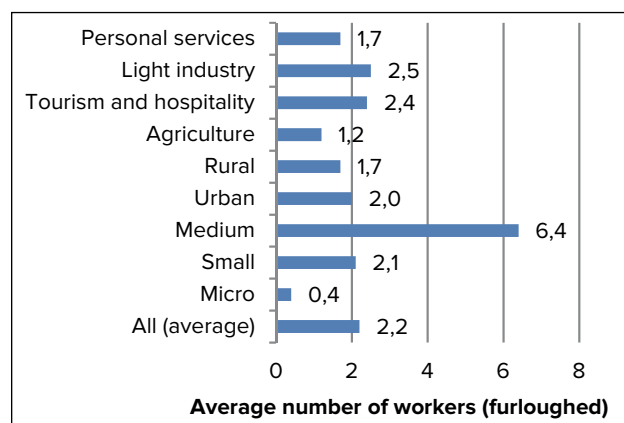


FIGURE 88: THE AVERAGE NUMBER OF WORKERS THAT MSMEs FURLOUGHED (i.e. PLACED ON UNPAID LEAVE) DUE TO DIFFICULTIES RELATED TO COVID-19.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 87: N=314; Figure 88: N=314.

Furloughing measures, redundancies and dismissals by surveyed MSMEs have inevitably resulted in the (temporary or permanent) drop in earnings of affected employees. According to MSMEs that have undertaken measures towards their workforce, the drop in earnings appears to be considerably higher

¹⁹⁵ Respondents were allowed to choose up to three answer choices (measures), which are duly reflected in the table.

for employees in smaller enterprises (including workers hired by individual entrepreneurs) as compared to larger businesses, and that younger employees, as well as employees at or above retirement age, risk losing out the most due to the COVID-19 outbreak.

Since dehkan farmers were less affected by the COVID-19 situation than other businesses. Hence, the average number of workers furloughed by dehkan farmers was lower (0.8 workers) than those by other MSMEs. No worker was reported dismissed by surveyed dehkan farmers. This may imply somehow being better shielded than more exposed MSMEs.

Key findings:

1. In total, 24.5 % of affected MSMEs had to temporarily close their business, most of them individual entrepreneurs and small-scale enterprises. Besides, approximately 33 % of affected MSMEs allowed their workers to take leave, although some are either unpaid or do not have a pre-determined return date which raises uncertainty and risk of unemployment.
2. Not many MSMEs (only 7.3 % of the sample) allowed their workers to work from home. Those that did have also agreed that their workers would telework and/or work shorter hours, which shows that some businesses adopted flexible working arrangements to ensure that safety measures are adhered to and minimize operational costs.
3. Employment most at risk is concentrated in MSMEs which operate in light industry and tourism and hospitality sectors, and in larger businesses.
4. A modest number of MSMEs, mainly in agriculture (namely, 73.7 % of dehkan farmers), did not undertake any measures towards their workers, which could either indicate large degree of informality in agriculture relative to other sectors or that MSMEs would take measures at a later stage if COVID-19 related closures and restrictions persist in the coming months.
5. Furloughing of workers has been widely practiced across the board to adjust the cost structure of dehkan farmers' operations. According to responses from 314 MSMEs, on average, they furloughed 2.2 workers and dismissed 0.6 workers which demonstrates the effect of COVID-19 on employment.
6. The drop in wages is likely to be larger for employees in smaller enterprises, as well as among younger employees and employees who are approaching (or above) retirement age. These groups of workers in the four sectors are most negatively affected by the COVID-19 outbreak.

INFORMAL SECTOR

In total, MSMEs reported that 2,475 out of 9,204 workers are non-registered, including part-time, casual workers, temporary/hourly casual workers, and contributing household members (paid and unpaid). Therefore, informality in the workforce among the surveyed MSMEs is equivalent to 26.9 % of the total workforce which is relatively high. Here, the unique nature of the four economic sectors selected for the survey should be taken into consideration.

Informal employment is prevalent in agriculture (35 % of all workers), such as in dehkan farms, some of which are allowed by legislation to be non-registered. The lowest proportion of informal sector workers is in tourism and hospitality, accounting for 9.9 % of all workers there. The share of non-registered workers in the remaining two sectors equals approximately 21 % of workers respectively. This finding provides a good estimate of the size of the informal sector in each of the four economic sectors, as well as between men and women, which affects the degree of impact of the COVID-19 outbreak.

Women comprise 68.2 % of informal sector jobs among the surveyed MSMEs which increases their vulnerability to shocks. Such a high proportion of women and girls carrying out non-registered work has deeper socio-economic implications, particularly with regards to women-headed households and women's future employability.

TABLE 27: WORKFORCE IN THE SURVEYED MSMEs BY INFORMAL (i.e. NON-REGISTERED) JOBS.

	Part-time (casual)	Temporary (casual)	Working HH members	TOTAL
Agriculture	579	478	444	1,501
<i>of which: women</i>	491	382	256	1,129
Light industry	191	113	42	346
<i>of which: women</i>	82	90	32	204
Personal services	190	224	163	577
<i>of which: women</i>	138	104	97	339
Tourism and hospitality	10	19	22	51
<i>of which: women</i>	3	3	11	17
TOTAL:	970	834	671	2,475
<i>of which: women:</i>	714	579	396	1,689

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

The COVID-19 outbreak is likely to have expanded the informal sector employment because employers were found to be tempted to reduce the number of contracted workers. In turn, this measure would reduce the tax burden and overall costs. According to 13.6 % affected MSMEs, who had temporarily laid out workers due to the coronavirus outbreak, they would accept new workers on a non-registered (i.e. informal or casual) basis. The percentage of MSMEs willing to accept workers on a non-registered basis varies between economic sectors. For instance, 21.8 % of MSMEs in light industry as opposed to only 8 % of MSMEs in agriculture were willing to do so. This is because many surveyed MSMEs in agriculture were dehkans farmers and individual entrepreneurs who either do not require non-registered workers or do not always consider contributing household members as informal sector labor. In addition, individual entrepreneurs were marginally more inclined to accept non-registered workers (14.4 % of all individual entrepreneurs in the sample) than private commercial legal entities (11.7 %).

FIGURE 89: IF YOU HAD TO LAY OUT WORKERS DUE TO THE COVID-19 OUTBREAK, WOULD YOU ACCEPT NEW WORKERS ON A NON-REGISTERED (INFORMAL) BASIS?

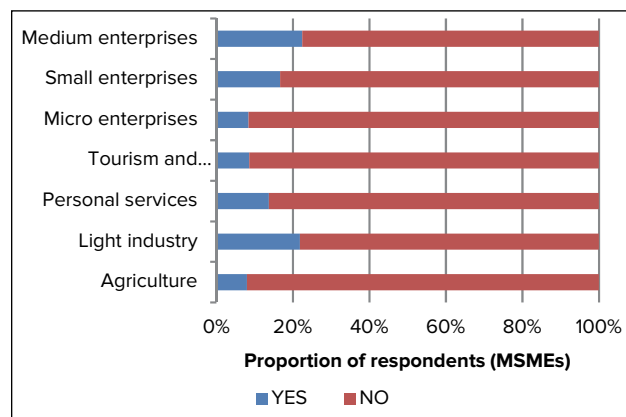
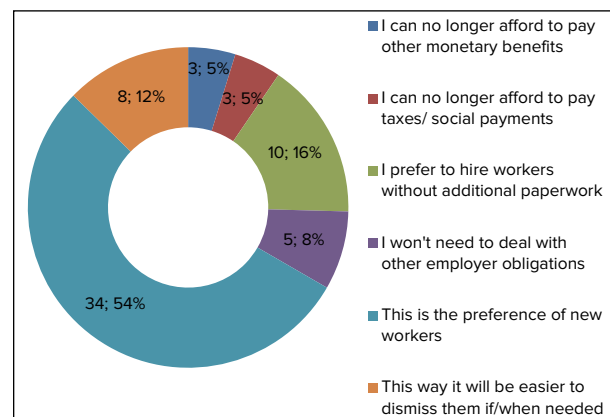


FIGURE 90: THE MAIN REASONS FOR WILLING TO ACCEPT NON-REGISTERED (i.e. INFORMAL SECTOR) WORKERS INTO MSMEs.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 89: N=70; Figure 90: N=70.

Many MSMEs argued that informal employment is their workers' own preference which is explained by: (i) the higher propensity to withhold taxes and other social payments which increases their net payout, and (ii) lack of required documents (e.g. passport, bank account, resume, and working history) which would have qualified them for formal employment.

Other MSMEs indicated that accepting workers on a non-registered basis would help them avoid additional paperwork. At the same time, some MSMEs were open to the fact that the presence of informal workers would enable employers to "deal with them" more easily (e.g. dismiss or furlough) and eliminate the need to comply with various legally binding employer obligations.

According to the survey, informal MSMEs in Tajikistan have struggled to pay their employees, many of whom depend on daily wages for basic needs. At the same time, unlike their formal sector counterparts, informal MSMEs are not eligible for government emergency business support. Similarly, their employees cannot not qualify for unemployment insurance which severely constrains their coping options.

Had the COVID-19 outbreak not affected MSMEs the way that it has so far, MSMEs would still accept workers on a non-registered basis, as verified by the trend over the past decade. On average, 26.2 % of affected MSMEs would have accepted non-registered workers anyway. This proportion is equivalent to 18.2 % among MSMEs in GBAO and 36 % among MSMEs in Khatlon oblast. The regional difference is explained by higher density of MSMEs in agriculture and services in Khatlon oblast as opposed to GBAO where MSMEs are more prevalent in light industry and tourism and hospitality. Therefore, the net effect of the COVID-19 outbreak on informal sector employment is difficult to establish. Notwithstanding the need for further empirical analysis to establish a cause-and-effect relationship, the COVID-19 outbreak is likely to have further expanded informal sector employment because of financial difficulties and other economic implications that MSMEs are facing as a result of the coronavirus pandemic.

Key findings:

1. Informality in the workforce among the surveyed MSMEs is reportedly equivalent to 26.9 % of all workers which is relatively high compared to other economic sectors in Tajikistan. Considering that informal businesses and informal employees in registered businesses often lack safety net, they are naturally regarded as the most vulnerable and exposed to COVID-19.
2. The share of women and girls in informal employment is very large (68.2 % of all informal jobs), which increases the vulnerability of female workers to economic shocks and has more profound socio-economic implications on their future employment and employability.
3. The proportion of non-registered workforce varies by economic sector. Informal employment is prevalent in agriculture (35 % of all workers), such as in dehqan farms, while the lowest share of informal employment is in tourism and hospitality (9.9 %).
4. In total, 13.6 % of affected MSMEs who had temporarily laid out workers due to the coronavirus outbreak would accept new workers on a non-registered (i.e. informal or casual) basis. This is significant because MSMEs are willing to expand the share of non-registered workforce in response to negative implications of the COVID-19 outbreak.
5. Individual entrepreneurs are more willing to accept non-registered workers (14.4 % of individual entrepreneurs) than do private commercial enterprises (11.7 %); and MSMEs mostly said that it is their workers' own preference to seek informal sector employment.
6. On average, 26.2 % of affected MSMEs (135 out of 515) would have accepted non-registered workers anyway, i.e. in the absence of the COVID-19 outbreak, with some regional variations. The COVID-19 outbreak is likely to have expanded informal sector employment.

FINANCING AND COMMERCIAL RETURN

MSMEs have had mixed short-term impact of the COVID-19 outbreak on their incomes. In total, 78.1% of affected MSMEs experienced a decrease in sales as a result of the coronavirus outbreak. There is a sizeable number of dehkan farmers (in agriculture) who were affected but their sales are often subject to seasonality considerations and thus were marginally affected, particularly in comparison with MSMEs in tourism and hospitality and other MSMEs in the remaining two sectors.

Geographically, a very small share of MSMEs in GBAO reported a significant increase in their income from sales attributed directly to the outbreak. These were businesses which benefited from road closures and had little to no market competition in their area. In DRS, about 48.6% of MSMEs reported that their income from sales remained unchanged, mainly dehkan farmers, which could imply that they are either (i) more resilient to shocks, or (ii) market their products predominantly in local area, which reduces exposure to potential disruptions in distribution or logistics networks and other supply chains.

In general, 88.6% of MSMEs in the tourism and hospitality sector reported significant decrease in their monthly income from sales because of the COVID-19 outbreak, whereas the decrease averaged 87.3%. Conversely, there were no MSMEs in tourism and hospitality or personal services who reported that their income from sales increased in any way (See Figure 91). This is attributable to the fact that in the presence of international border closures, local tourist firms which offer guided tours, sightseeing tours, camping and other recreational activities within Tajikistan could have experienced a rise in demand for recreational activities but this has not happened due to social distancing and heightened health risks.

FIGURE 91: PROPORTION OF MSMEs THAT HAVE EXPERIENCED A CHANGE IN INCOME FROM SALES AS A RESULT OF THE COVID-19 OUTBREAK (BY ECONOMIC SECTORS).

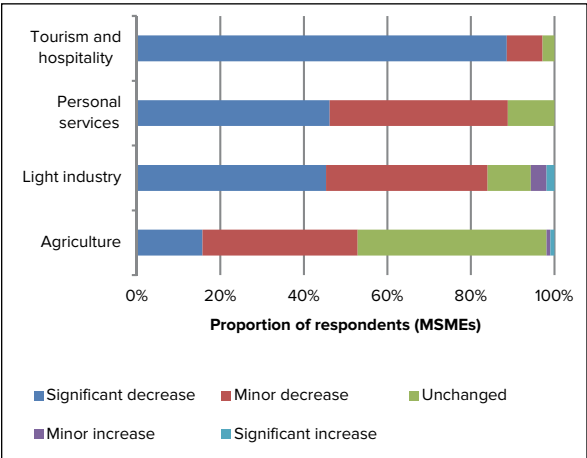
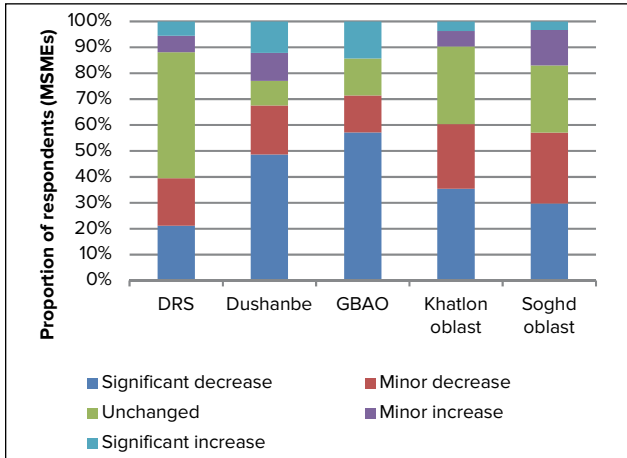


FIGURE 92: PROPORTION OF MSMEs THAT HAVE EXPERIENCED A CHANGE IN INCOME FROM SALES AS A RESULT OF THE COVID-19 OUTBREAK (BY GEOGRAPHIC LOCATIONS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 91: N=700; Figure 92: N=700.

In addition, 88.9% of MSMEs offering personal services reported, on average, a 64.6% fall in monthly income from sales. The decline in monthly income from sales is particularly prevalent among food places such as restaurants and cafeterias, beauty industry (hairdressers, beauty salons, and massage parlors), and firms in other sub-sectors such as event management services (e.g. all festivities and weddings were prohibited). In the meantime, 11.1% of MSMEs offering personal services reported that their monthly income from sales has remained unchanged. These MSMEs included taxi services, delivery and catering services, home/office cleaning services, and nursing and care services whose commercial operations were able to better adapt to the COVID-19 situation.

FIGURE 93: AVERAGE PERCENT CHANGE IN MONTHLY INCOME FROM SALES OF MSMEs CAUSED BY THE COVID-19 OUTBREAK.

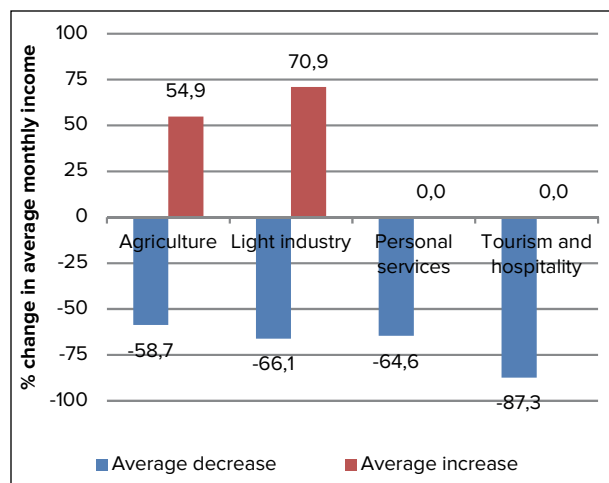
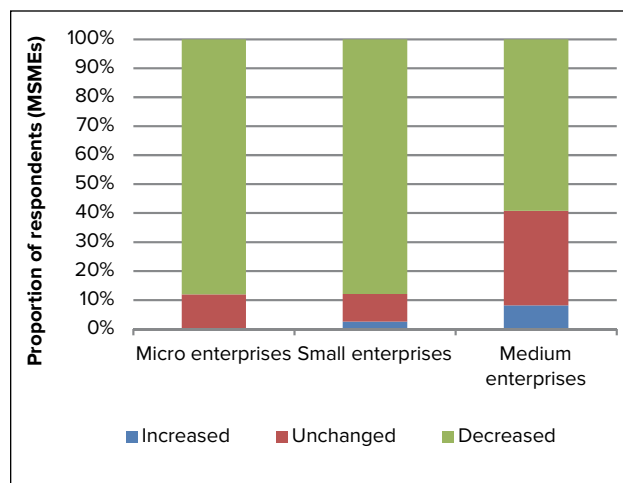


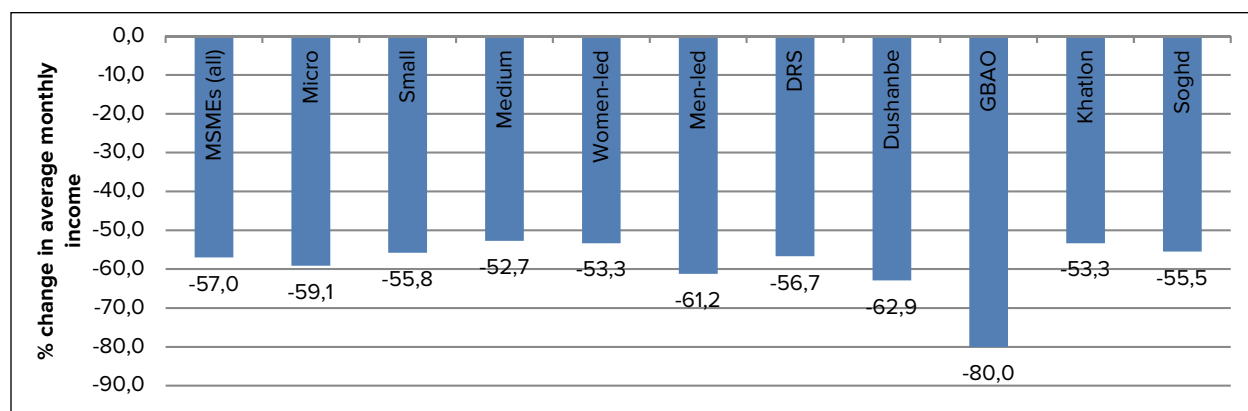
FIGURE 94: PROPORTION OF MSMEs THAT HAVE EXPERIENCED A CHANGE IN SALES AS A RESULT OF THE COVID-19 OUTBREAK (BY SIZE OF ENTERPRISE).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 93: N=700; Figure 94: N=700.

The COVID-19 outbreak exacerbated liquidity shortages of MSMEs in Tajikistan. Of all affected MSMEs, 27% reported that they had significant difficulties paying taxes and other fees. Another 15% of affected MSMEs had difficulties remunerating workers in full and on time. Most MSMEs expressed concern and doubt over their ability to repay loans or make rent and utility payments. The likely size of the liquidity gap for MSMEs is much larger than in OECD countries because wage costs of businesses in Tajikistan are not expected to be compensated by the government.

FIGURE 95: AVERAGE PERCENT CHANGE IN MONTHLY INCOME FROM SALES OF MSMEs CAUSED BY THE COVID-19 OUTBREAK (BY TYPE OF MSMEs AND GEOGRAPHIC LOCATIONS).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

The COVID-19 outbreak was also found to be particularly harsh for start-ups. In the survey sample, only 1.4% of MSMEs were regarded as start-ups because they were reportedly registered on January 1, 2020 or later. Start-ups have much lower ability to afford cash injections or have a track record which would have enabled them to qualify for credit.

Prior to the COVID-19 outbreak,¹⁹⁶ the Government of the Republic of Tajikistan has undertaken measures to transition all businesses offering lodging and accommodation for tourists,¹⁹⁷ as well as businesses engaged in handicraft activities, to individual entrepreneurship under a patent. This measure significantly simplified the procedures and cost of new market entry of businesses in these sub-sectors and has also helped to partially mitigate the negative implications of financial disruptions caused by the coronavirus pandemic on MSMEs.

