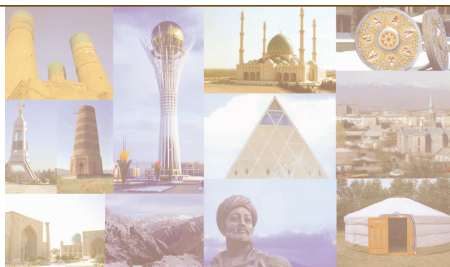


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Bimonthly article

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Highlights

The main events of these two summer months were the large scale preparations for the twentieth anniversary of independence on 9 September and Ramadan which lasted from 1 to 30 August.

Many structures were built in preparation for the celebrations, among which schools, hospitals, sports facilities, small hydroelectric power plants, industrial plants, banks, district administration buildings, roads and bridges, with the entire population being mobilized to this end. Work on some sites continued round the clock despite the fact that most of the workers were fasting and therefore unable to eat and drink during daylight hours.

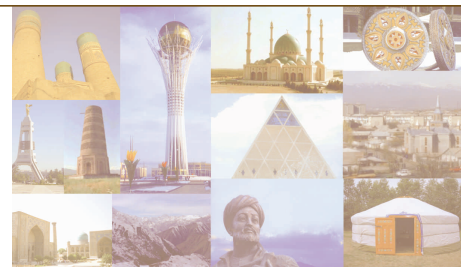
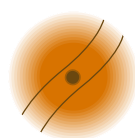
In preparation for the anniversary, President Rahmon made numerous trips to cities and districts in the country, taking part in official opening ceremonies or the start of construction of various structures. In Rasht, for example, he inaugurated a new school and a small hydropower plant; in Dushanbe he opened several schools, a cable plant, a large sports complex, a park and an amphitheatre. The President also laid the first stone of the Tajik-Russian enterprise for the production of trolley buses and bicycles. In Khujand, he attended the opening of new university buildings, several schools and a new monument of Ismoil Somoni, the legendary founder of the first Tajik state. In Istaravshan he participated in the opening ceremony of a soft drinks producer; in Gorno-Badakhshan he opened a new bridge linking Tajikistan and Afghanistan; in the Jirgatal area he opened a road and hospitals; in Kulyab he opened several schools. The President also laid the foundations for the building of a new water reservoir in Kulyab.

The apotheosis of all these events was the celebration of the national flag which was placed atop the highest flagpole in the world on 31 August. According to the Guinness Book of Records, the flagpole is 165 feet high. The flag itself is 30 feet wide, 60 meters long and it weighs 250 kilograms. The construction of the flagpole weighing 310 tons began on 24 November 2010 on National Flag Day. According to media reports, the installation of the flagpole cost more than \$32 million. It was installed in the Palace of Nations in the centre of Dushanbe. Earlier a 45 meter pedestal with the state coat of arms had been installed in the palace complex, which includes the National Library building and the Museum of Antiquities, presently under construction. As a part of the celebrations, over 1,200 military, civil servants, construction workers, workers in the creative professions, medicine, industry and agriculture were decorated.

Internal affairs

Along with the intensive twentieth anniversary preparations and the religious ceremonies that are performed during Ramadan, law enforcement was active. A massive amnesty was declared on the occasion of Tajikistan's twentieth independence anniversary. On 27 July President Rahmon sent a draft amnesty law to parliament, which was passed and became operational in August. Under the new law, the following categories of offenders were released: individuals who had served three-quarters of their prison sentence, women, juveniles, males over 55, disabled, war veterans, victims in the aftermath of the Chernobyl disaster, foreigners, deserters, people who had committed crimes by negligence, members of illegal political parties, public and religious associations who received five-year prison terms for extremist activities, members of the armed rebellion in 1997, persons convicted of economic crimes if they

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made up damages, and other groups of prisoners. More than 15,000 suspects, accused, defendants and convicts were amnestied, of whom 4,000 will be released and 11,000 receive reduced sentences. The release of prisoners started on 29 August. Individuals serving sentences for serious crimes and political prisoners -including those sentenced for membership of the banned extremist party Hizb ut-Tahrir and members of Mahmoud Khudoiberdiev's rebellion- are among those pardoned.

