

# CENTRAL ASIA OBSERVATORY

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## Highlights

On 6 January, Tajikistan started a national fund-raising campaign to complete construction of Rogun hydroelectric plant which will -according to country officials- allow the republic to reduce its dependence on energy imports. Earlier arrangements with Russia about its participation in completion of Rogun had been reached. But Russia has since refused to participate in this project, mainly due to a quarrel with Uzbekistan which is opposing construction of the plant. Tashkent is afraid that the erection of the dam will result in a change in the flow of water in the boundary river and that the growing water deficit will cause the country's agriculture to suffer. The Uzbek authorities have also insisted on carrying out an international inspection of the given object.

In return, Tajik officials have stressed that Uzbekistan unilaterally disengaged from the United Energy System (UES) of Central Asia, creating problems for Tajikistan and forcing it to accelerate the construction of power-generating targets.

The hydro-energetic conflict between Tajikistan and Uzbekistan has thus become increasingly fraught, leading to the intervention of the EU. Pierre Morel, the EU special representative for Central Asia, visited Dushanbe in early February and reported that Brussels is prepared to allocate Tajikistan \$60 million for building several small hydroelectric plants and for modernizing the operating Kayrakkum hydroelectric plant. The EU believes that the building of small hydroelectric plants will help Central Asia to avoid conflicts because of the use of hydro-energy resources.

Tajikistan nonetheless considers completion of the Rogun hydroelectric plant -the largest in Central

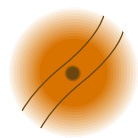
Asia- the only way to reduce dependence on imported energy. Tajikistan launched the construction of Rogun HPP under its own steam two years ago and searched for investors to complete the project. Unable to find investments because of counteraction from Uzbekistan, Tajikistan declared the building of the Rogun hydroelectric plant the "national idea" and appealed to the population to provide the resources necessary to complete the project.

The decision to print out shares in the hydroelectric plant and sell them to the population was adopted at the end of 2009. A single share of the future hydroelectric plant has a face value of 100 somoni (\$23); there are also certificates of shares for 500 somoni (\$115), 1,000 somoni (\$230) and 5,000 somoni (\$1,150). The total value of printed shares and certificates is believed to amount to 6 billion somoni (about \$1.3 billion). Only Tajik citizens are entitled to buy shares.

According to the Ministry of Finance of Tajikistan, public expenditure for the construction of Rogun hydroelectric plant will be increased by 22% in 2010. Last year \$122.5 million was allocated from the budget for building the Rogun hydroelectric plant. To complete the first stage of the Rogun hydroelectric plant and to launch two out of six units by 2013, about \$700 million is needed.

The President of Tajikistan has ordered each family -barring the poorest- to buy shares for the sum of 700 somoni (\$160). All official structures and private companies, even prior to the sale of shares, received instructions on the purchase of specific quantities of shares for employees. In a number of universities, students have not been allowed to take examinations without presentation of the shares they have purchased. Over 7,000 people are presently employed

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at the hydroelectric plant construction site, and 670 machine units are involved. Works is split into four shifts.

Tajikistan has come up with another solution to solve the hydro-energy issues confronting the region. Dushanbe supports the acceptance of the special doctrine on water use in Central Asia, one that should focus on resolving water issues in the region.

## Internal affairs

The fund-raising campaign for building the Rogun hydroelectric plant eclipsed both parliamentary elections and elections of local authorities, which took place on 28 February. According to the Central Election Committee (CEC), over 3.1 million voters out of a total of 3.5 million, representing 87.1% of the electorate.

Tajikistan has a mixed election system. Eight political parties competing for 22 mandates participated in the elections and 41 deputies were selected on one-mandatory districts. To obtain a seat in parliament, parties have to pass a 5% barrier, and one-mandatory district deputies must obtain a majority of votes in the district. The ruling People's Democratic Party of Tajikistan (PDPT) was the only party which registered a full list of candidates in the Central Election Commission, consisting of 22 names. All the other parties had to reduce their party lists because they could not pay the required monetary deposit in full, \$1,550 per candidate.