There are many businesses in Tajikistan which borrow in foreign currency, but their commercial returns are accrued in local currency, which puts them at a disadvantage and exposes to currency volatility. Rent payment is also very problematic since many MSMEs could not generate meaningful returns during the COVID-19 outbreak, which would have enabled them to free up cash in order to make rent payments. Moreover, 3.9 % of affected MSMEs indicated that they had difficulties accessing credit, such as from friends and relatives.

TABLE 28: TOP 10 WAYS IN WHICH COVID-19 OUTBREAK AFFECTED MSMEs' FINANCIAL VIABILITY.

	TOTAL
Difficulty paying taxes and other fees	238
Difficulty remunerating workers	132
Loan repayment difficulties (business)	100
Rent payment difficulties (use of office space)	99
Rent payment difficulties (use of land)	47
Difficulty paying other monetary benefits	44
Rent payment difficulties (use of other assets)	41
Loan repayment difficulties (other loans)	36
Constrained access to business loan(s)	12
Constrained access to other loan(s)	8

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=515.

While many MSMEs faced financial difficulties, some of them have also had outstanding loan payments which further weakened their financial sustainability. For instance, 22.9 % of all surveyed MSMEs stated that they had outstanding loans, such as business loans, agricultural loans, and consumption loans. Nearly 33 % of MSMEs in light industry and 27.7 % of MSMEs in personal services have had business loans at the time of the survey, and 28.6 % of MSMEs in agriculture (mostly, dehkan farmers) had outstanding agricultural loans. There were more medium-sized enterprises with outstanding business loans (32.8 % of medium-sized enterprises), compared to small enterprises (22.5 %) and micro enterprises (21.4 %). This variation is explained by the fact that larger businesses are more likely to require additional (and often external) resources to finance their growth or expansion, compared to smaller businesses.

These outstanding loans are owed by surveyed MSMEs to commercial banks (27.1 % of all MSMEs), friends and relatives (9.1%), and various non-bank financial institutions (NBFIs) such as micro-finance organizations and micro-credit organizations.

¹⁹⁶ Resolution of the Government of the Republic of Tajikistan #45 dated 25 January 2017 and Resolution of the Government of the Republic of Tajikistan #605 dated 30 November 2019.

¹⁹⁷ This only applies to lodging and accommodation in cities/towns which do not have hotels.

FIGURE 96: OUTSTANDING LOANS OF SURVEYED MSMEs BY TYPE OF LOAN.

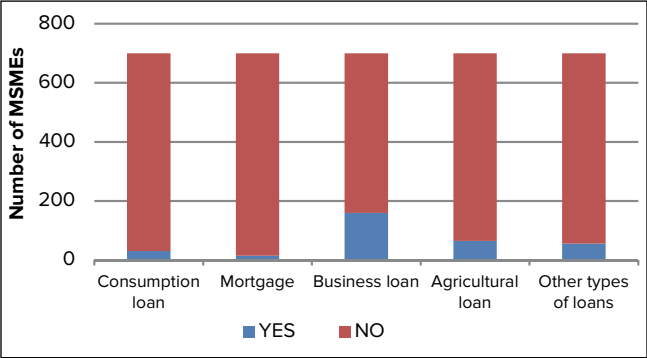
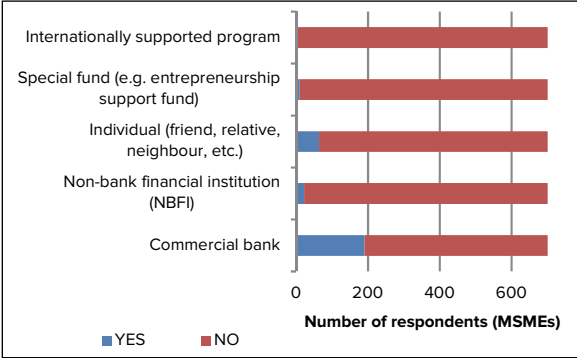


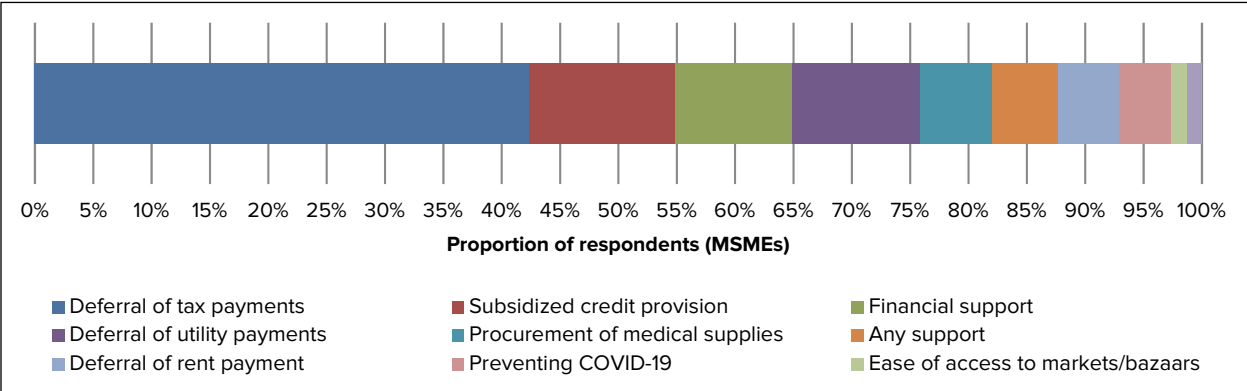
FIGURE 97: THE ORIGIN OF OUTSTANDING LOANS OF SURVEYED MSMEs.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 96: N=700; Figure 97: N=700.

In response to COVID-19, 29.6% of surveyed MSMEs were inclined to borrow from individuals (56.5% of MSMEs) and banking sector (36.2% of MSMEs). The main observation here is not the need for new credit, which is fairly common among MSMEs that face financial difficulties, but the fact that more than half of all MSMEs are willing to borrow from individuals rather than local financial institutions. This demonstrates that MSMEs are either non-bankable to begin with, or have an outstanding loan from a financial institution, which constrains their borrowing options or eligibility for additional financing.

FIGURE 98: MEASURES THAT MSMEs BELIEVE THE GOVERNMENT OF THE REPUBLIC OF TAJIKISTAN CAN UNDERTAKE IN ORDER TO REDUCE THE FINANCIAL BURDEN OF THE COVID-19 OUTBREAK ON MSMEs.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

While MSMEs offered a range of possible measures that the Government of the Republic of Tajikistan could undertake to reduce the financial implication of COVID-19 on the private sector, the most critical measures are financial. In total, 1/3 of all MSMEs stated that they would like the government to enforce nationwide deferral of tax payments for private businesses across the board. This is consistent with responses of MSMEs expressing concern about their ability to pay taxes. Approximately 10% of MSMEs also said that they would prefer the offer of subsidized credit through financial institutions, and another 8.6% of MSMEs would like to defer utility payments. Depressed demand and disrupted distribution networks explain why only few MSMEs would prefer that the government eases off access to local markets (e.g. bazaars) and lifts restrictions on market activity. Contrary to earlier assumptions, deferral of rent payment was mentioned only by 4.1% of all MSMEs. This could be partly explained by the fact that many businesses view their interaction with asset/property owners as not needing government intervention, or that such intervention is unlikely to result in mutual agreement to defer rent payment.

Key findings:

1. On average, 85.2 % of affected MSMEs experienced a decrease in sales as a result of the COVID-19 outbreak. Dehkan farmers appear to be less affected than other MSMEs in terms of changes in sales.
2. Income from sales has for the most part declined among surveyed MSMEs, although some businesses indicated that their income from sales significantly increased in the aftermath of the COVID-19 outbreak, such as in services and agriculture.
3. Since the government is not expected to cover the wage cost of struggling businesses, especially in private sector, and considering the financial difficulties that businesses are facing as a result of the pandemic, the liquidity shortages among surveyed MSMEs are likely to be high.
4. A large share of MSMEs appear to be indebted, which weakens their financial sustainability. For instance, 22.9 % of all surveyed MSMEs stated that they had outstanding loans. Nearly 33 % of MSMEs in light industry and 27.7 % of MSMEs in personal services have business loans, and 28.6 % of MSMEs (mostly, dehkan farmers) in agriculture have outstanding agricultural loans.
5. Outstanding loans pushed some MSMEs further into indebtedness due to the urgent need to borrow again from various sources by 28.6 % of MSMEs. These MSMEs indicated that they were inclined to borrow from individuals (56.5 % of MSMEs) and banks (36.2 % of MSMEs). This shows that MSMEs are non-bankable, or already have a loan from a financial institution, which constrains their borrowing options or eligibility for additional financing.
6. Of all affected MSMEs, 27 % reported that they had significant difficulties paying taxes (and other fees) and another 15 % had difficulties remunerating workers. Most MSMEs expressed concern and doubt over their ability to repay loans and make utility and rent payments.
7. Startup businesses, which comprise 1.4 % of the survey sample, are likely to have much lower ability to afford cash injections and borrow from local financial institutions in Tajikistan.
8. In total, 33 % of all MSMEs stated that they would like the government to enforce nationwide deferral of tax payments for all types of private businesses. Nearly 10 % of MSMEs also said that they would prefer the offer of subsidized credit through financial institutions, and another 8.6 % of MSMEs would like to defer utility payments. Contrary to earlier assumptions, deferral of rent payment was mentioned only by 4.1 % of all MSMEs.

KEY FINDINGS FROM IN-DEPTH INTERVIEWS

In addition to the general sample of 700 MSMEs, the survey team has also carried out in-depth interviews (lasting, on average, 80 minutes) with 50 MSMEs. The purpose of in-depth interviews (IDIs) with selected MSMEs was to better understand underlying baseline conditions and other characteristics, such as coping or adaptation strategies, production and turnover, and the outlook of these enterprises.

In general, findings from in-depth interviews with MSMEs were found to be broadly consistent with findings from the survey's general sample of 700 MSMEs. Therefore, this section presents only the main findings which differ from earlier narrative or add value to the previous analysis.

OPERATIONAL ASPECTS

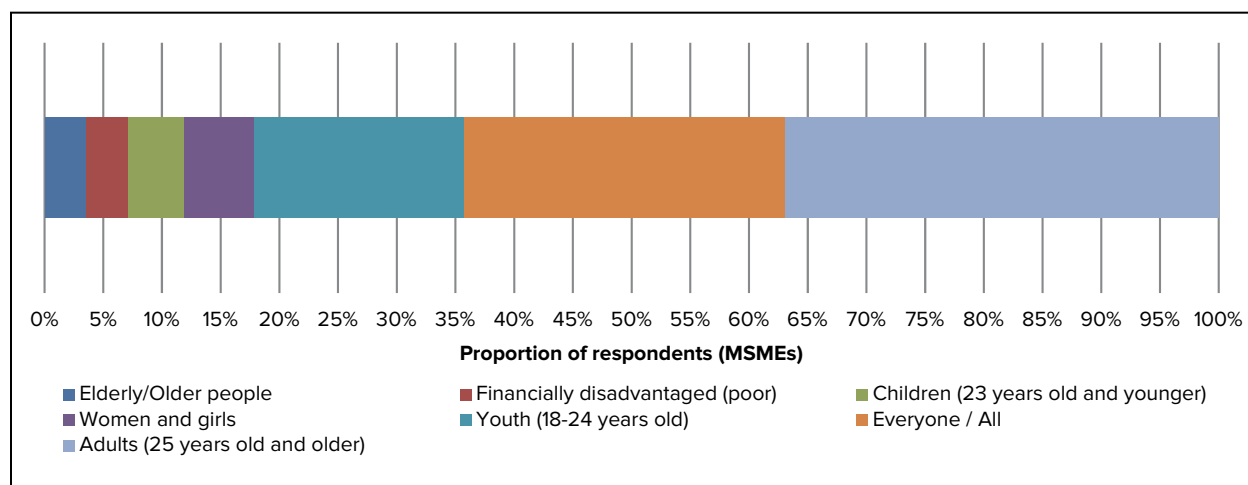
Out of all surveyed MSMEs, 32 % operated in the agriculture sector; 34 % in tourism and hospitality; 20 % in personal services, and 14 % in light industry. Of these MSMEs, 32 % were women-led enterprises and women who are individual entrepreneurs. The proportion of surveyed MSMEs geographically is similar to the regional distribution of the general sample of 700 MSMEs, including by type of enterprises.

Nearly 37 % of the surveyed MSMEs sell their products and services to adults, with another 27.4 % of MSMEs stating that their products or services target a general clientele with no restriction by age or gender or any other characteristics. There were 8 % of MSMEs that claimed to have either children, the elderly or

financially-disadvantaged people as a target group for their products or services. Examples of such MSMEs are confectionary shops, cafeterias, sewing workshops, and sanatoriums.

The highest proportion of surveyed MSMEs (36 %) believed that concessional lending is absolutely critical for their enterprises at this time. Another 16 % of MSMEs indicated that deferral of tax payments is critically needed due to financial difficulties that they are facing. The remaining 48 % of the MSMEs considered other factors as necessary measures: opening of international borders, external financial support for workers in struggling businesses, deferral of rent payment (for office, equipment or land), lowering prices (for mineral fertilizers, cotton in particular), deferral of loan repayments, and lower cost of customs clearance for agricultural equipment. Since 75 % of dehkan farmers' operations are seasonal, not every dehkan farm is affected by the COVID-19 situation in the same way, as is also the case with regards to businesses in other economic sectors.

FIGURE 99: THE DEMOGRAPHIC DISTRIBUTION OF MSMEs' CUSTOMERS.

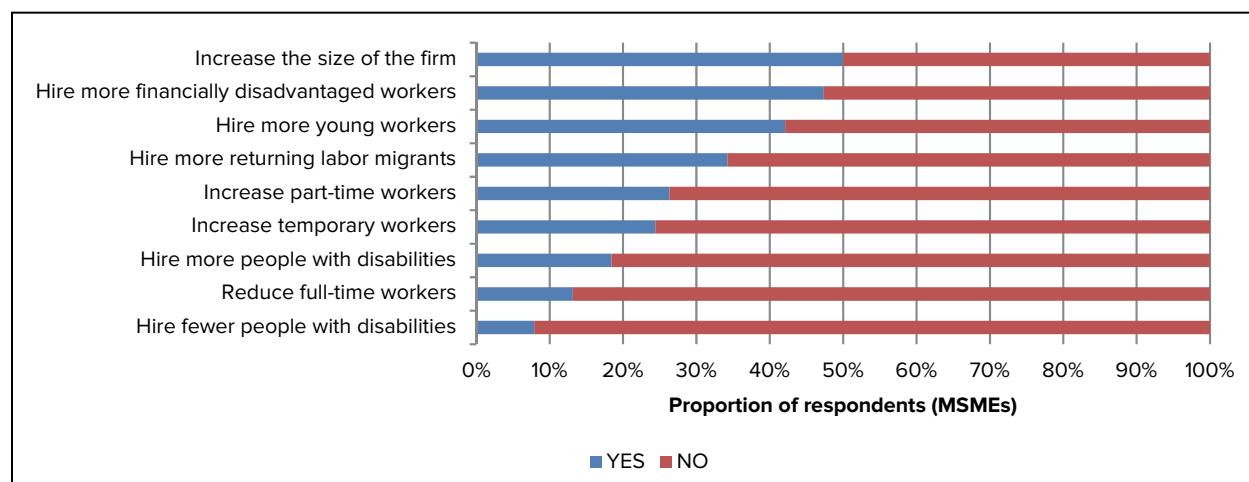


/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=50.

MSMEs further emphasized that they would prefer the government to exempt vulnerable or struggling businesses from paying taxes or temporarily reduce tax payments (either partially or in full). There were some MSMEs that preferred that the government extend the period of restrictions, mainly due to health risks, and regulate consumer prices in order to prevent them from spiking. This was especially important in relation to staple products, as were the temporarily lower utility payments for electricity and water supply. Lowering utility payment for water supply is a particularly an acute issue for dehkan farmers who rely on water supply for irrigation. Dehkan farmers and cross-border traders have also expressed their desire for measures by the government regarding concessional agricultural loans, interest-free credit, penalty waivers for overdue loan payments, and lower prices for seeds, minerals and pesticides.

In response to the COVID-19 outbreak and related effects on businesses, half of surveyed MSMEs want to increase the number of workers (i.e. increase firm size), 47.4 % of MSMEs would like to hire more financially-disadvantaged workers (mainly motivated by social considerations), 42.1 % of MSMEs want to hire more young workers (aged 15–24), 34.2 % of MSMEs want to hire more returning labor migrants, and 26.3 % of MSMEs would like to increase the share of workers who are working part time as opposed to full time. Furthermore, 26.3 % of MSMEs would like to hire more workers on a non-registered basis, i.e. increase the number of temporary casual workers. These last two coping approaches suggest that more than a quarter of enterprises are considering to reduce their recurrent costs by means of changing employment arrangements for their workforce by moving full-time workers to part-time and non-registered basis. Furthermore, intent to hire financially disadvantaged workers is likely to attract lower-skilled workers, which in turn may reduce the wage bill of respective MSMEs.

FIGURE 100: COPING STRATEGIES THAT MSMEs PLAN TO EMPLOY AS A RESPONSE TO COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=38.

Key findings:

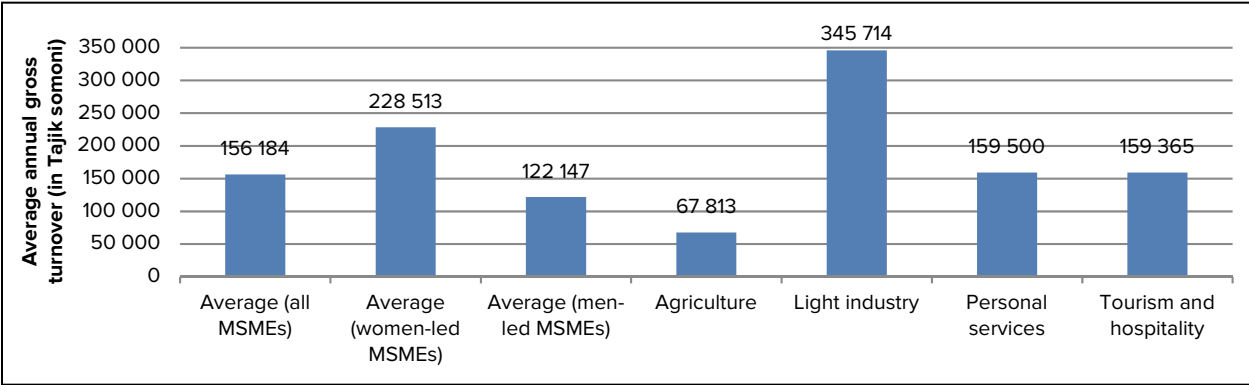
1. About 30 % of affected MSMEs have vulnerable people as their main clientele groups, such as women and girls, youth, children and the elderly, which means that the COVID-19 outbreak has had visible effect on the sales of goods and services to these groups.
2. For 62 % of surveyed MSMEs, concessional and/or subsidized lending, temporary deferral of monthly tax payments, and opening of international borders are the top three crisis mitigation approaches which are perceived by MSMEs to be critical to the survival of businesses.
3. According to MSMEs, the government should temporarily exempt vulnerable or struggling enterprises from paying taxes or temporarily reduce tax rates, control consumer prices, and eliminate market speculation, and introduce temporary reductions in utility prices.
4. The drop in income and sales has led many MSMEs to plan new hires and transition a higher proportion of their workforce from full-time to part-time jobs, or from contractual employment to non-registered employment.

FINANCING AND COMMERCIAL RETURN

More than 80 % of MSMEs stated that their financial situation had worsened due to depressed demand, restrictions and closures due to the COVID-19 outbreak. This has to be put against the background that the gross annual turnover of 50 surveyed MSMEs is relatively low, averaging 156,184 somoni in nominal terms (or \$15,147), with women-led MSMEs earning 87.1% more than men-led MSMEs. This is partly explained by a large number of women-led MSMEs being among larger businesses, such as in light industry or agribusiness, that have higher earnings. In addition, the small sample size and other sampling requirements may have contributed to such income disparity between women-led and men-led MSMEs. On average, MSMEs in agriculture earn 80.4 % less than MSMEs in light industry. However, annual gross turnover of MSMEs in any sector appears to be relatively low, averaging \$6,576 in agriculture, \$15,455 in tourism and hospitality, \$15,468 in personal services, and \$33,527 in light industry.

About 75 % of surveyed dehkan farmers have had some difficulty paying taxes and remunerating their workers, while 66.7 % of dehkan farmers had considerable payment difficulties. A few dehkan farmers also mentioned that they had rent payment difficulties regarding their production activities, such as for agricultural equipment and land use.

FIGURE 101: ANNUAL GROSS TURNOVER OF SURVEYED MSMEs (IN CURRENT PRICES; IN TAJIK SOMONI).