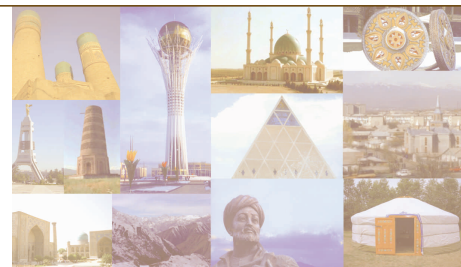
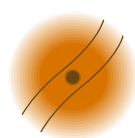
The law making the Chamber the supreme organ of financial control was implemented on 10 July. The Chamber will have broad powers and will be answerable only to the President and Tajikistan's lower house of parliament.

The Chamber will conduct an independent external audit of budget execution, the activities of all branches of government, the National Bank, extra budgetary funds and intergovernmental agreements that involve the allocation of funds, privatization, management and development of natural resources. In contrast to the existing audit body, the Chamber itself will have the rights to choose what objects to check. The head of the new organ and its staff will have legal immunity. The President will set salaries for members of the house. The head of state will also nominate candidates for key positions such as head, deputy and five chief auditors. However, an organization with similar functions already exists in Tajikistan, the Agency for State Financial Control and Combating Corruption. The following question therefore arises: why has the government found it necessary to create another structure? Or do the two merely overlap?

Although there is no answer to these questions yet, the creation of the Accounting Chamber clearly stems from the inefficiency of the existing monitoring systems and increasing corruption. Moreover, according to a study of corruption in Tajikistan by the Centre for Strategic Studies with the support of UNDP, the Agency for State Financial Control ranks

among the top five most corrupt agencies of Tajikistan, along with traffic police, the interior ministry, the health ministry and universities. According to research, over the past five years the market of corruption services increased threefold. The size of bribes and their frequency also increased. The percentage of respondents who gave and took bribes increased from 60% in 2006 to 84% in 2010. Tajik law enforcement officers arrested two of the remaining three prisoners who escaped a year ago from the remand prison of the state committee of national security of Tajikistan: Russian citizens Dzhabrailov and Abiyev. The fugitives were stopped when illegally crossing the border with Kyrgyzstan. The initial incident took place on the night of 23 August 2010 when 25 inmates escaped from the detention facility. The escapees were Russian citizens, four Afghan nationals, two citizens of Uzbekistan and 14 citizens of Tajikistan. During the ensuing search, 17 were arrested and four killed. The trial following the escape ended on 3 May 2011 with seven escapees being sentenced to various prison terms. Three of those convicted were sentenced to 30 years in prison and four received life imprisonment.

The trial of 53 defendants accused of involvement in the terrorist attack on the regional office for combating organized crime in the city of Khujand in September 2010 began in Sughd in July. As a result of the attack, four people were killed and 28 injured. The suicide bomber Akmal Karimov was responsible: he entered the office yard in a car packed with explosives and blew himself up. The authorities have accused members of the Islamic Movement of Uzbekistan of involvement in the explosion. Relatives of the suicide bomber, notably his brother, are among the accused. The hearing is taking place behind closed doors. More than 20 lawyers acting on behalf of the defendants say they have been tortured during the investigation. In mid-July the trial of a group of organized female agitators of the Jamoati Tabligh took place in the city of Sarband. In March, the investigating authorities in the south of the country suspended the prosecution



of four women aged 23 to 37 years, all arrested in 2010 on suspicion of involvement in Jamoati Tabligh. Women were arrested for distributing leaflets and literature of a religious nature as well as membership in an unregistered organization "Masturot." The investigation found that the women had been influenced by their spouses who are currently serving a five-year prison sentence on charges of membership of Jamoati Tabligh

The Act on parental responsibilities for the upbringing and education of children was implemented on 6 August at the beginning of Ramadan. According to the law, individuals under 18 years old are not allowed to attend religious institutions, including mosques and churches. During Ramadan, and especially during the holiday of Eid al-Fitr, many mosques police patrols were on duty preventing children and young people from entering the mosque. However, despite the law, in some mosques youths attended Friday and holiday services.

Campaigns against journalists continue to take place. Unknown assailants in a district of Dushanbe beat up Faraj Khurshed Atovullo, editor-in-chief of a popular newspaper. The attackers chased the journalist's car, blocked it and forced it to stop, then dragged Atovullo and his companions out of the car and brutally beat them. The journalist is presently in hospital with multiple injuries.