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=50.

FIGURE 102: WAYS IN WHICH THE COVID-19 OUTBREAK HAS AFFECTED DEHKAN FARMERS' FINANCIAL VIABILITY.

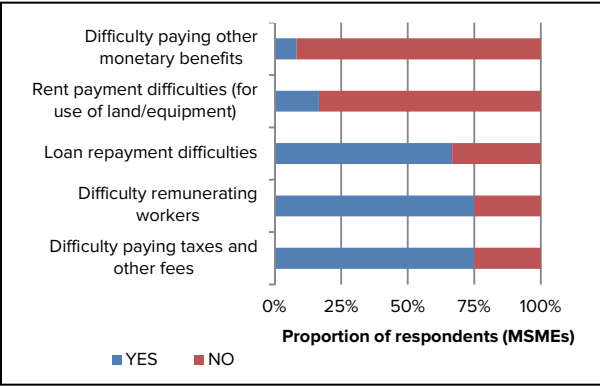
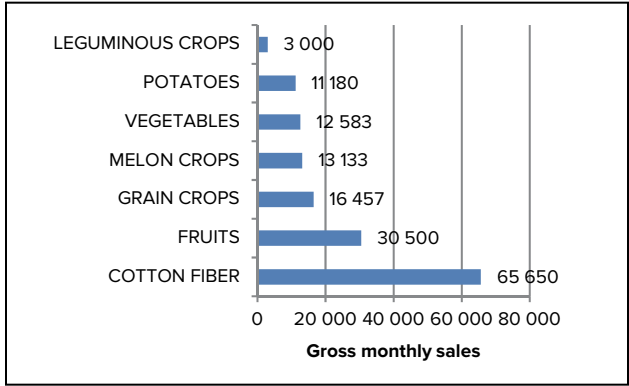


FIGURE 103: VALUE OF GROSS MONTHLY SALES OF VARIOUS GROUPS OF AGRICULTURAL PRODUCTS TRADED BY DEHKAN FARMERS (IN TAJIK SOMONI).

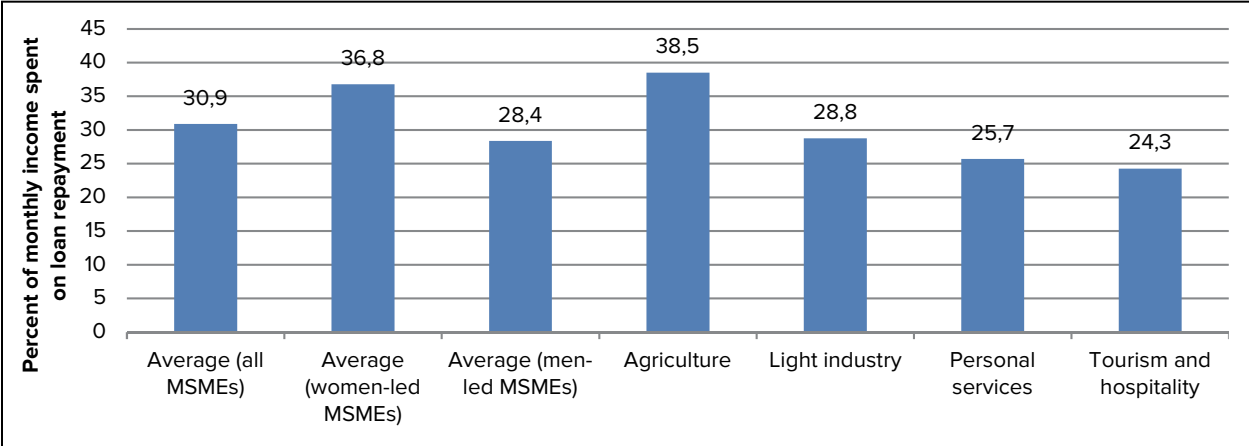


/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure 102: N=12; Figure 103: N=12.

In total, 56% of surveyed MSMEs stated that the cost of their inputs had increased either directly or indirectly as a result of the COVID-19 outbreak. On average, these MSMEs stated that their costs of inputs had increased by 55.2% across the board. Notably, dehkans farmers stated that their inputs costs had increased by 99.6%, compared to 46.7% increase in the cost of inputs among MSMEs in tourism and hospitality sector, 24.2% increase in light industry, and 10% increase in personal services. The increase in the price of inputs is mainly attributed to the closure of international borders and local markets, which was particularly problematic for enterprises in agriculture, and in tourism and hospitality.

Outstanding debt further undermines MSMEs' resilience and ability to withstand economic shocks and shrinks cash liquidity. In addition to the rising price of inputs, MSMEs have also been burdened by debt obligations, mostly to the banks, but also to non-bank financial institutions and individuals (such as relatives and friends). Businesses in agriculture are significantly more indebted than businesses in any of the three other economic sectors. This is demonstrated by the fact that MSMEs in agriculture spend on average 38.5% of their monthly income on loan repayments, compared to 25.7% of monthly income of MSMEs in personal services or 24.3% of monthly income of MSMEs in tourism and hospitality.

FIGURE 104: PROPORTION OF MSMEs’ AVERAGE MONTHLY INCOME SPENT ON LOAN REPAYMENTS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=30.

Key findings:

1. The gross annual turnover of surveyed MSMEs is relatively low, averaging \$15,147, but women-led MSMEs appear to earn 87.1% more than men-led MSMEs, and businesses in agriculture earn on average 80.4% less than businesses in light industry. The difference is partly attributed to small sample size, but also happens to reflect the higher density of women-led MSMEs in the four economic sectors chosen for the survey.
2. Significant tax payment and worker remuneration difficulties are reflections of MSMEs’ financial difficulties and limited cash liquidity, which is another economic implication of the pandemic on local businesses. The difficult situation of many MSMEs is further exacerbated by outstanding debt and repayment obligations which on average takes 30.9% of their monthly income.
3. The price of inputs has increased for 56% of surveyed MSMEs due to COVID-19, and the increase averaged 55.2% across the board, with variations across economic sectors and type of business.



POLICY RESPONSE AND RECOMMENDATIONS

Photo Credits: Tahmina Rozikova

OVERVIEW OF APPROACHES TO COVID-19 RESPONSE

One of the main characteristics of the current crisis is that there are as yet no particular lessons which can be universally applied to the countries and regions going through the pandemic regarding improvement and resilience of the socio-economic environment, apart from emergency measures for containment of the transmission of the virus. All countries are still in the learning and experimenting process and there are considerable variations of the policies and support packages even amongst very similar economies, including comparatively highly developed and more interdependent economies.

Factors such as economic performance, fiscal capacity, social and cultural norms, political will and availability of required tools, products, infrastructure and management are decisive factors which lead to different options and possibilities regarding crisis mitigation measures across the world. More crucially, the pre-existing socio-economic constraints bear an inevitable weight on the options and possibilities for governments to formulate their post-pandemic recovery measures. In Tajikistan, the tax base is relatively small and the macroeconomic environment is challenging, which renders any fiscal incentives for businesses and the population, such as through social assistance programs, a risky proposition. Large informal sector also limits the range of potential employers targeted support programs. Further to this, the underdeveloped value chains and cumbersome business environment constrain the likelihood of facilitating private investment in potential growth-driving sectors.

To date, policy response by many countries have been mostly short or medium term and aiming at sustaining household incomes and business activities to protect macroeconomic fundamentals, including through a range of national plans or funds to gather and channel financial flows, mostly with Overseas Development Aid (ODA) as an important component. Most of those measures were reactions to emergency necessities and hence rather temporary, short-term and not viable on their own beyond the first phase of the COVID-19 outbreak. This phase is explicitly or implicitly considered over by now, although border and travel restrictions have not been fully reversed yet. As early as July 2020, more comprehensive approaches, possibly accompanied by calculated plans and support packages and roadmaps have become more emphatically required as confirmed by the unfolding situation in many countries around the world. Tajikistan has adopted a similar approach, endorsing in June-August 2020 a package of measures to mitigate the socio-economic impact of COVID-19, and focusing on short-term policy response. The crisis also underscores the need to tackle long-term structural reforms to the business environment to support long-term recovery and resilience.

While many developed economies have shown considerable capacity for public borrowing (issuing treasury bonds, under-written by their respective governments or central banks), it is now becoming clear that the domestic or external borrowing should also be kept at check, as the economies increasingly fear moving away from initially soft budget constraints towards hard budget constraints. Some 7-8 months into the pandemic outbreak and having taken a range of emergency, short-term measures in June-August 2020, it is widely confirmed that Tajikistan's resources are not limitless, especially through public borrowing, and that the overall fiscal deficit for 2020 is projected by IMF to widen to 7.7% of GDP due to sharp revenue shortfall and rising expenditure needs. Accordingly, the solution is no longer a matter of only injecting liquidity into the market to revitalize economic activities, e.g. through Industry and Export Bank 'Sanoatsodirotbank' and other financial institutions, unless there are purpose-built support packages aiming at recovering supply and demand for goods and services in both public and private sectors.

More specifically, many developing economies have financed support packages through domestic or international debt, but the ability of Tajikistan to do so is limited. The risk of debt distress remains high, whereas public and publicly-guaranteed debt stood at 52.6% of GDP at the end of the first six months of 2020. Furthermore, as a result of reduced revenues and increased expenditures in the general government budgets, the overall fiscal space is narrowing almost universally. For countries like Tajikistan, the limited fiscal space necessitates complex tasks of revision of their tax systems and public finance management (PFM), while also ensuring that longer term reform priorities do not suffer irreversibly. The new Tax Code will be entered into force in early 2021 against the backdrop of business environment constraints and COVID-19 implications, while broader PFM reforms aimed at strengthening tax administration, Treasury management, fiscal discipline, and accountability in the use of public resources are being implemented across the board. For small economies like Tajikistan, it is important to prevent people from sliding back into poverty and preserving the gains from past reform implementation efforts.

During May and June 2020, the OECD held two high-level regional discussions of the COVID-19 crisis in the EU Eastern Partner (EaP) countries¹⁹⁸ and Central Asia¹⁹⁹ respectively, as well as a few virtual sessions of the OECD Eurasia Competitiveness Roundtables, focusing on private sector development challenges in the context of the crisis. While the similarities as well as the divergences between these countries were noted, the consensus of these various forums is that the structural policies to support the recovery must be aligned with longer-term goals. The most popular measures so far, according to the OECD, have been those supporting employees/wages, which all countries implemented, albeit with different degrees of coverage and intensity. The Government of Tajikistan preserved the originally planned increase in public sector wages for employees in the social sectors. At the same time, the picture is more varied regarding tax deferrals/relief. Low-income countries (LICs), such as Tajikistan with its \$1,030 GNI per capita in 2019,²⁰⁰ have considerably fewer coping options as a result of limited fiscal space and monetary policy instruments, and weak private sectors. Therefore, measures affecting government revenue performance are often overlooked or carefully undertaken under the premise of financial commitments from development partners. In Tajikistan, such measures included targeted social assistance (TSA) to vulnerable population which is heavily supported by the World Bank and the Asian Development Bank, while temporary tax relief/deferrals for businesses are largely compensated by development policy lending and the budget support provided from bilateral and multilateral partners.

Building on the above approaches to COVID-19 response, the formulation of policy measures and response packages in Tajikistan should account for critical and common challenges regarding the overall macroeconomic environment and private sector growth, including:

- An already struggling private sector to create sufficient number of quality jobs for expanding formal labor market, which requires extensive reform to stimulate private sector led growth;
- Large informal sector, which raises concerns about the formalization of economic activities;
- Domestic labor markets facing further pressures to adjust due to the large number of temporarily or potentially long-term grounded migrant labor who are unable to return to work abroad, as most of the destination economies are facing similar economic downturns;
- Need for a well-coordinated regional approach to overcome many existing trade facilitation challenges, particularly around customs procedures and border management;
- Highly concentrated export profiles and undiversified economies, exposing them to external economic risks through trade and migration channels;
- Weaknesses in the financial system, especially regarding the availability and affordability of financial products to MSMEs and HHs, hedging of risks, and weak corporate governance;
- Sluggish implementation of structural reforms to improve the efficiency of the market and public services, particularly regarding macroeconomic regulations and social safety nets.

¹⁹⁸ Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine.

¹⁹⁹ <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-central-asia-5305f172/>.

²⁰⁰ According to the World Bank country classification by income level.

In terms of Tajikistan's socio-economic development, the above-mentioned assessments alert policy makers to the following considerations (i.e. constraints) that should be taken into account in the formulation of recommendations:

- Insufficient investment in human capital development in order to enhance the overall level of education and vocational skills of labor market participants;
- Slow pace of digitalization of public and private services, and limited ICT development;
- Weak capability and financial resources of the health system to cope with pandemic-related and other emergency challenges, and to meet longer term country needs;
- High degree of vulnerability of the population to financial and economic shocks, such as due to overindebtedness, inadequate income levels, and a large number of informal sector jobs;
- Limited flexibility of the education system to adapt to pandemic-related risks, which would necessitate developing the capacity to roll out distance learning (especially in schools);
- Limited fiscal space and weak accountability of public finance management system, which undermine the volume and coverage of social payments to at-risk population groups;
- Sizeable gender gaps with regards to employment and employability of women and girls, and other vulnerable groups, and their prejudiced status at household and community level.

ECONOMIC REPOSITIONING FOR RECOVERY

For Tajikistan, ensuring long-term economic recovery and reducing disproportionate exposure to external economic shocks will require steps to foster further diversification of economic activity and undertake long-overdue reforms which have been sluggishly implemented (e.g. governance of state-owned enterprises and competition policy framework) or have not translated into tangible policy outcomes (e.g. employment policies, business environment, and others) over the years. Improving the overall environment for lives, livelihoods and entrepreneurship will require the Government of Tajikistan to initiate and/or continue its reform efforts in a comprehensive and sustainable way.

In view of the potential of the coronavirus-induced economic crisis for Tajikistan's socio-economic repositioning and the need to overcome critical challenges described in Section 6.1, the following principles for recommendations should be applied:

- In line with some of the best practice of 'Preserve, Strengthen and Rebuild', job creation and job retention should be at the forefront of the government's efforts, such as through implementation of investment projects and vocational education and training (VET) programs. This will preserve and increase jobs, and improve skills for the changing labor market and its participants, including migrant labor;
- Social outcomes and financial returns in health, education and employment are not tangibly related in underdeveloped financial markets such as Tajikistan. This can be tackled by concentrated commitment to sustainable investment discipline, whereby an investor considers environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact;
- Investing in local and regional value chains, and adopting trade facilitation measures (e.g. border management, customs clearance procedures, and favorable trade terms for goods exhibiting the greatest comparative advantage) should be prioritized to promote exports of goods and services and enhance cross-border trade;
- Digitization of public services (e.g. utility payments, banking transactions, distance-learning modalities, medical consultations) and reducing the cost of mobile and broadband services should be viewed as not only a means to reduce costs for households and businesses, but also as a meaningful way to gradually reduce informal economic activity;
- Any digitalization programme should ensure sufficient access to the tools and connectivity infrastructure (e.g. Internet). Some best-practice programs could be adopted in Tajikistan, such as

- donating used mobile phones to reduce the gaps in access, particularly in rural areas;
- MSMEs currently employing or committing to employ vulnerable population groups (such as women and girls, youth, people with disabilities, returning migrants, and others) could be made eligible for targeted and tailored government support as part of its crisis response package. This also includes businesses which comply with labor and product technical regulations, meet job safety requirements, and have standard labor contracts with employees;
- Supplying the private sector with affordable credit should be carefully managed in order to tailor to the needs of struggling businesses. This also requires the introduction of innovative and risk-hedged financing instruments (e.g. risk guarantees) and enforcement of consumer protection regulations;
- Enterprise support through affordable credit should also be complemented by sustained and coordinated efforts to improve financial literacy and entrepreneurial skills among borrowers (including potential borrowers), which would reduce over-indebtedness and incentivize the robust growth of aspiring start-up businesses;
- Improving the business environment through better tax administration and well-functioning economic institutions (e.g. economy and finance ministries, the National Bank of Tajikistan, and economic courts and arbitrators) is undoubtedly important, but it also requires significant investment in human capital through quality education and skills development. These will help improve the quality and productivity of the labor force and competitiveness of Tajikistan’s labor market as a whole;
- The government’s long-term commitment to support human development should be matched with appropriate public expenditure allocations to the social sectors, particularly for health and care services (e.g. for elderly, people with disabilities, and other vulnerable groups), which have been chronically underfunded. If also supported by effective measures to reduce corruption in the public sector, this would strengthen the capacity to cope with pandemic-related emergency challenges in the future;
- A number of the proposed points above would also ultimately crowd in the private sector (domestic or external) into more productive and complementary partnership with the public sector. Various public-private partnership modalities could be explored to stimulate investment and improve investor confidence in Tajikistan’s economy, which is a vital ingredient for growth;
- Investing in data management systems, diagnostics and vulnerability mapping is critical to building credible evidence base and making informed policy decisions centered around the principle of ‘Leaving No One Behind’ and the Sustainable Development Goals (SDG). The government should not lose sight of long-term development goals, and the coronavirus-induced crisis represents an opportunity to reassess the pathway towards achieving the national SDG goals vis-a-vis the socio-economic setback and risks.

At the same time, Tajikistan’s economic repositioning for recovery needs to be put into perspective. The government has endorsed and is implementing a package of crisis mitigation measures, such as the COVID-19 Country Preparedness and Response Plan (CPRP).²⁰¹ The CPRP is also complemented by several Presidential Decrees²⁰² and Government Resolutions²⁰³ to counter the socio-economic implications of the coronavirus outbreak. Furthermore, the President’s election program, published in September 2020, declares that by 2027 the government’s concerted efforts will: (i) double the volume of Tajikistan’s GDP, (ii) reduce the proportion of poor to 18% of the population, (iii) increase the share of population with an average income, and (iv) ensure sustainable economic development and improve competitiveness. This is an ambitious development agenda and requires greater support to private sector, significant private investment, and adaptive economic development (such as through digitization of services and the implementation of e-governance reforms).

²⁰¹ The CPRP was adopted in March 2020 and is on course to be implemented until December 2020 (See Annex 8).

²⁰² E.g. the Decree of the President of the Republic of Tajikistan #1544 dated June 5, 2020 ‘On Countering the Impact of COVID-19 on Socio-Economic Spheres of the Republic of Tajikistan’ which consists of 27 specific measures to be implemented by the Government of the Republic of Tajikistan and the National Bank of Tajikistan (See Annex 9) and the Decree of the President of the Republic of Tajikistan #1580 dated August 4, 2020 ‘On Measures for Strengthening Social Protection of the Population and Raising the Salaries of Civil Servants and Public Sector Workers, Pensions and Stipends.’

²⁰³ Resolution of the Government of the Republic of Tajikistan #300 dated May 15, 2020 ‘On Introduction of the Mechanism for Determining and Disbursement of Targeted Social Assistance in the Republic of Tajikistan.’

Accordingly, the proposed recommendations in the following Sections 6.3 and 6.4 carefully build on the government's existing policy response and are broken down by short-term measures (until the end of 2020) and medium-to-long term measures (in the next 1-3 years) for the benefit of households and entrepreneurs. They also draw on the relevant COVID-19 response packages adopted by other countries, as described in Section 6.1, key findings of the nationwide surveys of HHs and MSMEs, and respective linkages to relevant SDG goals/targets. The recommendations are grouped under specific measures as well as time horizon, where applicable.

It is also important that the consolidated policy response is wrapped around the achievement of Sustainable Development Goals (SDGs). In Tajikistan, the national SDG framework is anchored in the National Development Strategy (NDS) of the Republic of Tajikistan for the period until 2030.²⁰⁴ In 2016, UN Agencies supported amendments in the regulations for the National Development Council (NDC) under the President of Tajikistan to adopt provisions for monitoring and evaluation of national strategies and programmes. The government has also committed to establishing a dedicated and sustainable multi-stakeholder dialogue platform to specifically address SDG financing concerns. The NDC will enable stakeholders to further discuss the socio-economic implications of COVID-19 in the context of achieving the national SDG targets and agree on a meaningful policy response. The CPRP and other mitigation measures implemented by the government would require to be assessed vis-a-vis implementation of the NDS to determine the viability of achieving SDG targets in the context of post-pandemic recovery.

In hindsight, increased and excessive external borrowing, even if made available, would risk over-indebtedness and put Tajikistan on an unsustainable fiscal trajectory, especially given its high debt-to-GDP ratio and limited fiscal space due to rising debt servicing costs and other expenditure needs. Therefore, while achieving SDG targets remains important, the resource mobilization and priority allocations should be based on: (i) *in the short term*: preserving the gains from past efforts to reduce poverty and improve the welfare of the population, and protect jobs; and (ii) *in the medium to long term*: stimulating inclusive and transformational economic growth, creating productive jobs, and investing in human capital and competitiveness. Hence, it is crucial to keep the mitigation measures as close to national SDG targets as possible to minimize the 'resource diversion' risks of irreversible compromises on those goals.

As described earlier, the HHs and the MSMEs are not in isolation from one another, as they portray the supply and demand sides for labor on the one hand, and goods and services on the other, through consumption, production, market choices and economic activities. The recommendations below, therefore, ought to be viewed in that crucial light.

RECOMMENDATIONS TO SUPPORT LIVES AND LIVELIHOODS (HHs)

First and foremost, this is a human crisis and measures to support lives and livelihoods should be at the forefront of the government's response. As shown by the survey, there is a fairly high ratio of HHs who are deemed vulnerable,²⁰⁵ such as due to indebtedness and inability to meet the cost of basic consumption. Rising food prices and the cost of protective sanitary measures, as well as insufficient savings, are further exacerbating exposure to economic risks associated with COVID-19 outbreak. With the high probability of increased poverty and vulnerability, a coherent and complex response package will require a whole of the government approach working in partnership with the private sector, international development partners, and civil society organizations.

²⁰⁴ In particular, the Government of Tajikistan uses monitoring of the Mid-Term Development Program (MTDP) for 2016–2020 as the basis for reviewing overall resource flows to finance the national SDG targets.

²⁰⁵ Up to 17% of all surveyed HHs are likely to experience income poverty (as demonstrated by inability of 17% of HHs to afford basic consumption according to survey results).

Short-term measures

In the short term, measures should be undertaken by the government to subsidize and smoothen consumption of most at-risk HHs and prevent them from sliding back (or drowning further) into poverty. Therefore, implementation of the following groups of broad policy measures will be very important to improve the socio-economic situation among HHs in Tajikistan:

1. Provide emergency financial support to HHs whose incomes have been disrupted due to COVID-19 (e.g. through expansion of the government's Targeted Social Assistance Program and cash transfers to vulnerable HHs, deferral or subsidization of utility payments, appropriate indexation of social payments, and emergency credit products through financial institutions, specifically for women and girls);
2. Adopt measures to prevent further rise in HH spending and ensuring food security (e.g. imposing domestic price controls for basic food products and medical supplies, managing local currency volatility, and utilizing the government's food reserves in the regions);
3. Encourage employers to adopt flexible working and pay arrangements with their workers, at least temporarily, particularly for women and girls (e.g. working from home, remote interaction with work peers, and use of other digital solutions), in order to preserve jobs that otherwise would have been ceased, reduced or suspended, and to avoid salary arrears;
4. Ensure uninterrupted and effective provision of social and care services to the population, such as quality health care and education (e.g. increased spending on health care services, and a roll out of distance learning), and protect the safety and wellbeing of the population through the provision of psychosocial support (e.g. for people who are experiencing anxiety and psychological stress, and victims of domestic violence).

These measures are fully in line with survey findings, which showed that the priority requirements for HHs are subsidies with their immediate basic consumption and at least temporary relief from tax obligations and debt repayments. Their effective implementation would require concerted effort at community and sub-national level and would require involving local authorities and community leaders in discussing and formulating necessary measures. Some degree of decentralization is therefore vital to the efficiency and effectiveness of policies, administration, and service delivery.

Medium- to long-term measures

In the medium to long term, the Government of Tajikistan should seize the challenging situation and an unfolding economic downturn as an opportunity to undertake the following proposed measures in order to improve lives and livelihoods:

1. Address structural labor market constraints (e.g. improve regulation in order to streamline recruitment policies and procedures, implement a dispute resolution mechanism for labor market participants, and create jobs domestically which would contribute to inclusive and transformational growth) to increase employment and employability of disadvantaged and vulnerable population groups, particularly women and girls;
2. Provide incentives for formalization of economic activity, such as by reducing the fiscal/tax burden for legal commercial entities and encouraging self-employment (i.e. individual entrepreneurs);
3. Encourage greater corporate social responsibility among employers (e.g. adopt flexible working arrangements and expand the share of vulnerable people in the workforce);
4. Invest in human capital (e.g. vocational education and training, digital solutions) and expand social services (e.g. increase public spending for the chronically underfunded health sector) to improve the supply of skills and competencies in Tajikistan's labor market.

The list of proposed measures to improve lives and livelihoods of HHs are shown in Table 29.

TABLE 29: SUMMARY OF PROPOSED MEASURES TO SUPPORT THE RECOVERY OF HOUSEHOLDS FROM THE IMPACT OF COVID-19 OUTBREAK.

Impact of COVID-19 on Lives and Livelihoods		Link to SDG goals, targets and indicators
#	Proposed measure(s) / policy recommendation(s)	Source(s)
Key finding(s)		
SHORT-TERM MEASURES (until the end of 2020)		
1.	Free subsidized treatment of patients with suspected pneumonia or COVID-19 in medical facilities across the country, including home-based rehabilitation period (e.g. required vitamin intake, sanitary measures, and others).	Those HHs where at least one member reportedly contracted pneumonia (or COVID-19) had spent, on average, more than 45% of their monthly HH income on medical expenses.
2.	Encouraging greater use of online or other means (e.g. phone) for professional consultations to avoid patient congestion in medical facilities. Setting up emergency toll-free hotlines for emergency treatment/counseling. Undertaking nationwide awareness campaigns on protective sanitary measures for individuals (e.g. hand washing) and businesses (e.g. delivery companies) via most widely used and/or trusted media outlets.	More than 84% of HHs (who have had at least one HH member with chronic illness) were unable to receive timely medical treatment during the COVID-19 outbreak. More than 20% of HHs reported adopting social distancing and self-isolation measures, which have prevented them from visiting medical facilities.
3.	Expansion of the government's targeted social assistance (TSA) program for vulnerable HHs and increasing the size of one-time social payment for most at-risk HHs (currently set at minimum monthly salary, i.e. 400 somoni), including the full coverage of those HHs that are living in extreme poverty. Deferral of utility payments. Enforcing adequate inflation adjustment (i.e. indexation) of social payments.	Up to 17% of all surveyed HHs may have fallen back into poverty as a result of financial difficulties and their inability to purchase food or pay monthly utility bills. Besides, 12.1% of HHs continue living paycheck to paycheck and have little to no savings.
4.	Prioritizing the preparation of teachers/staff and children in general secondary education for a roll out of distance learning to mitigate potential interruption of the learning process during the next academic year. Encouraging MSMEs, along with other employers, to adopt flexible working arrangements for their workers to meet increased care responsibilities.	Almost 30% HHs were affected by the closure of educational institutions. Adults (especially women with school-aged children) were most affected via increased homework and care responsibilities.
		<p>Primary data (Section 4.2.2) Goal 3, Target 3.b (Indicator 3.b.3)</p> <p>Primary data (Section 4.6.2) Goal 3, Target 3.8 (Indicator 3.8.1)</p> <p>Primary data (Section 4.5) Goal 1, Target 1.3 (Indicator 1.3.1) Goal 1, Target 1.a (Indicator 1.a.1)</p> <p>Primary data (Section 4.6.1) Goal 8, Target 8.6 (Indicator 8.6.1) Goal 5, Target 5.4 (Indicator 5.4.1)</p>

5.	Greater engagement between teachers (including class supervisors) and parents of school-aged children who are reportedly not studying due to COVID-19. This work can be done in partnership with local NGOs/CSOs.	20% of HHs who have children below 18 years reported that their children did not study at all. Instead, these children either looked out for paid work or increased their HH responsibilities.	Primary data (Section 4.7.3)	Goal 4, Target 4.3 (Indicator 4.3.1)
6.	Greater mobilization of resources and staff in the local employment centers under the Agency for Labor and Social Protection of the Population, at least temporarily, to increase outreach and provide match-making services.	23% of respondents tried to find paid jobs since the COVID-19 outbreak, indicating that the outbreak must have contributed to pre-COVID 19 rising unemployment levels.	Primary data (Section 4.2.2)	Goal 10, Target 10.4 (Indicator 10.4.1)
7.	Temporary waiver for the withdrawal of remittances in foreign currency (e.g. U.S. dollars), which could be possibly capped (say, at a median HH income for the next three months), and for the transfer and/or processing fees for funds remitted through financial institutions and licensed money transfer systems.	HH consumption went down as a result of falling incomes remitted back home by migrant labor.	Primary data (Section 4.3)	Goal 17, Target 17.3 (Indicator 17.3.2) Goal 10, Target 10.c (Indicator 10.c.1)
8.	Gradual lifting of restrictions on travel of migrant labor with strict protocols and procedures in place for COVID-19 testing and quarantine measures in Tajikistan for inbound and outbound travelers. Bilateral agreements for temporary support of migrant labor in destination countries (e.g. Russian Federation), such as automatic and cost-free work permit extensions and subsidized COVID-19 testing for traveling migrants.	Travel restrictions negatively affected migrant labor from Tajikistan: 50% had difficulties returning, while 68% could not leave, and only one third of them could find some paid jobs.	Primary data (Section 4.3)	Goal 10, Target 10.7 (Indicator 10.7.2)
9.	Temporary tax relief for employers, particularly with regards to income taxes and social contributions, in order to stimulate businesses to hire (or retain) workers on a formal basis.	The COVID-19 outbreak is likely to have expanded Tajikistan's informal sector. On average, 40% of respondents would accept a non-registered, informal job in the aftermath of COVID-19.	Primary data (Section 4.4)	Goal 8, Target 8.3 (Indicator 8.3.1)
10.	Temporary extension of access to unemployment benefits to non-standard recipients, such as informal workers, self-employed (i.e. individual entrepreneurs), and returning migrants. These benefits could be capped, such as at a national median salary threshold.	Incomes from self-employment, migrant labor and non-registered jobs have had the largest declines (43%-53%) as a direct result of the COVID-19 outbreak.	Primary data (Section 4.5)	Goal 1, Target 1.2 (Indicator 1.2.1) Goal 1, Target 1.4 (Indicator 1.4.1)

11.	Deferral of loan payments for at-risk borrowers, creation of loan distress funds to better manage NPLs, and development of emergency credit products such as first-loss risk covers (FLRCs), risk sharing facilities (RSFs), and credit lines with hedged risk of local currency volatility.	38% of HHs that have at least one member with an outstanding loan have difficulties meeting repayment, with consequences on future access to finance. Accordingly, 31.7% of HHs were likely to borrow in the preceding 30 days.	Primary data (Section 4.5)	Goal 9, Target 9.3 (Indicator 9.3.2)
12.	Managing further devaluation of local currency due to its direct negative effect on the prices of imported food products and putting in place temporary price controls for basic food products and medication across Tajikistan.	Almost 65% of HHs stated that they increased spending, which was mainly caused by the perceived shortage of food and medical supplies.	Primary data (Section 4.5)	Goal 2, Target 2.c (Indicator 2.c.1)
13.	Setting up of toll-free hotlines, mentoring and professional counseling services (e.g. to address psychological stress or anxiety), with particular focus on urban residents. Counseling services may be organized through public-private partnerships and subsidized (e.g. by sub-national governments or civil society organizations) so that they come at no cost to the population.	Compared to urban areas, HHs in rural areas have greater number of coping options to withstand the risk of falling incomes and changes in employment.	Primary data (Section 4.2.2)	Goal 11, Target 11.a (Indicator 11.a.1)
14.	Provision of confidential and professional support to victims of domestic violence, in partnership with local community leaders, law enforcement, and NGOs/CSOs. Nationwide awareness raising campaigns may be needed to inform at-risk population of support available to them (counseling, medical consultation, and legal advice).	Psychological stress and anxiety have also been mentioned and in need of addressing. Nearly 22% of respondents had experienced psychological stress and anxiety due to the COVID-19 outbreak.	Primary data (Section 4.6.2 and Section 4.7.4)	Goal 3 (broadly)
15.	Greater enforcement of the Labor Code and respective bylaws, and encouraging greater transparency in regards to firms' recruitment policies and procedures. Improving the system of small-scale dispute resolution between labor market participants in Tajikistan.	More than 16% of HHs reported domestic violence at the time of conducting the survey, which may or may not be a direct consequence of the COVID-19 outbreak. Regardless, the share of HHs reporting domestic violence is relatively high.	Primary data (Section 4.7.4)	Goal 5, Target 5.2 (Indicator 5.2.1); Goal 11, Target 11.7 (Indicator 11.7.2); Goal 16, Target 16.1 (Indicator 16.1.3)
MEDIUM- TO LONG-TERM MEASURES (in the next 1–3 years)				
15.	Greater enforcement of the Labor Code and respective bylaws, and encouraging greater transparency in regards to firms' recruitment policies and procedures. Improving the system of small-scale dispute resolution between labor market participants in Tajikistan.	Domestic employment is dominated by men whose likelihood of market entry and employability are relatively higher compared to women in Tajikistan.	Primary data (Section 4.2.1) and secondary data (Section 2.7)	Goal 8, Target 8.5 (Indicators 8.5.2)

16.	<p>Enforce regulations and encourage employers (including MSMEs) to adopt flexible working arrangements for their employees, in particular women who often have obligations such as housework, child care or marital restrictions. Introduce temporary moratorium on tax and/or inspections for employers hiring women for white-collar and blue-collar jobs as an incentive to improve women's employability. Introducing administrative penalties and/or fines for employers which have a proven history of unfair remuneration between women and men.</p>	<p>Social factors, such as unpaid and larger share of housework, childcare and marital obligations disadvantage women and girls in terms of employment and employability.</p>	<p>Primary data (Section 4.2.1 and Section 4.2.2)</p>	<p>Goal 8, Target 8.5 (Indicator 8.5.2) Goal 5, Target 5.5 (Indicator 5.5.2)</p>
17.	<p>Progressively create sustainable, higher-paid and higher-productivity jobs in the economic sectors with the greatest potential for enhancing transformational growth, combined with strengthening of vocational education and training (VET), such as for returning migrants and youth.</p>	<p>The workforce and the labor market in Tajikistan heavily feature migrant labor: 40 % of HHs reported having at least one migrant member and one in four HHs have at least one migrant labor.</p>	<p>Primary data (Section 4.3)</p>	<p>Goal 8, Target 8.b (Indicator 8.b.1); Goal 9, Target 9.2 (Indicator 9.2.2)</p>
18.	<p>Easing off government regulation of private sector entities and introducing fiscal incentives which would encourage firms to formalize and hire workers on a registered basis (could be already under way via the new Tax Code). Provision of flexible, affordable and tailored VET courses for women and girls, e.g. in order to reduce women's overwhelming representation in informal jobs.</p>	<p>According to the survey, almost 37 % of employment is reportedly non-registered (i.e. consisting of non-registered jobs) and are highly represented by women and girls in the four selected economic sectors (i.e. agriculture, light industry, personal services, and tourism and hospitality).</p>	<p>Primary data (Section 4.4)</p>	<p>Goal 8, Target 8.3 (Indicator 8.3.1) Goal 8, Target 8.5 (Indicator 8.5.2) Goal 8, Target 8.6 (Indicator 8.6.1)</p>
19.	<p>Investing in human capital to ensure quality of education and learning at all levels, and minimizing the dropout of children (especially girls) in general secondary education.</p>	<p>Level of education of the labor force is low (60 % of surveyed respondents with mean age of 37.7 years not having completed the secondary school).</p>	<p>Primary data (Section 4.6.1)</p>	<p>Goal 4 (broadly)</p>
20.	<p>Subsidizing the financial cost of Internet and mobile services that is passed on to end users (e.g. temporary moratorium on excise tax payments by firms), and introduction of other fiscal incentives for network operators and IT firms.</p>	<p>Many HHs only have Internet connectivity through their mobile network operators, while those who have Internet reported slow speed/quality.</p>	<p>Primary data (Section 4.6.1)</p>	<p>Goal 17, Target 17.8 (Indicator 17.8.1); Goal 9, Target 9.c (Indicator 9.c.1)</p>

/Source: The authors' assessment based on the analysis of primary and secondary data.

RECOMMENDATIONS TO SUPPORT MSMEs

While the discussion on reducing the economic consequences of COVID-19 and policy response often focus on macroeconomic fundamentals, the pandemic-induced slowdown inevitably affected the real economy. In Tajikistan, the real economy is driven by businesses, mainly MSMEs.

In order to determine an appropriate policy response (i.e. measures) to help MSMEs, which are likely to suffer more than larger firms, it is useful to view the degree of impact in a cycle of phases:²⁰⁶ (i) *shutdown impact*, such as due to containment efforts adopted by the Government of Tajikistan; (ii) *supply chain disruptions*, which are trade-induced and halt production; (iii) *demand depression*, resulting in the decline in sales, overstretched credit, and prolonged reduction in HH spending; and (iv) *recovery of economic activity*, which varies by economic sector as containment measures are gradually eased. In all likelihood, the majority of MSMEs in Tajikistan are experiencing the first three phases, whereas containment measures, such as border closures have not been fully lifted yet.

Short-term measures

In the short term, the magnitude of support from the government to MSMEs significantly depends on the size of Tajikistan's general government budget, its monetary and fiscal policy instruments, and various proxies such as GDP per capita being a key determinant of the government's ability to provide adequate support to businesses without resorting to overseas development aid (ODA).

Tajikistan's economy is projected to equal \$8.7 billion in 2020, while its general government budget is approximately \$2.6 billion which is hamstrung by limited fiscal space due to rising debt servicing costs, financing of large infrastructure projects, and rising social obligations. The range of monetary and fiscal policy instruments is also limited, which means that the government should be strategic in terms of finding an appropriate balance between fiscal/tax concessions (what most surveyed MSMEs desire), banking sector regulation (e.g. MSMEs would benefit from a vast moratorium on loans), and macro-fiscal stability. This also means that a number of measures that have been effectively introduced in developed countries and have a significant cost (i.e. fiscal) implication may not be applicable to Tajikistan. Examples of such measures include: (i) subsidies for the roll out of furloughing schemes by businesses, (ii) rent and utility subsidies which would be financed out of the general government budget, (iii) interest-free emergency credit provision which is at least partly co-financed by the general government budget, (iv) trade finance, and others.

In the short term, the following measures could be undertaken to support MSMEs which have been negatively affected by the COVID-19 outbreak:

- Ensuring temporary support to provide financial relief to struggling MSMEs. As confirmed by survey findings, tax,²⁰⁷ rent or utility payment reliefs (i.e. moratoria) are very important in enabling the businesses to survive and to readjust to a newly emerging situation. Important as these subsidies are, they are not viable beyond a certain period;²⁰⁸
- Provision of liquidity to affected MSMEs on highly concessional terms, particularly for those businesses

²⁰⁶ International Trade Center (ITC). 2020. *SME Competitiveness Outlook. COVID-19: The Great Lockdown and Its Impact on Small Business*. Geneva, pp.29–30.

²⁰⁷ E.g. corporate income tax and social contributions, as well as acceleration of tax refunds (in particular, VAT).

²⁰⁸ A number of alternative measures could be considered, however, which would keep the necessary subsidies, but at the same time would motivate a productive process in return for receiving the subsidies. A number of such targeted support packages are currently in place in the UK, for instance and may be quite feasible to apply in Tajikistan, with some adjustments: (i) compensating businesses, by proportionate tax exemptions, for their measures and costs regarding provisions for social distancing at their premises or for running their businesses; (ii) niche markets, e.g. delivery of food and other basic consumption goods to MSMEs and HHs; (iii) subsidizing some of the businesses, especially in food, hospitality and other selected economic sectors, by covering a certain percentage of the cost to their clientele, which would motivate both demand and supply. Furthermore, an 'Eat Out to Help Out' scheme was launched in the UK for the month of August, whereby the government would pay 50% of meals per individuals who would eat out at 84,000 participating cafes and restaurants (although there was a higher ceiling of maximum £10 per mean per person).

which have been affected by the COVID-19 outbreak and are more vulnerable to financing fluctuations. This may include subsidized credit²⁰⁹ products, interest-free credit lines to long-term borrowers, risk guarantee schemes (whereby the financial institution lends in foreign currency and collects in local currency, bearing the risk of currency volatility) and first-loss risk covers in partnership with international development partners;

- Supporting demand and employment through infrastructure construction, such as through increased capital expenditure and state programs aimed at creating (or preserving) jobs. This is both a short term and a longer term measure, and is likely to widen the fiscal deficit, but the presence of significant employment risks²¹⁰ and a sharp decline in private investments makes it an important measure for MSMEs (e.g. in light industry, services and construction);
- Subsidization of professional business advisory services, specifically addressing the needs of struggling (i.e. affected) MSMEs that have experienced disruption in supply chains, sales, customer base, incomes, or are on the brink of shutting down. Navigating these uncharted waters is a challenging task, particularly for smaller businesses, and they often require mentoring and advice to recover and adapt their commercial operations. Implementing this measure would require mobilization and coordination between business incubation and acceleration facilities, co-working workplaces, and business associations, while subsidization of fee-based advisory services may be provided by international development partners;
- Temporary support to self-employed people (i.e. individual entrepreneurs who comprise about 45 % of all entrepreneurs in Tajikistan, excluding dehqan farmers, and were the most affected by the COVID-19 outbreak), at least temporarily, to help withstand the impact of depressed demand and declining sales. This may include temporary waivers to monthly patent payments on a case-by-case basis,²¹¹ extended deadlines for filling in tax returns, and suspension of tax audits/inspections.