Foreign and international policy

The official launch of the construction of the national military training centre in Karatag in the Hissar district of Tajikistan attests to the warm relations between Tajikistan and the USA. The cost of phase one of this project funded by U.S. Central Command is \$3.1 million, the total project cost estimated at \$10 million. Central Command plans to implement several additional projects, including the construction of barracks, dining room, health centre, office buildings and classrooms. Upon completion, the training centre in Karatag will dispose of a training ground for driving,

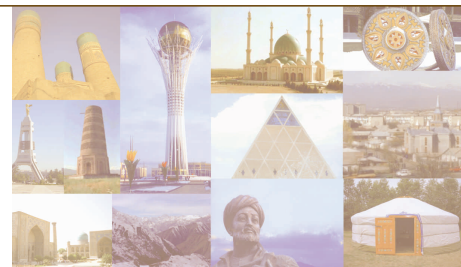
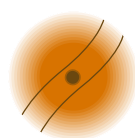
shooting ranges for rifles (500 meters) and pistols (25 meters), training facilities for combat in urban and rural settings, a tower for rope descent, summer classes and watch towers.

Relations with Uzbekistan are still very tense. The main issue is the construction of the Rogun hydroelectric power station.

In July Uzbek border guards tightened border controls. As a result, residents of two Tajik enclaves within the territory of Uzbekistan can no longer visit hospitals, markets and post offices in Tajikistan. They are now allowed to cross the border only on Mondays, Tuesdays, Saturdays and Sundays. Even worse off are 450 households in the village of Sarvak in Asht region, where three babies died due to the unavailability of medical care. The third enclave consists of 58 hectares of irrigated arable land belonging to farmers from Ravot village in the Kanibadam area. Farmers lost their crops due to the failure of border guards to enable them to cross over to their land. Enclave residents periodically organize protests, but unsuccessfully. The Tajik authorities do not pay attention to their problems.

Economy and business enterprise

Customs Union or the WTO? Debates about the directions of the economic integration of Tajikistan are still active. Because of a broad consensus on the need for Tajikistan to integrate into the global economy, there is no decision about the agreed direction. Currently Tajikistan is considering joining both the Customs Union (CU) and the World Trade Organization (WTO). Some experts believe that the entry of Tajikistan into the CU will stimulate economic ties with Russia and Kazakhstan, whereas others warn that the CU's relatively high tariff rates will reduce trade with foreign countries outside the union. Foreign affairs minister Hamrokhon Zarifi noted that the last round of WTO negotiations was successful and suggested that the WTO is more important to Tajikistan. The heads of the chamber of commerce



and industry believe that the country can only enter the union if there is a mechanism for coordinating the requirements for both the WTO and the CU. In addition to the finance ministry department that has been developing ways to enter the WTO, an interdepartmental working group has been created to focus on issues linked with membership of the Customs Union.

Water and energy. A meeting of heads of water departments of Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan took place in Khujand on 8 August. Discussions focused on the usage of Central Asian water resources and the current drought. A severe water shortage has forced Kazakhstan to request an additional flow of water from reservoirs in Tajikistan and Kyrgyzstan. The Uzbek authorities promised Kazakhstan they would not take this water and that they would allow it to pass into Kazakh territory.

Along with cooperation in the use of water resources in the region, intense competition continues for energy export markets. Tajikistan started large-scale exports of electricity to Afghanistan on 10 August, with 45 million kWh of electricity scheduled for delivery to Afghanistan in August-September through the new Sangtuda-Puli Khumri electricity transmission line. While the Tajik section of the Sangtuda-Puli Khumri electricity transmission line (118 km) was completed last year, the Afghan section (163 km) has not yet been completed. Tajikistan is losing time in starting the large-scale export of electricity to Afghanistan, which affects its position in competition with Uzbekistan.

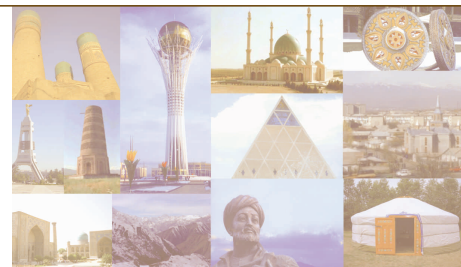
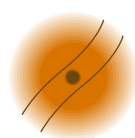
It should be noted that in addition to annual exports of about 850 MWh of electricity to Afghanistan, Uzbekistan had planned to increase the supply of electricity through the Surkhan-Naibabad-Kabul power lines and eventually export electricity to Pakistan. In July, Tashkent and Islamabad agreed to construct a high-voltage transmission line with a

capacity of 500 MWh.

Tajikistan wants to squeeze out competitors in the southern markets. Tajik electricity is half the price of Uzbek electricity: 3.5 cents as opposed to 7.5 cents per kWh. However, Tajikistan can only export electricity in the summer months because in winter it suffers from a lack of electricity. According to experts, the prospects of exporting electricity from Tajikistan to Afghanistan and then to Pakistan and India are simply making Tashkent more determined to oppose the construction of the Rogun hydroelectric plant.