The important factor of ‘Minimum Necessary Scale,’ leading to ‘Economies of Scale,’ plays a key role in providing the required return on any investment, public or private, for making them viable and cost-efficient. Given the predominance of individual and micro enterprises, according to the survey, with a sizeable proportion producing for self-consumption, the ‘economies of scale’ which are meant to provide that minimum necessary of production to provide the minimum return on investment is by and large missing. The current best practices already indicate that sustain employment should be now closely connected to sustainable businesses, which by and large will need to adjust to a leaner, more cost-efficient enterprises. The implication is that there are likely to be more pressure on reducing the number of working staff on average, as well as seeking diversification and adoption to the merging market demands which are different from the pre-pandemic circumstances.

Medium- to long-term measures

The viability and sustainable growth of MSMEs in the medium to long term hinges upon a number of critical enabling factors which must be in place, including:

- Improve the business environment, e.g. minimize excessive regulation of business by the government, fully implement investment climate reforms, and strengthen tax policy and tax administration, all of which would vastly improve the ability of MSMEs to withstand crises;
- Increase competitiveness, such as through effective enforcement of competition policies and regulations and de-subsidization of state-owned enterprises through privatization which would contribute to leveling the field for MSMEs vis-a-vis larger companies;
- Enhance financial inclusion and literacy among MSMEs, and market support systems, such as through coordinated and tailored professional business advisory services, to encourage adaptive management

²⁰⁹ The SOE ‘Entrepreneurship Support Fund’ was mobilized to provide subsidized credit to MSMEs but has now been restructured into SUE ‘Sanoatsodirotkbank’ (Industry and Export Bank) and it is unclear if its new mandate assumes credit provision to MSMEs which have been affected by the COVID-19 outbreak.

²¹⁰ Such as for migrant labor who are temporarily unable to return to their workplaces abroad.

²¹¹ For individual entrepreneurs who are working under a patent.

and development of functioning instruments to cope with economic challenges. Business incubation and acceleration facilities would also provide the resources and networks help MSMEs overcome particular market barriers (e.g. supply chain disruption or constrained access to digital solutions) and ensure that there are across-the-board support structures in place which facilitate innovation and business growth.

- Strengthening public-private dialogue, such as through business associations, commerce and trade chambers, industry/supply chain actors, building on existing dialogue platforms.²¹² Strong and sustainable public-private dialogue is an investment in effective communication between MSMEs and the government, and would contribute to adaptive learning and timely incorporation of lessons learnt, and agreeing a coordinated response to economic crises.

The list of proposed measures to help MSMEs recover from the economic and financial effects of the COVID-19 outbreak are shown in Table 30. The list is neither exhaustive nor prescriptive, and builds on survey findings as well as measures which are already being implemented by the Government of the Republic of Tajikistan.

²¹² E.g. the Consultative Council for Improving the Investment Climate and sectoral working groups operationalized by the State Committee for Investment and State Property Management of the Republic of Tajikistan.

TABLE 30: SUMMARY OF PROPOSED MEASURES TO SUPPORT THE RECOVERY OF MSMEs FROM THE IMPACT OF COVID-19 OUTBREAK.

#	Proposed measure(s) / policy recommendation(s)	Impact of COVID-19 on MSMEs	Link to SDG goals, targets and indicators
		Key finding(s)	Source(s)
SHORT-TERM MEASURES (until the end of 2020)			
1.	<p>Relief and support measures, such as tax, rent and loan repayment deferrals should be prolonged at least until the end of 2020 for MSMEs in economic sectors which have been the most affected by the COVID-19 outbreak. Based on the survey findings and other recent assessments, these sectors include: (i) transport, including civil aviation, (ii) tourism and hospitality, (iii) services, iv) retail trade, and (v) small-scale cross-border trade. Although businesses in other industries were also affected, albeit to a varying degree, the support to MSMEs in the above mentioned sectors should be extended for a longer period.</p>	<p>The COVID-19 outbreak has had a large immediate negative effect on 63.1% of MSMEs, particularly in the tourism and hospitality sector and services.</p> <p>Employment most at risk is concentrated in MSMEs which operate in light industry and tourism and hospitality sectors.</p> <p>Many MSMEs, particularly in tourism and hospitality and services sectors, are unable to repay outstanding loans, pay taxes, scale up commercial operations, and remunerate workers.</p>	<p>Primary data (Section 5.1, Section 5.4 and Section 5.5.1)</p> <p>Goal 8, Target 8.9 (Indicator 8.9.1)</p> <p>Goal 9, Target 9.2 (Indicator 9.2.1)</p>
2.	<p>While fiscal measures are inevitably required, they should be carefully chosen to preserve macro-fiscal sustainability. Temporary tax relief, such as corporate income tax and social contributions for MSMEs in the most negatively affected sectors should be complemented by extending deadlines for filing tax returns (i.e. no late submission fees). Sub-national governments may be temporarily allowed to retain a higher share of tax receipts to finance spending needs, and taxpayers may be exempt from tax audits (with exception to criminal investigations). Land and property tax may be waived for MSMEs in the most affected sectors.</p>	<p>Of all affected MSMEs, 27% reported that they had significant difficulties paying taxes and another 15% had difficulties remunerating workers.</p> <p>33% of all MSMEs stated that they would like the government to enforce nationwide deferral of tax payments for all types of private businesses.</p> <p>For 62% of surveyed MSMEs, temporary deferral of monthly tax payments is one of top three crisis mitigation approaches which are perceived by MSMEs to be critical to their survival.</p>	<p>Primary data (Section 5.4 and Section 5.5.1)</p> <p>Goal 17, Target 17.1 (Indicator 17.1.1)</p> <p>Goal 17, Target 17.1 (Indicator 17.1.2)</p> <p>Goal 17, Target 17.13 (Indicator 17.13.1)</p>
3.	<p>Mandatory utility payments (including prepayment requirements for electricity, heating and gas) may be temporarily reduced for struggling MSMEs. Rent payments could be temporarily suspended (also for non-state property).</p>	<p>Deferral of rent and utility payments would help MSMEs to withstand the shock and recover from the pandemic. For instance, 8.6% of struggling MSMEs would like to defer utility payments.</p>	<p>Primary data (Section 5.1, Section 5.4 and Section 5.5.1)</p> <p>Goal 10, Target 10.1 (Indicator 10.1.1)</p>

<p>4. The government could impose temporary price controls for staple foods and medical supplies, and utilize food reserves in the regions to increase domestic supply of essential goods.</p>	<p>According to MSMEs, the government should temporarily control consumer prices and eliminate market speculation.</p>	<p>Primary data (Section 5.5.1)</p>	<p>Goal 2, Target 2.c (Indicator 2.c.1)</p>
<p>5. Since many MSMEs are non-bankable (i.e. cannot meet basic collateral requirements or high cost of credit), and startups are generally not eligible for credit from financial institutions, risk guarantees and first-loss risk covers should be introduced in partnership with development partners to inject liquidity. Commercial banks are encouraged to introduce renewable revolving loans to replenish working capital, absorb the cost/risk of currency volatility (for loans disbursed in foreign currency), and defer loan repayment (without penalties) for MSMEs in the most affected sectors. In turn, the NBT could temporarily lift sanctions and penalties for overdue loans, further lower the policy interest rate and the income tax rate for interest income on deposits for corporate clients.</p>	<p>Outstanding loans (reportedly present among 22.9% of surveyed MSMEs) pushed some of them further into indebtedness due to the urgent need to borrow again (by 28.6% of MSMEs).</p> <p>The difficult situation of many MSMEs is further exacerbated by outstanding debt and repayment obligations which on average takes 30.9% of their monthly income.</p>	<p>Primary data (Section 5.4 and Section 5.5.2)</p>	<p>Goal 9, Target 9.3 (Indicator 9.3.2)</p>
<p>6. Business support services should be expanded, intensified and provided at a subsidized cost to struggling MSMEs, such as through incubation and acceleration facilities, co-working workplaces. This could be done in coordination with development partners and local business associations. Even without the COVID-19 impact, MSMEs in Tajikistan remain less productive and struggle to grow or enter new markets. The coronavirus outbreak has also showed that MSMEs are unable to develop and implement a viable coping strategy. Thus, business advisory services would expand outreach to underserved and vulnerable MSME segments (e.g. start-ups and early stage businesses), focusing on coping strategies, adaptive marketing, networking, financial planning, risk management, and other areas. Business support services should also expand to MSMEs beyond large urban areas, and tailor to the needs of self-employed people (i.e. individual entrepreneurs), dehqan farmers, and cross-border</p>	<p>Although some MSMEs may not have been affected yet by COVID-19, 81.6% of them are nevertheless concerned about the possible implications on their business operations.</p> <p>The shutdown risk is particularly high among affected MSMEs, suggesting symptomatically low resilience to shocks. Should nationwide restrictions and closures continue, 33% of affected MSMEs would be unable to operate for more than a month.</p> <p>73.6% of MSMEs reported that their supply chains and/or value chains have been negatively affected by the coronavirus pandemic.</p> <p>In general, MSMEs in rural areas are disadvantaged compared to MSMEs in urban areas in terms of ease of access to professional business advisory services and ability to diversify their markets.</p>	<p>Primary data (Section 5.1)</p>	<p>Goal 9, Target 9.c (Indicator 9.c.1)</p> <p>Goal 17, Target 8 (Indicator 17.8.1)</p>

<p>traders. Through business support structures (e.g. the new state-run business incubation network), MSMEs should be offered better access to digital solutions. This may require temporary reduction (or deferral) of excise tax on mobile and Internet services for service providers.</p>	<p>28 % of affected MSMEs employed non-conventional coping strategy in response to COVID-19, which included transitioning to online marketing and/or sales.</p>	<p>Since the COVID-19 outbreak, 83.1 % of MSMEs that are engaged in cross-border trade had their sales decline. Since cross-border trade is the main source of income for 53.5 % of MSMEs, the decline in sales has had a negative effect on turnover and operations of MSMEs.</p>	<p>Primary data (Section 5.2)</p> <p>Goal 9, Target 9.1 (Indicator 9.1.2)</p>
<p>7. In addition to fiscal and other measures, the government should gradually lift border closures and travel restrictions which would set MSMEs on a gradual recovery path. Customs duties may be reduced for small-scale cross-border traders, and customs procedures could be streamlined (e.g. helping to expedite clearance of essential goods).</p>	<p>Since the COVID-19 outbreak, 83.1 % of MSMEs that are engaged in cross-border trade had their sales decline. Since cross-border trade is the main source of income for 53.5 % of MSMEs, the decline in sales has had a negative effect on turnover and operations of MSMEs.</p>	<p>Since the COVID-19 outbreak, 83.1 % of MSMEs that are engaged in cross-border trade had their sales decline. Since cross-border trade is the main source of income for 53.5 % of MSMEs, the decline in sales has had a negative effect on turnover and operations of MSMEs.</p>	<p>Primary data (Section 5.2)</p> <p>Goal 9, Target 9.1 (Indicator 9.1.2)</p>
<p>8. Co-working workspaces and business acceleration facilities could reduce user fees and grant temporary access (at a subsidized or no cost) to their facilities for self-employed persons and other MSMEs which have struggled to keep their office space or interact with their workers.</p>	<p>Approximately 33 % of affected MSMEs allowed their workers to take leave, although some are either unpaid or do not have a pre-determined return date which raises uncertainty and risk of unemployment.</p>	<p>Approximately 33 % of affected MSMEs allowed their workers to take leave, although some are either unpaid or do not have a pre-determined return date which raises uncertainty and risk of unemployment.</p>	<p>Primary data (Section 5.3.1)</p> <p>Goal 17, Target 17.8 (Indicator 17.8.1)</p>
<p>MEDIUM- TO LONG-TERM MEASURES (in the next 1–3 years)</p>			
<p>9. Employers should be encouraged to subsidize a portion of their workers' utility costs (e.g. Internet and mobile network connectivity) if the latter have no choice other than to work from home, which would reduce furloughing risk and help firms to maintain operations. This may be introduced into government regulation in the long term. If smaller businesses do not have the means to do so, sub-national governments should be encouraged to subsidize these utility costs.</p>	<p>Not many MSMEs (only 7.3 % of the sample) allowed their workers to work from home. Those that did have also agreed that their workers would telework and/or work shorter hours, which shows that some businesses adopted flexible working arrangements to ensure that safety measures are adhered to and minimize operational costs.</p>	<p>Not many MSMEs (only 7.3 % of the sample) allowed their workers to work from home. Those that did have also agreed that their workers would telework and/or work shorter hours, which shows that some businesses adopted flexible working arrangements to ensure that safety measures are adhered to and minimize operational costs.</p>	<p>Primary data (Section 5.3.1)</p> <p>Goal 9, Target 9.c (Indicator 9.c.1)</p> <p>Goal 17, Target 17.8 (Indicator 17.8.1)</p>
<p>10. Fiscal incentives could be introduced for businesses (including MSMEs), such as more favorable tax rates and temporary tax reliefs for struggling MSMEs with good history (or start-ups with clean balance sheets and no double bookkeeping) in order to stimulate formalization of economic activity. The social contribution rate could be reduced, and further concessions be made for MSMEs that</p>	<p>Informality in the workforce among the surveyed MSMEs is reportedly equivalent to 26.9 % of all workers which is relatively high compared to other economic sectors in Tajikistan.</p> <p>The share of women and girls in informal employment is very large (68.2 % of informal jobs).</p>	<p>Informality in the workforce among the surveyed MSMEs is reportedly equivalent to 26.9 % of all workers which is relatively high compared to other economic sectors in Tajikistan.</p> <p>The share of women and girls in informal employment is very large (68.2 % of informal jobs).</p>	<p>Primary data (Section 5.3.2)</p> <p>Goal 8, Target 8.3 (Indicator 8.3.1)</p> <p>Goal 8, Target 8.8 (Indicator 8.8.2)</p>

<p>employ vulnerable groups (e.g. women and girls with preschool-aged children, people with disabilities, and others) in line with mandatory provisions in the Labor Code and the Tax Code.</p>	<p>13.6 % of affected MSMEs who had temporarily laid out workers due to COVID-19 would accept new workers on a non-registered basis.</p>	<p>Goal 9, Target 9.3 (Indicator 9.3.1) Goal 10, Target 10.5 (Indicator 10.5.1)</p>
<p>11. In the long term, as the securities market develops (e.g. stock exchange) and corporate governance in the banking sector improves, the NBT should encourage financial institutions to offer a broader range of financial instruments to businesses, with particular focus on underserved and overlooked MSMEs. Other lending platforms could be facilitated in partnership with development partners, such as investment funds, as well as crowd-funding and angel investor platforms (e.g. for aspiring and promising but non-bankable MSMEs).</p>	<p>Significant tax payment and worker remuneration difficulties are reflections of MSMEs' financial difficulties and limited cash liquidity, which is another economic implication of the pandemic on local businesses.</p> <p>Access to finance is severely constrained and the range of consumer products and services offered to MSMEs is limited. The cost of credit is prohibitively high, averaging in June 2020 an annualized 22.6 % in local currency and 11.3 % in foreign currency.</p>	<p>Primary data (Section 5.5.2) Secondary data (Socio-economic assessment)</p>
<p>12. The government (via SCISPM, MoEDT, MoT, MoINT, the Trade and Industry Chamber, and sub-national authorities) should facilitate private investment in the development of regional value chains — e.g. logistics hubs, warehouses, cold storage transportation, food and minerals quality testing facilities, and digital portals — such as through public-private partnerships and free economic zones. Preferential trade facilitation measures and bilateral trade agreements could be introduced to encourage cross-border trade of goods which have the highest revealed comparative advantage (RCA).</p>	<p>The export concentration and heavy dependence on natural resources also make Tajikistan's exports vulnerable to volatile international commodity prices.</p>	<p>Secondary data (Socio-economic assessment) Goal 10, Target 10.a (Indicator 10.a.1); Goal 17, Target 17.5 (Indicator 17.5.1) Goal 17, Target 17.12 (Indicator 17.12.1); Goal 17, Target 17.17 (Indicator 17.17.1)</p>
<p>13. The government should stimulate the growth of MSMEs in higher-productivity sectors (e.g. garments and textiles, ICT, construction, and various light industries), such as through the creation of free economic zones and export promotion measures. Wherever practicable, the government and development partners should support the establishment of a diversified tradable sector, and support the adoption of a growth path which allows for multiple future upgrades in product set and production techniques. Any future trade restrictions should be more predictable and fully in line with the country's World Trade Organization (WTO) obligations.</p>	<p>The export concentration and heavy dependence on natural resources also make Tajikistan's exports vulnerable to volatile international commodity prices. Tajikistan continues to rely on exporting commodities in which it does not have a comparative advantage.</p>	<p>Secondary data (Socio-economic assessment) Goal 17, Target 17.11 (Indicator 17.11.1)</p>

/Source: The authors' assessment based on the analysis of primary and secondary data.

ANNEX 1: KEY MACROECONOMIC INDICATORS FOR TAJIKISTAN, 2015–2020

	2015	2016	2017	2018	2019	2020*
Nominal GDP (in current prices, mln TJS)	48,401.6	54,471.1	61,093.6	68,844.0	77,292.1	32,444.6
Real GDP growth (in percent)	6.0	6.9	7.1	7.3	7.5	3.5
Real GDP per capita growth (in percent)	3.6	4.4	4.8	5.1	5.2	–
Consumer price index, CPI (in percent, year-on-year)	5.7	6.0	6.7	5.4	7.3	4.3
Foreign direct investment, net inflows (in mln US\$)	426.1	240.5	200.1	249.2	186.5	–
Average monthly wage, economy (in TJS per person)	912.0	988.9	1,171.0	1,256.0	1,352.1	1,368.9
Migrants' remittances (in mln US\$)	2,258.6	1,778.2	2,535.8	2,568.4	2,731.3	–
<i>of which</i> : in percent of GDP	28.7	25.6	35.5	34.2	33.7	–
Population below national poverty line (in percent)	31.3	30.3	29.7	29.5	27.5	–
Total government revenue (in mln TJS)	16,588.6	18,483.8	19,499.5	20,525.3	23,216.1	9,816.4
<i>of which</i> : tax revenue (in percent of total revenues)	64.0	60.5	75.5	76.2	67.9	73.1
<i>of which</i> : tax revenue (in percent of GDP)	21.9	20.5	24.1	25.5	20.4	22.1
PPG debt (in percent of GDP; source: IMF, May 2020)	34.3	42.1	50.4	47.9	44.6	52.8
Gross official reserves, total (in mln US\$)	560.9	653.2	1,032.1	1,160.4	1,464.3	–
<i>of which</i> : in months of imports of goods and services	1.7	2.8	3.8	4.1	5.8	–
Exports of goods and services, total (in mln US\$)	890.6	898.7	1,198.0	1,073.3	1,174.4	654.4
Imports of goods and services, total (in mln US\$)	3,435.6	3,031.2	2,774.9	3,150.9	3,349.3	1,504.3
Current account balance (in percent of GDP)	–6.0	–4.2	2.2	–5.0	–2.3	0.2
Credit to private sector (in percent of GDP)	22.7	19.2	13.7	12.3	11.9	8.4
Key policy rate of the NBT, end of period (in percent)	6.90	9.00	12.50	14.75	13.25	10.75
Broad money growth (annual change; in percent)	18.7	37.1	21.8	5.1	16.9	43.0
Return on assets (ROA) in banking system (in percent)	0.8	–2.8	0.5	1.9	2.1	1.9
Return on equity (ROE) in banking system (in percent)	5.5	–21.0	1.7	7.0	7.7	7.0
Non-performing loans, NPLs (in percent of total loans)	26.3	47.6	36.5	31.1	27.0	31.0
Foreign currency loans (in percent of total loans)	65.3	63.8	61.0	57.2	50.5	50.9
Lending rate in local currency, average (in percent)	25.8	24.1	29.6	28.2	23.5	23.5
Lending rate in foreign currency, average (in percent)	21.6	20.4	19.8	17.3	15.6	12.8
Deposit rate in local currency, average (in percent)	0.48	0.60	0.55	0.63	0.49	0.70
Deposit rate in foreign currency, average (in percent)	1.00	0.77	0.40	0.24	0.14	0.14
Population (in mln persons; end of period)	8,352.0	8,551.2	8,930.9	9,126.6	9,313.8	9,458.8
<i>of which</i> : labor force (in percent of population)	29.2	28.5	25.9	28.6	25.4	25.9
Nominal exchange rate, period-average (1 USD=TJS)	6.8558	7.8357	8.8211	9.4236	9.5301	10.0123
Nominal exchange rate, period-average (1 RUB=TJS)	0.1029	0.1152	0.1502	0.1396	0.1469	0.1439

/ Sources: Agency for Statistics under the President of the Republic of Tajikistan; the National Bank of Tajikistan; the Ministry of Finance of the Republic of Tajikistan; International Monetary Fund (IMF); Asian Development Bank (ADB); and the World Bank.