Rogun hydroelectric power plant. Evaluation of the Rogun project is still under way and includes technical and economic evaluation and assessment of environmental and social impacts. At the conclusion of its visit to Tajikistan in August, the World Bank team recommended postponing the construction of the first stage of Rogun until the evaluations are presented and discussed with the countries of the river basin and also studied by independent groups of experts to determine the viability of the project. The World Bank is also developing a study of alternative energy supplies for Tajikistan. One alternative energy source being considered is small-scale hydropower. In the first six months of 2011 Tajikistan started 14 new mini-hydroelectric plants, the total now standing at 249. While the authorities consider this to be a success, independent experts believe that small-scale hydropower in Tajikistan is developing too slowly.

The current drought has once again focused attention on the need to create fresh water reservoirs. Construction of a reservoir started on 8 August in Kulyab, on the river Tebolay. The volume of water in the new reservoir will be 14 million cubic meters. Transport. Work continues on developing transport routes and transit corridors. The Dushanbe-Rasht-Jirgatal-Saritosh highway joining Tajikistan and Kyrgyzstan has been commissioned in east Tajikistan. Reconstruction of the 350 km road began in



2005 and cost \$ 177 million. Construction was financed by the government of Tajikistan and the ADB.

Construction of a new bridge over the Panj river between Tajikistan and Afghanistan was completed on 16 August near Humrogi in Vanj district. The bridge construction was funded by the Aga Khan Development Network which earmarked a total of $\approx$ 2.6 million for this project. The building of bridges has stimulated ties between Tajikistan and Afghanistan and also increased the volume of imports from China and Pakistan.

External trade. Tajikistan's major export partners are presently Turkey, China, Afghanistan and Latvia. According to the state statistics agency, Turkey's share of total exports is 39.4% and China's 25.2%. Non-ferrous products, in particular, aluminium and cotton fibre are the main export products to these countries. The volume of cotton exports rose considerably compared to last year due to a record increase in cotton prices. Prices rose by 171% last year and have increased by 40% since the beginning of this one. Accordingly, the area devoted to growing cotton has increased drastically. Production and sale of gold has also increased. In the first half of the year the country produced 920.5 kg of gold, but by the end of the year production is expected to reach three tons. Eight gold-mining companies are presently active in the country with the participation of foreign investors. The largest one is "Zarafshon", a joint Tajik-Chinese enterprise

Imports of goods in Tajikistan: from Russia - 30.9% of total imports, Kazakhstan - 12%, China - 11.5%, Ukraine - 6.2%, Iran - 4.7% USA - 3.6% Turkmenistan - 3.5%, United Arab Emirates - 2.8%, Turkey - 2.4%, Belarus - 2.1%, Lithuania - 1.9%, Uzbekistan - 1.7%, and Afghanistan - 1.7%. In the year to June, the sum of exports totalled \$686.4 million and imports over \$1.5 billion

The results of a study entitled "Monitoring of costs, time and documents required for import/export" were presented in Dushanbe on 30 August. The study

was carried out by the union of professional consultants of Tajikistan. According to this study, the level of logistical costs in foreign trade operations in Tajikistan is one of the highest in the world. This is due to several factors: the country's geographical location (land trade routes, lack of access to the sea) and high administrative barriers, particularly among the Central Asian republics. According to the ADB, transportation costs in Tajikistan are 14% of exports and 10% of imports, the highest figures in Central Asia. Other logistic costs associated with exports and imports are estimated at 5-10% of the total volume of trade. This study pointed to the urgent need to accelerate reforms in the sphere of international trade.

Food prices rose in July and August. Abnormally high temperatures (up to 53°C) and precipitation deficit caused drought and crop failure.

Because of the deteriorating situation, a council on food safety was established on 28 July. In August, food prices in Tajikistan rose by an average 10-15%.

Despite measures to stabilize the national currency in the last six months of 2011 - particularly the foreign exchange interventions of the National Bank - the exchange rate of the Tajik Somoni against the U.S. dollar fell 6.02%. According to the National Bank of Tajikistan, the exchange rate is presently one US dollar to 4.78-4.80 Somoni. The gold reserve of the National Bank of Tajikistan in the first six months of this year totalled \$755 million. By 1 July 2011 Tajikistan's external debt amounted to \$2.75 billion, corresponding to 33% of GDP. The government has set the maximum level of debt at 40% of GDP.

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