/* Data for 2020 covers the period between January and June 2020, i.e. the first six months of the year.

ANNEX 2: LIST OF SECTORS AND SUB-SECTORS REPRESENTED BY MSMEs

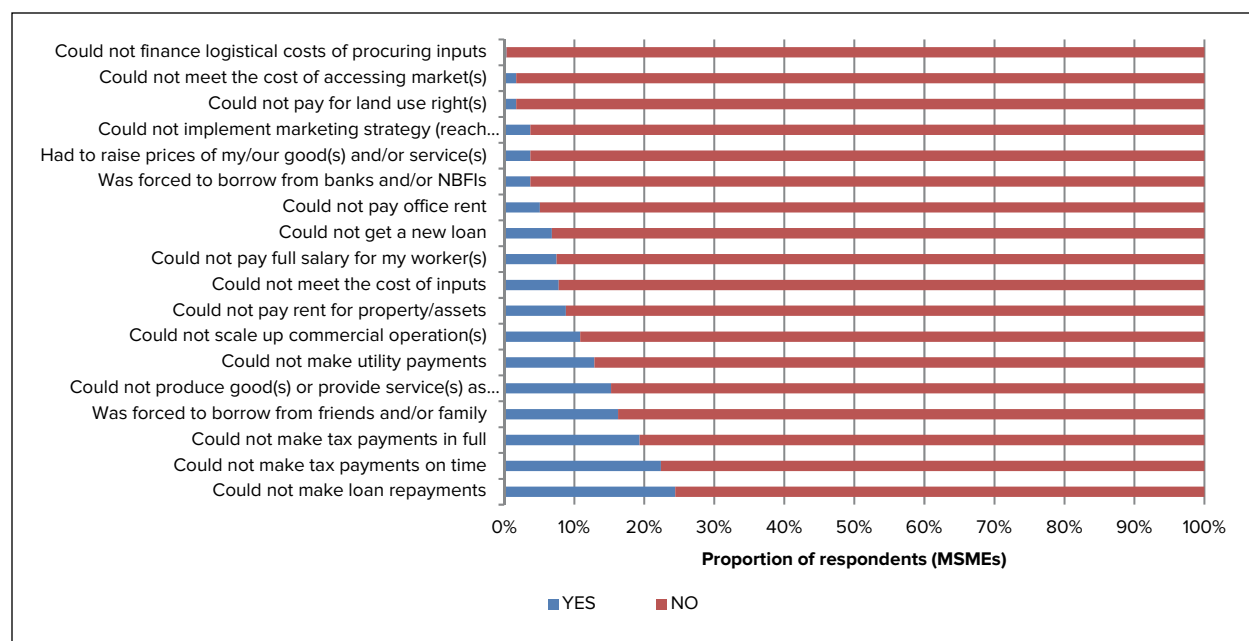
#	Sector and Sub-Sector	Number of MSMEs in the sample (N)	Share of MSMEs in the sample (in %)
1.	SERVICES — Restaurants, cafeterias, coffee shops and teahouses	170	24.3
2.	AGRICULTURE — Processing of agricultural products	83	11.9
3.	SERVICES — Beauty industry (hairdressers, beauty salons, etc.)	74	10.6
4.	AGRICULTURE — Production of crops	61	8.7
5.	LIGHT INDUSTRY — Textiles and clothing (incl. sewing workshops)	60	8.6
6.	AGRICULTURE — Horticulture	46	6.6
7.	TOURISM AND HOSPITALITY — Accommodation and lodging	31	4.4
8.	LIGHT INDUSTRY — Home products (e.g. window panels, etc.)	24	3.4
9.	PERSONAL SERVICES — Home improvement services	21	3.0
10.	PERSONAL SERVICES — Event management services	19	2.7
11.	TOURISM AND HOSPITALITY — Booking and event management	19	2.7
12.	PERSONAL SERVICES — Internet and computer services	15	2.1
13.	LIGHT INDUSTRY — Handicrafts	14	2.0
14.	TOURISM AND HOSPITALITY — Sightseeing tours, trekking, etc.	13	1.9
15.	AGRICULTURE — Livestock breeding	11	1.6
16.	PERSONAL SERVICES — Car maintenance services	9	1.3
17.	AGRICULTURE — Intermediary enterprises (large processors)	9	1.3
18.	LIGHT INDUSTRY — Paper products	7	1.0
19.	TOURISM AND HOSPITALITY — Other recreational activities	6	0.9
20.	PERSONAL SERVICES — Delivery and catering services	4	0.6
21.	PERSONAL SERVICES — Home/Utility cleaning services	2	0.3
22.	LIGHT INDUSTRY — Footwear	1	0.1
23.	TOURISM AND HOSPITALITY — Natural habitats, parks and zoos	1	0.1
TOTAL:		700	100.0

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

ANNEX 3: IMPLICATIONS OF COVID-19 ON BUSINESSES IN TAJIKISTAN

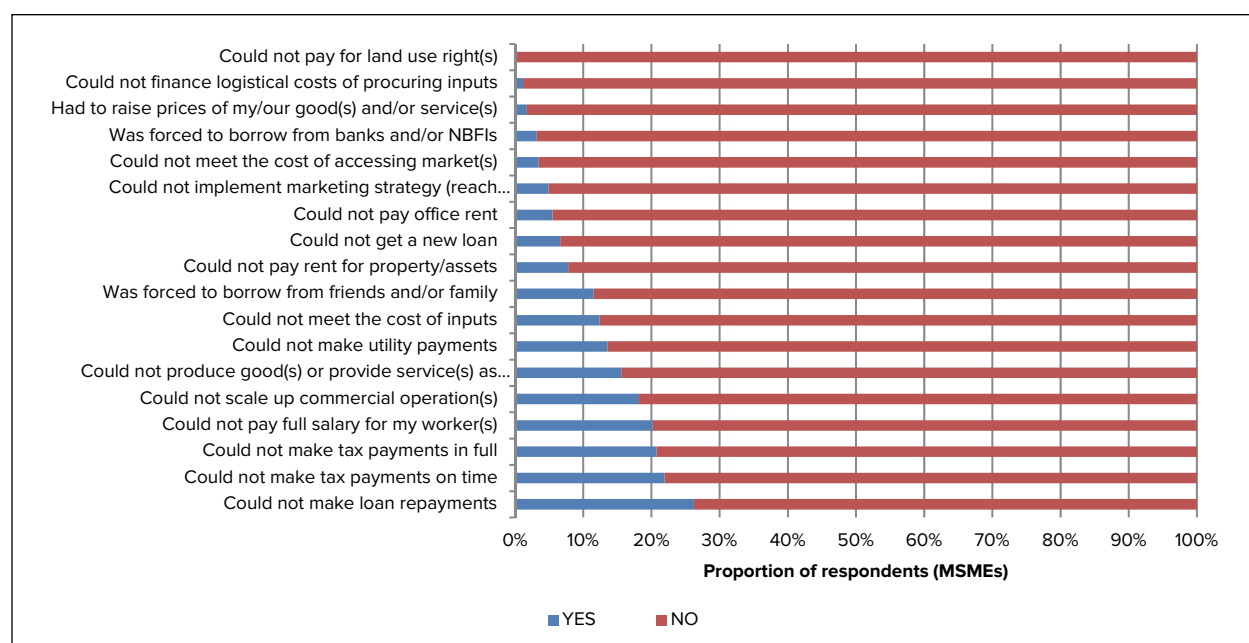
These are additional and complementary findings to those already covered and analyzed in the main text of the COVID-19 Impact Assessment Report (namely, Chapter 5 based on the survey of MSMEs).

FIGURE (i): THE MAIN IMPLICATIONS OF COVID-19 ON MICRO-SIZED ENTERPRISES IN THE PAST 30 DAYS.



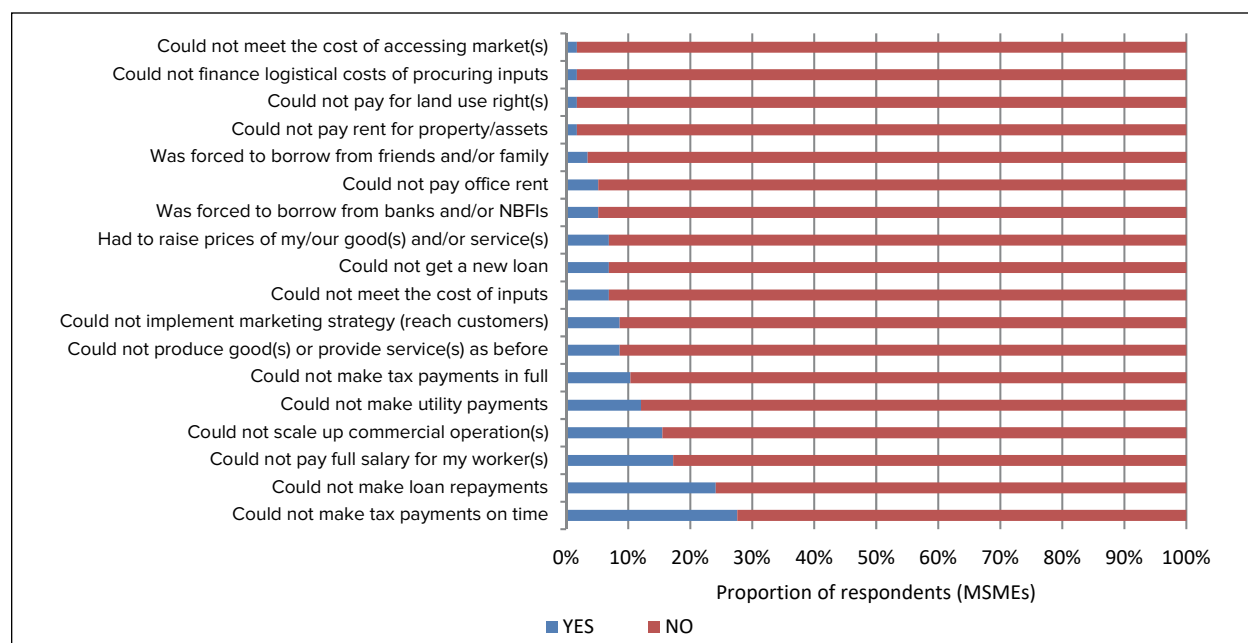
/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=295.

FIGURE (ii): THE MAIN IMPLICATIONS OF COVID-19 ON SMALL-SIZED ENTERPRISES IN THE PAST 30 DAYS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=347.

FIGURE (iii): THE MAIN IMPLICATIONS OF COVID-19 ON MEDIUM-SIZED ENTERPRISES IN THE PAST 30 DAYS.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=58.

TABLE (i): THE MAIN IMPLICATIONS OF COVID-19 ON MSMEs (AGRICULTURE) IN THE PAST 30 DAYS.

	YES	NO	TOTAL	IN %
Could not make tax payments on time	44	166	210	21.0
Could not make loan repayments	42	168	210	20.0
Could not make tax payments in full	31	179	210	14.8
Could not meet the cost of inputs	23	187	210	11.0
Could not scale up commercial operation(s)	21	189	210	10.0
Was forced to borrow from friends and/or family	18	192	210	8.6
Could not make utility payments	18	192	210	8.6
Could not produce good(s) or provide service(s) as before	17	193	210	8.1
Could not get a new loan	17	193	210	8.1
Could not pay full salary for my worker(s)	11	199	210	5.2
Was forced to borrow from banks and/or NBFIs	9	201	210	4.3
Had to raise prices of my/our good(s) and/or service(s)	9	201	210	4.3
Could not implement marketing strategy (reach customers)	8	202	210	3.8
Could not meet the cost of accessing market(s)	5	205	210	2.4
Could not pay rent for property/assets	4	206	210	1.9
Could not pay office rent	3	207	210	1.4
Could not pay for land use right(s)	3	207	210	1.4
Could not finance logistical costs of procuring inputs	2	208	210	1.0

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=210.

TABLE (ii): THE MAIN IMPLICATIONS OF COVID-19 ON MSMEs (LIGHT INDUSTRY) IN THE PAST 30 DAYS.

	YES	NO	TOTAL	IN %
Could not make loan repayments	33	73	106	31.1
Could not make tax payments on time	22	84	106	20.8
Could not scale up commercial operation(s)	22	84	106	20.8
Could not produce good(s) or provide service(s) as before	19	87	106	17.9
Could not pay full salary for my worker(s)	17	89	106	16.0
Could not make tax payments in full	14	92	106	13.2
Was forced to borrow from friends and/or family	13	93	106	12.3
Could not make utility payments	13	93	106	12.3
Could not meet the cost of inputs	9	97	106	8.5
Could not get a new loan	7	99	106	6.6
Could not pay rent for property/assets	6	100	106	5.7
Could not pay office rent	5	101	106	4.7
Could not meet the cost of accessing market(s)	5	101	106	4.7
Could not implement marketing strategy (reach customers)	5	101	106	4.7
Was forced to borrow from banks and/or NBFIs	3	103	106	2.8
Had to raise prices of my/our good(s) and/or service(s)	3	103	106	2.8

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=106.

TABLE (iii): THE MAIN IMPLICATIONS OF COVID-19 ON MSMEs (SERVICES) IN THE PAST 30 DAYS.

	YES	NO	TOTAL	IN %
Could not make loan repayments	87	227	314	27.7
Could not make tax payments in full	73	241	314	23.2
Could not make tax payments on time	66	248	314	21.0
Could not produce good(s) or provide service(s) as before	60	254	314	19.1
Could not scale up commercial operation(s)	54	260	314	17.2
Could not pay full salary for my worker(s)	49	265	314	15.6
Was forced to borrow from friends and/or family	46	268	314	14.6
Could not make utility payments	46	268	314	14.6
Could not meet the cost of inputs	34	280	314	10.8
Could not pay rent for property/assets	33	281	314	10.5
Could not pay office rent	24	290	314	7.6
Could not get a new loan	18	296	314	5.7
Could not implement marketing strategy (reach customers)	15	299	314	4.8
Was forced to borrow from banks and/or NBFIs	11	303	314	3.5
Could not meet the cost of accessing market(s)	7	307	314	2.2
Had to raise prices of my/our good(s) and/or service(s)	7	307	314	2.2
Could not finance logistical costs of procuring inputs	4	310	314	1.3
Could not pay for land use right(s)	2	312	314	0.6

/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=314.

TABLE (iv): THE MAIN IMPLICATIONS OF COVID-19 ON MSMEs (TOURISM AND HOSPITALITY) IN THE PAST 30 DAYS.

	YES	NO	TOTAL	IN %
Could not make tax payments on time	26	44	70	37.1
Could not pay full salary for my worker(s)	25	45	70	35.7
Could not make tax payments in full	17	53	70	24.3
Could not make loan repayments	15	55	70	21.4
Could not make utility payments	15	55	70	21.4
Was forced to borrow from friends and/or family	13	57	70	18.6
Could not pay rent for property/assets	11	59	70	15.7
Could not produce good(s) or provide service(s) as before	8	62	70	11.4
Could not scale up commercial operation(s)	7	63	70	10.0
Could not get a new loan	5	65	70	7.1
Could not pay office rent	5	65	70	7.1
Could not implement marketing strategy (reach customers)	5	65	70	7.1
Could not meet the cost of inputs	4	64	68	5.9
Was forced to borrow from banks and/or NBFIs	2	68	70	2.9
Had to raise prices of my/our good(s) and/or service(s)	2	68	70	2.9
Could not pay for land use right(s)	1	69	70	1.4
Could not meet the cost of accessing market(s)	1	69	70	1.4

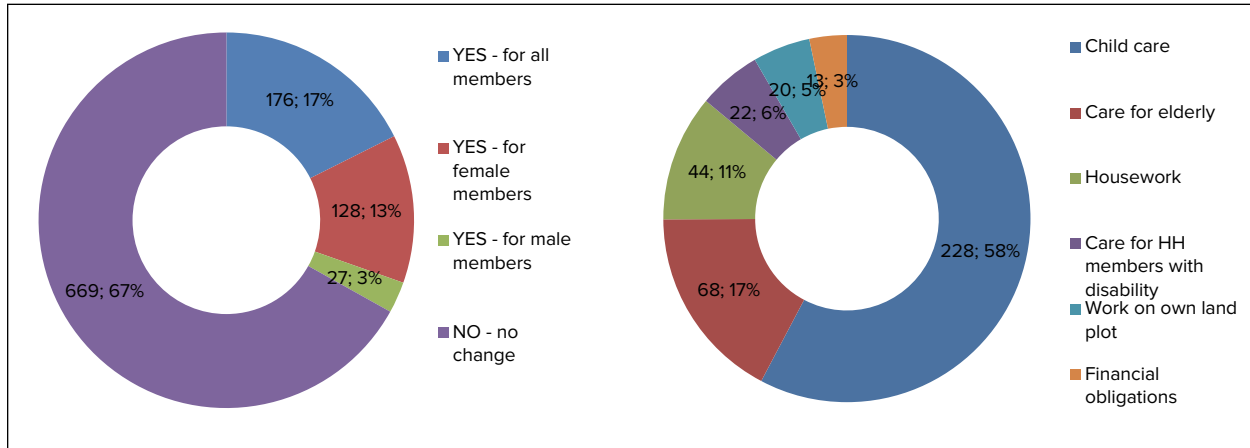
/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=70.

ANNEX 4: SURVEY FINDINGS REGARDING SOCIAL COHESION

Information on Figures (i)-(x) was collected from in-depth interviews with households (HHs) in order to establish the effect that the COVID-19 outbreak may have had on the nature and volume of housework responsibilities of HH members, as well as domestic violence.

FIGURE (i): AS A RESULT OF THE COVID-19 OUTBREAK, HAVE HOUSEWORK RESPONSIBILITIES INCREASED AMONG YOUR HOUSEHOLD MEMBERS?

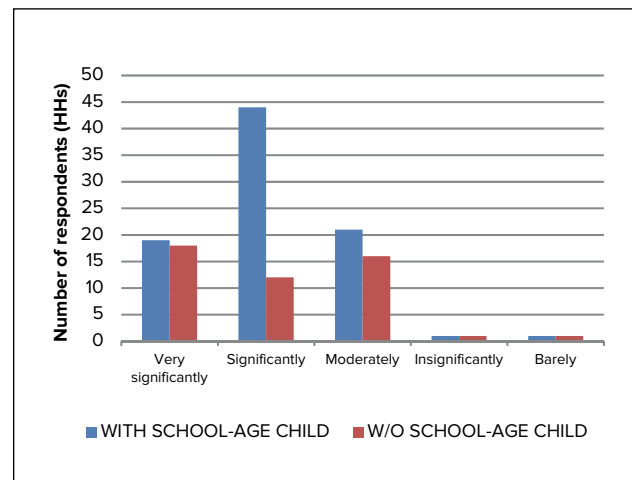
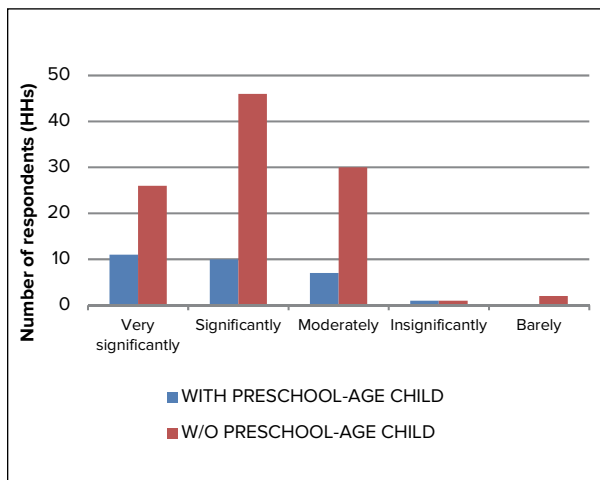
FIGURE (ii): IN WHAT WAY HAVE YOUR HOUSEWORK RESPONSIBILITIES INCREASE AMONG YOUR HOUSEHOLD MEMBERS?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure (i): N=1,000; Figure (ii): N=1,000.

FIGURE (iii): THE DEGREE TO WHICH HOUSEHOLD RESPONSIBILITIES HAVE INCREASED AMONG HOUSEHOLD MEMBERS AS A RESULT OF THE COVID-19 OUTBREAK.

FIGURE (iv): THE DEGREE TO WHICH HOUSEHOLD RESPONSIBILITIES HAVE INCREASED AMONG HOUSEHOLD MEMBERS AS A RESULT OF THE COVID-19 OUTBREAK.



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure (iii): N=1,000; Figure (iv): N=1,000.

FIGURE (v): IN WHAT WAY HAVE HOUSEWORK RESPONSIBILITIES INCREASED AMONG YOUR HOUSEHOLD MEMBERS?

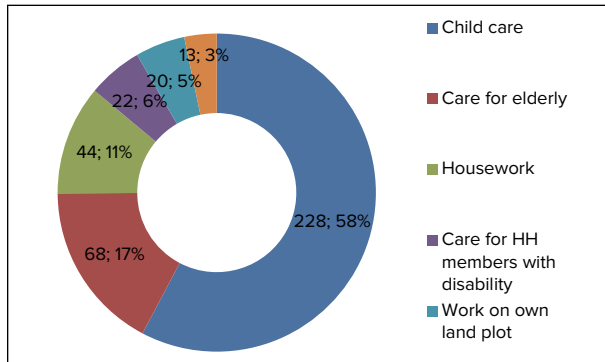
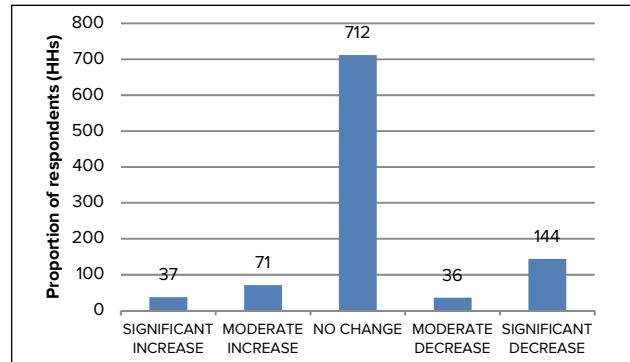


FIGURE (vi): SINCE THE COVID-19 OUTBREAK, HAVE YOU NOTICED INCREASED CONFLICT BETWEEN YOUR HOUSEHOLD MEMBERS?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure (v): N=1,000; Figure (vi): N=1,000.

FIGURE (vii): IN THE PAST 30 DAYS, HAVE YOU NOTICED INCREASE IN DOMESTIC VIOLENCE IN YOUR NEIGHBORHOOD?

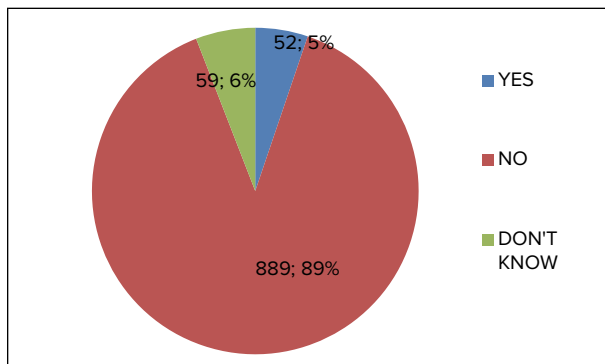
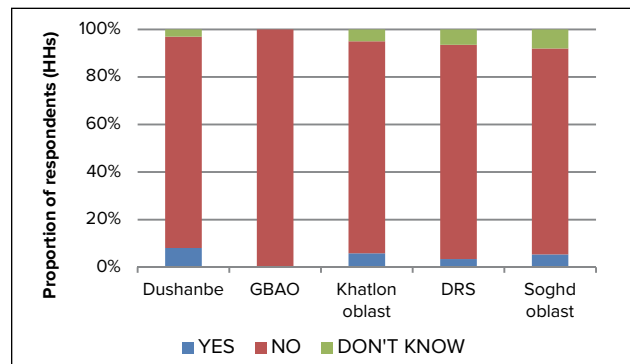


FIGURE (viii): IN THE PAST 30 DAYS, HAVE YOU NOTICED INCREASE IN DOMESTIC VIOLENCE IN YOUR NEIGHBORHOOD? (BY GEOGRAPHIC LOCATIONS)



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure (vii): N=1,000; Figure (viii): N=1,000.

FIGURE (ix): IN THE PAST 30 DAYS, HAVE YOU NOTICED INCREASED CRIMINALITY (PETTY CRIMES, THEFT, ETC.) IN YOUR NEIGHBORHOOD?

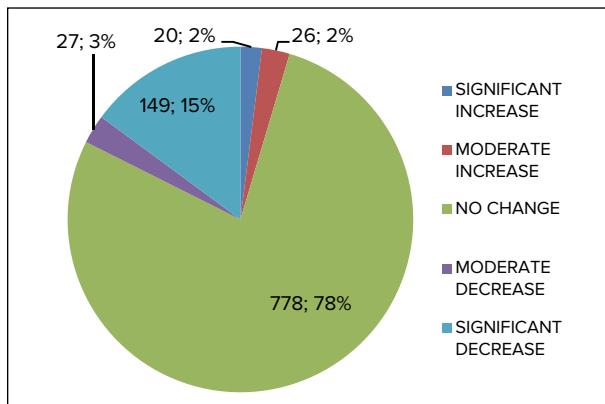
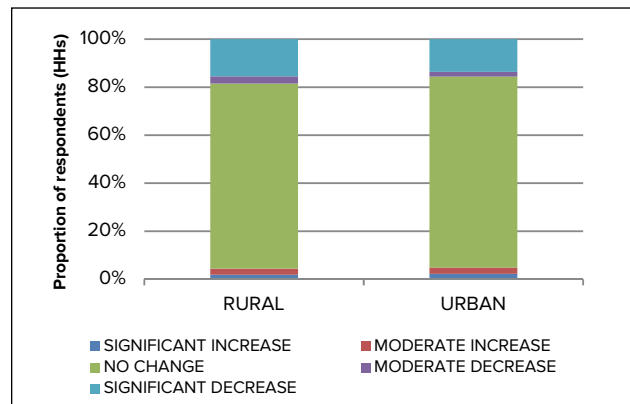


FIGURE (x): IN THE PAST 30 DAYS, HAVE YOU NOTICED INCREASED CRIMINALITY (PETTY CRIMES, THEFT, ETC.) IN YOUR NEIGHBORHOOD?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). Figure (ix): N=1,000; Figure (x): N=1,000.

ANNEX 5: QUALITY OF INTERVIEWS: A SELF-ASSESSMENT (HHs)

Figures (i)-(vii) below demonstrate responses of interviewers who collected information from the HHs. As such, this information represents the interviewers' self-assessment of the quality of interviews.

FIGURE (i): WAS THERE ANYONE OTHER THAN THE RESPONDENT PRESENT DURING THE INTERVIEW?

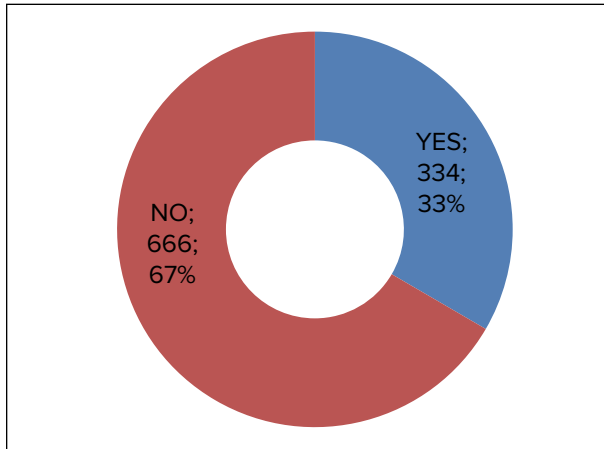
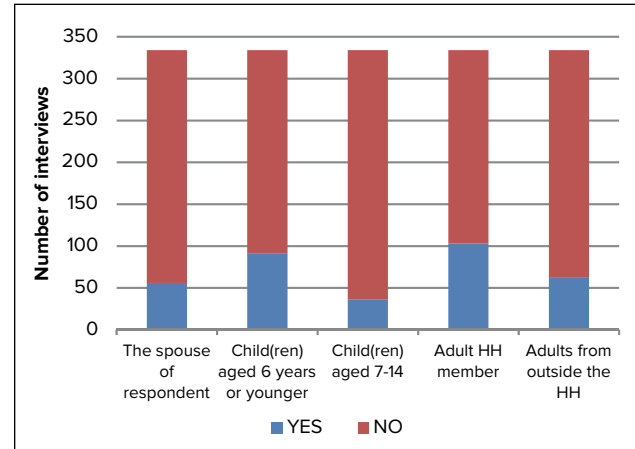
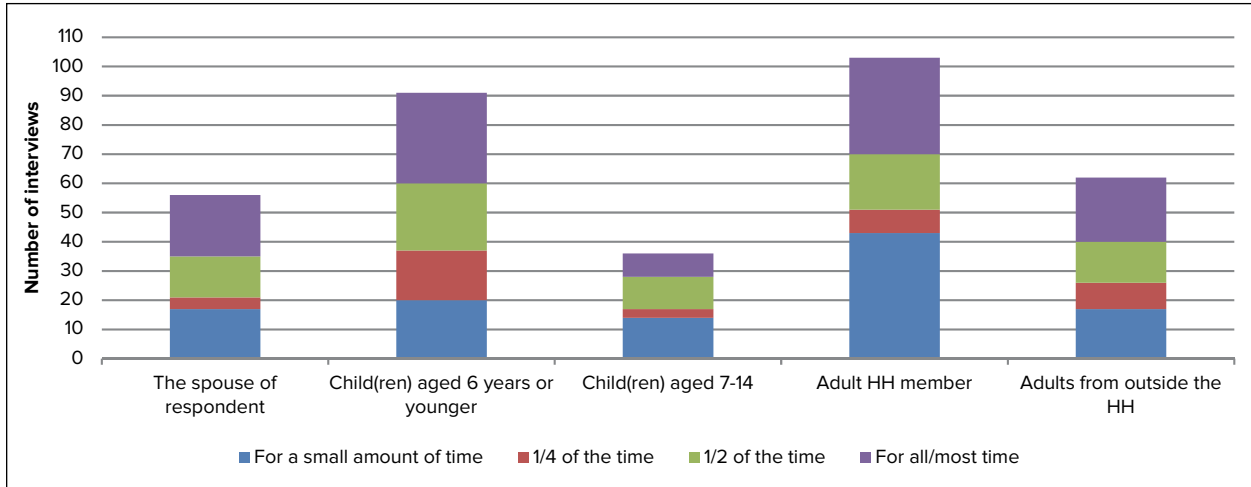


FIGURE (ii): WHO WERE THE PERSON(S) PRESENT WITH THE RESPONDENT DURING THE INTERVIEW?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

FIGURE (iii): FOR HOW MUCH OF THE TIME WERE THE PERSON(S) PRESENT WITH THE RESPONDENT DURING THE INTERVIEW?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

FIGURE (iv): WHAT IS YOUR IMPRESSION OF HOW WELL THE RESPONDENT UNDERSTOOD THE QUESTIONS BEING ASKED?

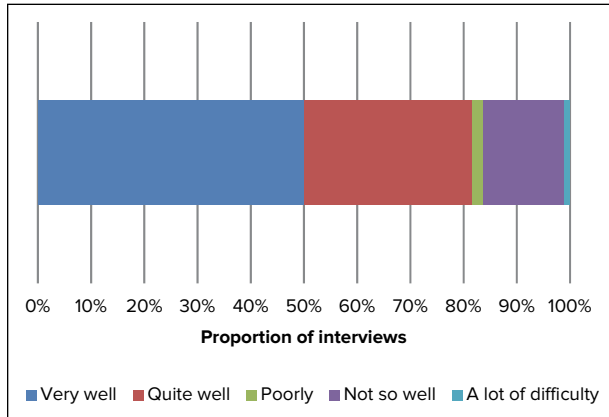
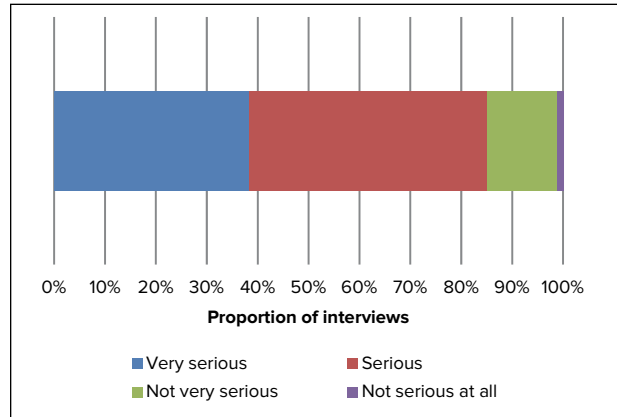


FIGURE (v): WHAT IS YOUR IMPRESSION OF HOW SERIOUS THE RESPONDENT WAS WHEN ANSWERING QUESTIONS?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

FIGURE (vi): WHAT IS YOUR IMPRESSION OF HOW MUCH DISTRACTION THERE WAS FOR THE RESPONDENT WHEN ANSWERING THE QUESTIONS?

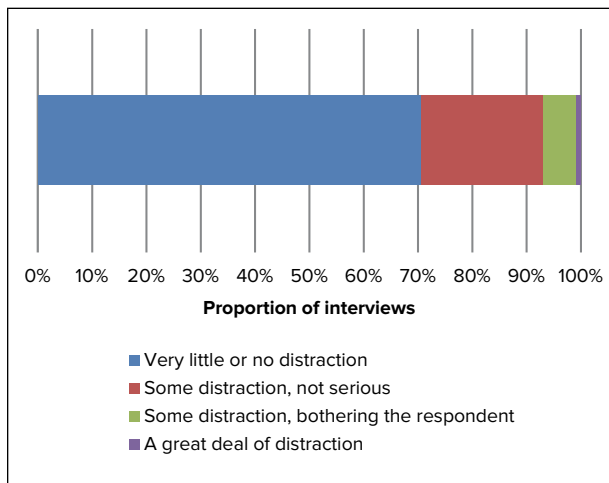
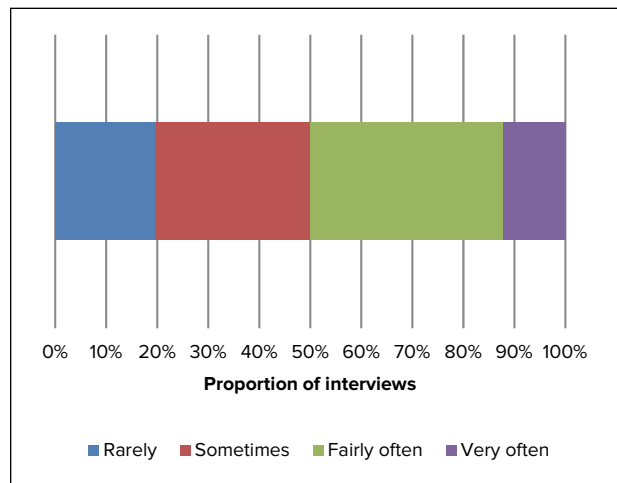


FIGURE (vii): HOW OFTEN DID THE RESPONDENT ASK YOU (THE INTERVIEWER) FOR ASSISTANCE, CLARIFICATION OR EXAMPLES?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=1,000.

ANNEX 6: QUALITY OF INTERVIEWS: A SELF-ASSESSMENT (MSMEs)

Figures (i)-(vii) below demonstrate responses of interviewers who collected information from the HHs. As such, this information represents the interviewers' self-assessment of the quality of interviews.

FIGURE (i): WAS THERE ANYONE OTHER THAN THE RESPONDENT PRESENT DURING THE INTERVIEW?

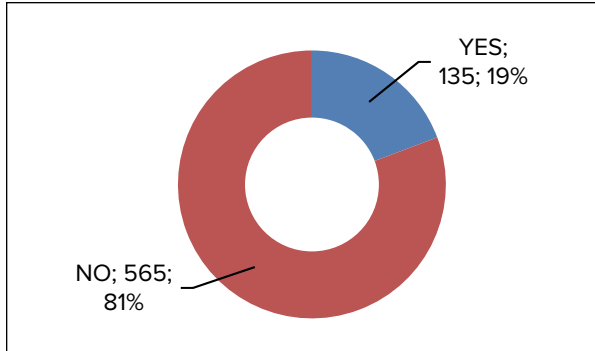
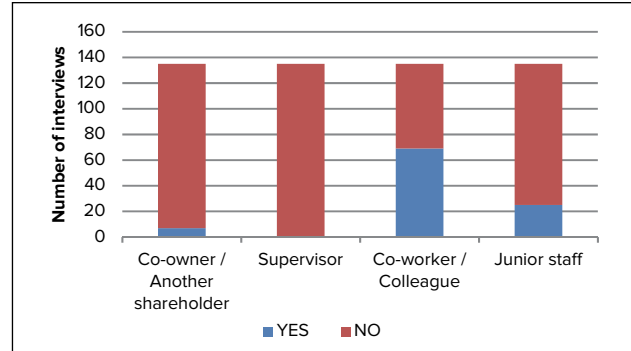


FIGURE (ii): WHO WERE THE PERSON(S) PRESENT WITH THE RESPONDENT DURING THE INTERVIEW?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

FIGURE (iv): WHAT IS YOUR IMPRESSION OF HOW WELL THE RESPONDENT UNDERSTOOD THE QUESTIONS BEING ASKED?

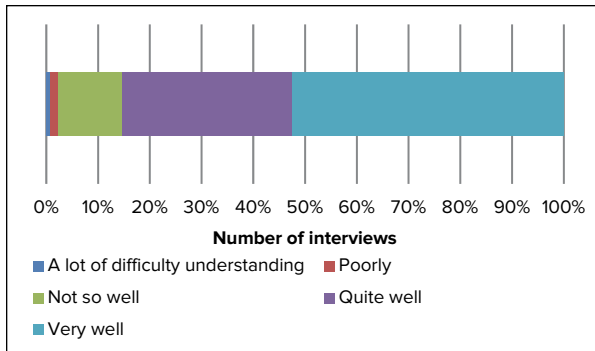
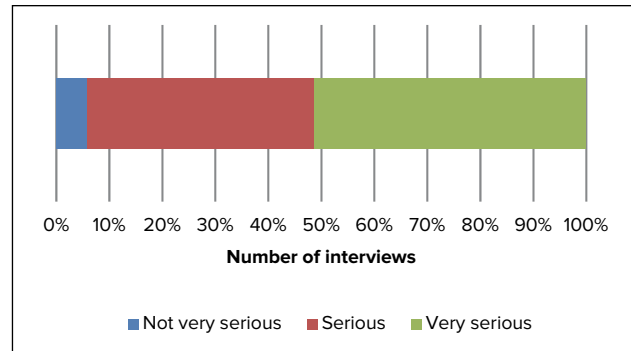


FIGURE (v): WHAT IS YOUR IMPRESSION OF HOW SERIOUS THE RESPONDENT WAS WHEN ANSWERING QUESTIONS?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

FIGURE (vi): WHAT IS YOUR IMPRESSION OF HOW MUCH DISTRACTION THERE WAS FOR THE RESPONDENT WHEN ANSWERING THE QUESTIONS?

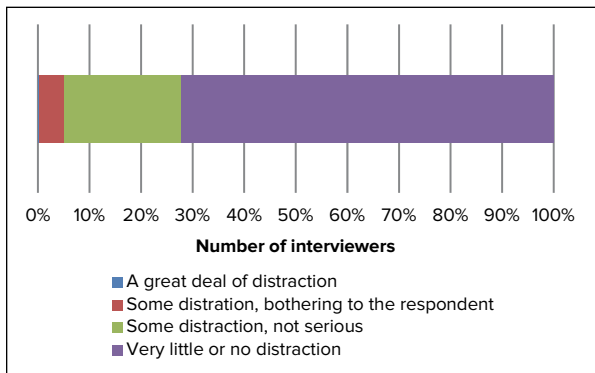
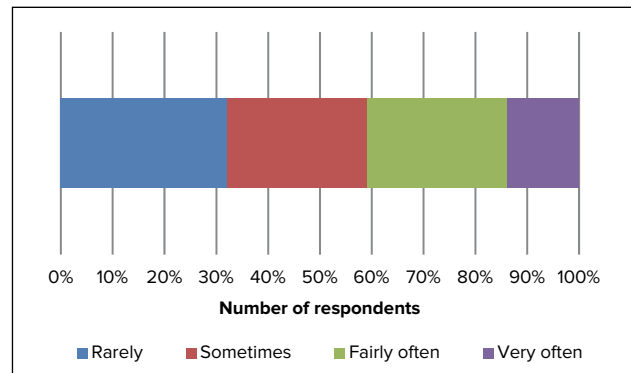


FIGURE (vii): HOW OFTEN DID THE RESPONDENT ASK YOU (THE INTERVIEWER) FOR ASSISTANCE, CLARIFICATION OR EXAMPLES?



/Source: COVID-19 Impact Assessment Survey (June-July 2020). N=700.

ANNEX 7: LIST OF PARTNERS IN ATTENDANCE OF VIRTUAL CONSULTATION SESSIONS

The two virtual consultation sessions with national and international stakeholders were held on July 8, 2020 (for the presentation of preliminary results) and August 18, 2020 (for the presentation of final results and the discussion on way forward).

#	Name/Surname	Affiliation (Organization/Company)
Government of the Republic of Tajikistan:		
1.	Ms. Rano Karimova	Representative of the Ministry of Economic Development and Trade (MoEDT)
2.	Mr. Pirumsho Valizoda	Representative of the State Committee on Investment and State Property Management (SCISPM)
3.	Ms. Manuchehra Madjonova	Senior Economist of the Secretariat of the Consultative Council on Improving Investment Climate under the President of the Republic of Tajikistan
4.	Mr. Zafar Alizoda	Secretary of the Consultative Council on Improving Investment Climate under the Chairman of the Khatlon Region
5.	Mr. Isfandiyor Usmonzoda	Head of the Department in the Entrepreneurship Support Fund of Tajikistan under the Government of Tajikistan
6.	Mr. Sulaimon Kurbonov	Deputy Director of the State Institution 'Formation and Development Entrepreneurship in Tajikistan'
Private sector:		
7.	Mr. Abdullo Kurbonov	Director of Alif Bank
8.	Mr. Ravshan Kurbanov	CEO of 55 Group
9.	Mr. Navruz Odinaev	Director of the LLC 'Himoya'
10.	Mr. Jamshed Buzurukov	Director of LLC 'IsfaraFood'
11.	Mr. Khayrullo Rizoiev	Director of LLC 'Mevai Tilloi'
12.	Mr. Mirzorahimi Ravshanzoda	Deputy director of LLC 'Oro Isfara'
13.	Mr. Akmal Rakhmonov	Deputy director of LLC 'Afzali Soghd'
14.	Mr. Pulot Ashurov	Director of LLC 'Apricot and K'
15.	Mr. Najib Khamraev	Deputy Director of CJSC 'Avvalin'
16.	Mr. Iskandar Ikrami	Founder of Mazza café

17.	Mr. Bakhtiyor Kadirov	Founder of BotService
18.	Mr. Jahongir Jalolov	Co-Founder and Director of the 'Colibri Innovation'
Civil society organizations and business support organizations:		
19.	Ms. Matluyba Salihova	Director of the Public Organization 'Peshraft'
20.	Ms. Lola Nasreddinova	Director of the Public Organization 'Iroda'
21.	Ms. Zarina Rajabova	Director of Alif Academy
22.	Mr. Rozik Chorshanbiev	Country Manager of the Accelerate Prosperity Tajikistan
23.	Mr. Bakhriddin Isamuddinov	Director of the Tourism Development Center of Tajikistan
24.	Ms. Karina Burykh	Executive Director of the Business School (55 Group)
25.	Ms. Zebo Fadtiddinova	Director of Association of Microfinance Organizations of Tajikistan (AMFOT)
26.	Mr. Shuhrat Abdulloev	Expert on financial sector
27.	Ms. Farida Muminova	Institute of Economy and Demography of the National Academy of Sciences; Expert on regional economic development
28.	Ms. Mahinakhon Suleimanova	Director of Neksigol Mushovir, Agroinform.tj
29.	Ms. Larisa Kislyakova	Director of Union of Professional Consultants of Tajikistan
30.	Ms. Firuza Makhmudova	Deputy Director of National Association of Business Women in Tajikistan (NABWT)
31.	Mrs. Manzura Rustamova	Deputy Director of CCI of the Republic of Tajikistan
	Mr. Melikuzi Qodirov	Deputy General Director CCI of Soghd oblast
	Mr. Sharaf Sangov	Deputy General Director CCI of Khatlon oblast
32.	Mr. Abdumubin Fayziev	Executive Director of MAPEST
33.	Mr. Bakhtiyor Shokirov	General Director of LLC 'Rushd'
34.	Mr. Shavkat Bazarov	Director of NASIP APK
35.	Mr. Mirzoravshan Qobilov	Director of PO 'Quality Management Center'
36.	Mr. Azizullo Avezov	General Director of LLC 'Business Consulting Group'

ANNEX 8: TAJIKISTAN'S COVID-19 COUNTRY PREPAREDNESS AND RESPONSE PLAN

The Country Preparedness and Response Plan (CPRP) was developed by the Republican Task Force and endorsed by the Prime Minister of the Republic of Tajikistan on March 19, 2020.

#	Response measures	Deadline/ Frequency	Responsible agencies
1.	Timely implementation of instructions and orders indicated in the Address of the President of the Republic of Tajikistan to the Parliament 'On the Key Directions of the Country's Domestic and Foreign Policy' and those noted in the extended meeting of the Government of the Republic of Tajikistan 'On the Results of Social and Economic Development in 2019 and Objectives for 2020.'	Regularly (submission of monthly information)	Ministries and departments, local executive bodies of state power
2.	Analysis of the global and regional economic situation, namely of the key trading partners in light of COVID-19 pandemic and taking timely measures to reduce its adverse impact to the national economy.	Monthly (until stabilization of the sanitary and epidemiological situation in the world)	MoEDT, MoF, SCISPM, NBT, Tax Committee, Customs Committee, and other relevant ministries and departments and local executive bodies of state power
3.	Taking practical measures to mobilize funds and technical assistance from the international financial institutions and development partners to prevent adverse impacts of external factors to the economy, namely for ensuring macroeconomic stability and state budget support and implementation of public investment projects.	Regularly (submission of monthly information)	MoF, MoEDT, NBT and SCISPM
4.	Conduct negotiations in the prescribed manner with International Monetary Fund (IMF) on the adoption of the New Economic Program.	Second quarter of 2020	NBT, MoEDT, SCISPM, Tax Committee and Customs Committee
5.	Strengthening activities on increasing the production and stockpiling agricultural produce, including potato, wheat and oil crops, effective use of fallow land and ensuring 2–3 harvests a year.	Regularly (submission of monthly information)	Ministry of Agriculture (MoA), State Committee on Land Management and Geodesy (SCLMG), Agency on State Material Reserves (ASMR), Agency on Land Reclamation and Irrigation (ALRI), and local executive bodies of state power
6.	Significant increase in production of import-substituting basic needs products in the country, including the production of flour, oil, pasta, sugar, rice, beans, poultry meat and fish, canned meat and vegetables.	Regularly (submission of monthly information)	Ministry of Industry and New Technologies (MoINT), Ministry of Agriculture (MoA), and local executive bodies of state power

7.	Consider offering tax concessions to the domestic producers and entrepreneurs, as well as significant reduction of non-tax audits and increasing the amount of loans extended with low interest rates and for longer period to the production business entities.	Second quarter of 2020	MoF, MoINT, Ministry of Justice (MoJ), MoEDT, SCISPM, Tax Committee, NBT, and other supervision authorities
8.	Abstaining from incurring secondary costs, undertaking performance assessment of public institutions, taking necessary measures and seeking for additional sources of financing of the budgetary expenses, ways of mobilizing funds to the reserve funds, such as stabilization fund for economic development.	Regularly (submission of monthly information)	MoF, NBT, and other relevant ministries and departments
9.	Reinvigorating the process of increasing the international reserves and its effective management, use of national currencies of the key trading partners of the Republic of Tajikistan in foreign trade transactions taking into account the interests of the national economy.	Regularly (submission of monthly information)	NBT, Ministry of Foreign Affairs (MFA), and other relevant ministries and departments
10.	Strengthening activities in regulating national and foreign currency market, using effective instruments of monetary assets and ensuring stability of inflation.	Regularly (submission of monthly information)	NBT and other relevant ministries and departments
11.	Implementation of necessary measures to find alternative directions for the import of raw materials, equipment and imported materials from other countries for producing finished goods and products, establishment of new enterprises and implementation of production enterprises and infrastructure construction projects.	Regularly until stabilization of the sanitary and epidemiological situation in the world	MoINT, MoA, Ministry of Transport (MoT), MoEDT, Customs Committee, and other relevant ministries and departments in cooperation with business
12.	Taking adequate measures in the implementation of public investment projects with the involvement of Chinese capital and companies to ensure their timely implementation without any delays.	Regularly (submission of monthly information)	SCISPM, MoINT, MoA, MoT, Ministry of Energy and Water Resources (MoEWR), and local executive bodies of state power
13.	Strengthen activities in further diversification of the sources of foreign direct investments attraction.	Regularly (submission of quarterly information)	SCISPM, MoF, MoINT, NBT, and other relevant ministries and departments, executive bodies of state power
14.	Reinvigorating activities in presentation of investment opportunities in Tajikistan in European countries, CIS, Arab countries and America.	Regularly (submission of monthly information)	SCISPM, MoF and NBT
15.	In order to attract more direct investment to the economy of the Republic of Tajikistan to organize a wide advocacy of the investment opportunities in the countries.	Regularly (submission of monthly information)	Ministry of Foreign Affairs (MFA), and the SCISPM

16.	Timely implementation of public investment projects in transport sector, seeking for alternative cargo and passenger transportation and reducing negative impact of reduced cargo and passenger transportation with China and other countries vulnerable to COVID-19.	Regularly (submission of monthly information)	Ministry of Transport, Civil Aviation Agency, SUE 'Tajikistan Railways,' and other relevant ministries and departments
17.	Taking measures to find sources of financing and allocation of additional targeted funds for the implementation of urgent anti-epidemic measures in the Republic of Tajikistan and boosting cooperation with development partners in this direction.	Regularly (submission of monthly information)	MoF, MoEDT, MoHSP, and SCISPM
18.	Taking timely measures for the prevention of price increase of consumer and medical products and medicines.	Regularly (submission of monthly information)	Anti-Monopoly Service, and other relevant ministries and departments
19.	Taking necessary measures for opening new routes and increasing passenger transportation via domestic air companies, reducing potential impact from termination of communication with vulnerable countries and ensuring sector's development.	Regularly (submission of monthly information)	Civil Aviation Agency (CAA), Ministry of Transport
20.	Prioritizing domestic products in the procurement of goods, works and services.	Regularly (submission of monthly information)	State Agency for Procurement of Goods, Works and Services (SAPGWS)
21.	In order to prevent emergence and spread of COVID-19 in the country to strengthen epidemiologic control at the quarantine and sanitary points of the border crossing points.	Regularly (submission of monthly information)	MoHSP, MoF, MoEDT, and Agency on State Material Reserves (ASMR)
22.	Provision of medical institutions with necessary medicines, other supplies and equipment and food within the approved cost estimates, and if necessary, to take measures in the prescribed manner for allocation of additional funds for the indicated purposes.	Regularly (submission of monthly information)	MoHSP, MoF, MoEDT, SCISPM, and Agency on State Material Reserves (ASMR)
23.	Strengthening activities to advocate the recommendations of the World Health Organization (WHO) among residents on reducing the risk of infection in the country.	Until stabilization of the sanitary and epidemiological situation	MoHSP, Committee on Television and Radio

ANNEX 9: DECREE OF THE PRESIDENT OF TAJIKISTAN ON COVID-19 COUNTER MEASURES

Decree of the President of the Republic of Tajikistan 'On Prevention of the impact of the infectious disease COVID-19 on the socio-economic spheres of the Republic of Tajikistan' (#1544; June 5, 2020).

In accordance with Article 69 of the Constitution of the Republic of Tajikistan and in order to mitigate the impact of COVID-19 on the socio-economic spheres of the Republic of Tajikistan, I order:

1. To the Government of the Republic of Tajikistan in accordance with the established procedure:

- Undertake measures to provide sick leave notes and pay compensation to citizens of the Republic of Tajikistan who are undergoing medical examination in connection with COVID-19;
- Organize the cost-free care of citizens under medical examination and citizens infected with COVID-19 at the expense of the envisaged targeted general government budget and extra-budgetary funds;
- At the expense of the reserve funds of the general government budget and extra-budgetary funds, provide one-time assistance in the amount of the minimum wage to vulnerable population groups, including participants in the World War II (1941-1945), citizens receiving social pensions, people with disability, orphans, street children, low-income families, and families of labor migrants that are left without a breadwinner;
- Until the situation stabilizes, provide and pay allowances from the reserve funds of the general government budget and extra-budgetary funds to the salary of medical workers who are directly involved in the diagnosis and treatment of patients infected with COVID-19;
- Until the end of 2020 in order to reduce the production costs of enterprises, prevent the rise in the prices for domestic products, paid services to the population and inflation, postpone consideration of the issue of raising tariffs for services, including electricity, water, irrigation, communications, and communal services;
- Allocate targeted resources from the reserve funds of the general government budget and extra-budgetary funds for 2020 for the purchase and replenishment of state material resources, including grain, agricultural seeds, pesticides and fuel;
- From April 1 to September 1, 2020 provide tax holidays for tourism facilities, hotels, catering organizations, health and sports centers, sanatoriums, international passenger traffic and air navigation, and waive the accrual of interest for late payment of taxes for this period;
- From May 1 to August 1, 2020 exempt small and medium-sized enterprises (SMEs) that have completely suspended their activities due to COVID-19 from paying rent for state property;
- From May 1 to September 1, 2020 prohibit the application of tax liability measures to business entities that have not paid social contributions on time;
- From May 1 to August 1, 2020 exempt individual entrepreneurs working under the patent in markets, shopping centers and consumer service points, including hairdressing salons, beauty salons, fashion ateliers and sewing services from paying taxes;
- From May 1 to September 1, 2020 establish immovable property tax holidays for individuals;
- From July 1 to September 1, 2020 exempt from customs duties (value added tax, excise taxes and duties) the import of materials for the production of disinfectants, medicines and protective clothing, as well as equipment, tools and equipment for medical laboratories and materials for COVID-19 testing;
- Exempt from taxation the activities of medical institutions, hotels and sanatoriums associated with the gratuitous accommodation of citizens under medical examination or treatment of COVID-19 for an appropriate period;
- In order to maintain the income levels among the population from June 1 to December 31, 2020 reduce the income tax rate on individual deposits from 12 % to 6 %;
- Regulate domestic prices for consumer goods, including medicines, medical supplies, masks, antiseptics, as well as flour and flour products, sugar, vegetable oil, legumes, potatoes, soap and fuel;

- At the expense of the general government budget and extra-budgetary funds through the State Institution ‘Entrepreneurship Support Fund under the Government of the Republic of Tajikistan’ allocate concessional credit resources to enterprises producing food and medical products, especially women entrepreneurs;
- Prioritize domestic producers in the purchase of government goods, works and services until the situation stabilizes;
- Intensify the process of implementing electronic government (e-government) to ensure remote work of government agencies;
- Provide comprehensive assistance in solving the problems of citizens of the Republic of Tajikistan who are outside the country;
- Ensure the provision of visas and work permits, and registration to foreign citizens engaged in entrepreneurial or hired work in the Republic of Tajikistan, provided that there are no epidemiological risks upon their arrival to the Republic of Tajikistan;
- Extend the terms of visas for foreign citizens and stateless persons until the epidemiological situation stabilizes and do not apply sanctions for non-compliance with the requirements of the remain rules in the Republic of Tajikistan.

2. To the National Bank of Tajikistan:

- Provide emergency credit resources to financial and credit organizations to maintain the liquidity level of the banking system in the event of emergency within the framework of the current legislation;
- Together with the Ministry of Finance of the Republic of Tajikistan, undertake measures for the timely implementation of international government payments within existing means;
- Prioritize the exchange of foreign currency for foreign economic entities involved in the import of essential goods, including medicines, grain, flour, vegetable oil, sugar and fuel, as well as those are fulfilling state financial obligations;
- Undertake regulatory measures to maintain the liquidity of financial institutions and create favorable conditions in the access of businesses to credit and regulatory legal measures by adjusting the refinancing rate and the required reserves;
- Undertake measures within the existing capabilities of credit institutions to prevent risks associated with the non-application of penalties by credit organizations to business entities and individuals who are unable to fulfill their debt obligations from May 1 to October 1, 2020 for term loans;
- Together with government agencies and financial credit institutions, undertake measures for the remote use of electronic payment, payment of public paid services, fines and other mandatory payments to the general government budget.

3. Regularly publish information in the media about measures taken to prevent the COVID-19 outbreak.

ANNEX 10: GLOSSARY OF KEY TERMS USED IN THE ASSESSMENT

Dehkan farm	Business entity engaged in production, storage, semi-processing and sale of agricultural products which are based on the personal activities of one person or joint activities of a group of individuals on the land and their property. ²¹³
Economic activity	Any activity performed by a man or a woman (of any age) to produce goods or provide services for use by others or for their own use. ²¹⁴
Employment	Economic activity of persons aged 15–75 who during the past week carried out any activity related to the production of goods or the provision of services for payment or income for at least one full day for the preceding week. ²¹⁵ Other relevant definitions, such as full-time employment, part-time employment, and seasonal employment are fully aligned with the 2016 Labor Force Survey undertaken by the Agency for Statistics under the President of the Republic of Tajikistan.
Formal sector	Commercial entities (including dehkan farms) or individual entrepreneurs that are officially registered, pay taxes and undertake bookkeeping of own assets and liabilities while engaging in economic activity. ²¹⁶ Dehkan farms comprising between 1 and 50 members are not required to register as a legal commercial entity. ²¹⁷
Household	A basic residential unit in which economic production, consumption, inheritance, child rearing, and shelter are organized and carried out. A household is a group of people living together who use financial resources jointly to meet necessary expenses, such as food, clothing, purchase of household equipment, and so on. ²¹⁸
Informal sector	Commercial entities (including dehkan farms), households or individuals that are engaged in economic activity but do not have a valid legal status. ²¹⁹ Individuals are considered to be informally employed if they are engaged in economic activity — on part-time, ad-hoc or full-time basis — but do not possess a labor contract (or have not been offered one by their employer).
Labor migrant	A person who is currently engaged in or was engaged in the past 6 months ²²⁰ in economic activity for payment/profit in a country in which he/she is not a citizen.

²¹³ Law of the Republic of Tajikistan “On Dekhkan Farms” dated 15 March 2016 (No. 1289). Article 1.

²¹⁴ Source: International Labor Organization (ILO). 2014 (<https://ilostat.ilo.org/resources/methods/icls/>).

²¹⁵ Agency for Statistics under the President of the Republic of Tajikistan. 2017. *Labor Force Environment in the Republic of Tajikistan*. Dushanbe, p.116.

²¹⁶ Agency for Statistics under the President of the Republic of Tajikistan. 2017. *Labor Force Environment in the Republic of Tajikistan*. Dushanbe, p.131. The definition has been slightly adapted for the purpose of this survey.

²¹⁷ Law of the Republic of Tajikistan “On Dekhkan Farms” dated 15 March 2016 (No. 1289). Article 3.

²¹⁸ A “household” differs from “family” in that: (i) household can consist of one member, while family has to consist of at least two members; and (ii) members of a household do not have to be relatives, while members of a family must be relatives to each other. Source: Agency for Statistics under the President of the Republic of Tajikistan. 2017. *Labor Force Environment in the Republic of Tajikistan*. Dushanbe, p.116.

²¹⁹ Ibid, p.132. The definition has been slightly adapted for the purpose of this survey.

²²⁰ The 6-month period takes into account seasonality adjustment, particularly in the context of Covid-19 pandemic.

Micro enterprise	Legal commercial entity or individual entrepreneur with less than 5 contractual workers (for dehkan farms and other producers of agricultural products — less than 10 contractual workers). ²²¹
Medium enterprise	Legal commercial entity or individual entrepreneur with at least 30 but less than 100 contractual workers (for dehkan farms and other producers of agricultural products — at least 50 but less than 200 contractual workers). ²²²
Person with disability	A person with health disorder and persistent dysfunction of the body caused by disease, injury, physical and mental deviation that resulted in limited functionality and the need for social protection. ²²³
Small enterprise	Legal commercial entity or individual entrepreneur with at least 5 but less than 30 contractual workers (for dehkan farms and other producers of agricultural products — at least 10 but less than 50 contractual workers). ²²⁴
Unemployed	An officially registered person aged 15–75 who has not engaged in economic activity in the past week and is actively seeking employment.
Vulnerable person	A person who is at risk of having limited social, educational, economic opportunities, and at risk of natural and/or human-made disaster-prone zones. ²²⁵
Woman-led enterprise	An enterprise (firm, company or any other legal commercial entity) which is owned, led or founded by a woman. At the time of the survey, overall operational management responsibility for the enterprise (firm, company or any other legal commercial entity) should be held by a woman, who may also partially or wholly own the business. ²²⁶
Youth	Population aged 15–24. ²²⁷

²²¹ Agency for Statistics under the President of the Republic of Tajikistan (2019). Statistical Yearbook of the Republic of Tajikistan for 2018. Dushanbe, p.219. This definition is similar to the definition of MSMEs used by the Organization for Economic Cooperation and Development (OECD). See <https://www.oecd.org/mena/competitiveness/Empowering%20women-led%20SMEs.pdf> (p.6).

²²² Ibid.

²²³ Law of the Republic of Tajikistan “On Social Protection of People with Disability” dated 29 December 2010 (No. 675). Article 1.

²²⁴ Agency for Statistics under the President of the Republic of Tajikistan (2019). Statistical Yearbook of the Republic of Tajikistan for 2018.

²²⁵ According to the definition used/suggested by UNDP Tajikistan.

²²⁶ This is the standard definition used by the European Bank for Reconstruction and Development (EBRD) in their flagship Women in Business” programme in Central Asia and Eastern Europe. See <http://www.ebrdwomeninbusiness.com/?s=about>.

²²⁷ Although this definition differs from national legislation of the Republic of Tajikistan (which defines youth as population aged 14–30), it is commonly used as an international standard by the International Labor Organization (ILO), except school-to-work transition studies where youth is population aged 15–29. For more details, see <https://ilostat.ilo.org/glossary/youth/>.

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