A total of 73 candidates were presented for 22 places in parliament. In 41 one-mandatory districts, there were 134 applicants. As a result, competition in the elections was barely more than three candidates per deputy chair.

More than 500 representatives from various international organizations, including the OSCE mission, arrived to observe the elections.

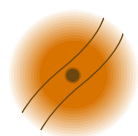
With 71.6% majority of votes (2,261,406 votes), the ruling PDPT won the elections. IRPT was supported by 7.7% of voters (244,171) and the Communist Party received 7.2 % of votes (228,000). Representatives of two parties participating for the first time in these elections and both loyal to the official power -the Agricultural Party and the Party of Economic Development of Tajikistan- received 5.01% and 5.09% of the vote respectively.

As a result, the Party of the president of Tajikistan won a majority of seats in the lower house of parliament, 52 out of 63. According to the Central Electoral Committee, the number of places occupied by opposition parties remained the same: two mandates were won by representatives of the Islamic Renaissance Party of Tajikistan (IRPT). The Agricultural Party and the Party of Economic Development -pocket parties according to political scientists- received two places each. Communist parties loyal to the authorities lost one seat, winning only three places.

The Organization for Security and Co-operation in Europe (OSCE) noted many irregularities during voting and said the elections did not satisfy democratic standards. In protest, the Islamic Renaissance Party of Tajikistan (IRPT) -the only legal Islamic party in the Central Asia- left the Social Council of Tajikistan, where all parties except for the social democrats are represented.

In the Central Asia region overall however, Tajikistan still boasts the strongest multi-party system and the most developed election legislation.

On 2 January, an earthquake measuring 5.3 on the Richter scale rocked Tajikistan, the epicentre being located 80 kilometres north of Khorog and 235 kilometres east of Dushanbe. In Vanj, the area hardest hit by the earthquake, the cataclysm destroyed about 1,000 private residences. Luckily, there were no human casualties. Damage from the earthquake was estimated at about \$1.5 million.



## Foreign and international policy

Growing tension in relations between Uzbekistan and Tajikistan stemming from hydro-energy disagreements has been the main focus of Tajikistan's foreign policy in the first two months of 2010. All international contacts were to some extent linked with these events. At the beginning of February, Pierre Morel EU Special Representative for the crisis in Georgia and for Central Asia, arrived in Tajikistan on an official visit. During his meeting with President Rahmon, questions of regional cooperation in Central Asia, uses of hydro-energetic resources and control over the borders were discussed. Morel offered to assist in the hydro-energetic conflict. "It's not easy to solve the current problems in these directions in the Central Asian countries, hence it is necessary to carry on a steady dialogue, and the European Union is ready to perform such dialogue. The EU strategy in Central Asia during the current year has not changed", he said. During his the meeting with President Rahmon, Morel focused on questions of democratization, the February parliamentary elections, economic cooperation, improvements in the investment climate, regional cooperation and also the situation in neighbouring Afghanistan. According to Morel, Tajikistan was the first Central Asian country to ratify the cooperation agreement with the European Investment Bank and the EU is therefore now ready to allocate the country \$60 million for the reconstruction of Kayrakkum hydroelectric plant and the building of several small hydroelectric plants on the Suhrob river. Morel also offered the EU's assistance to the inhabitants who suffered from the earthquake in the Vanj area. He noted that during the current year, the EU intends to earmark 75 million euro for strengthening the pension system in Tajikistan. In 2009, the EU earmarked 8 million euro for various social projects in Tajikistan.

Hydroelectric disagreements in Central Asia were also the central point of discussion during political

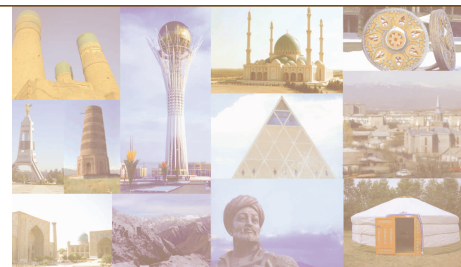
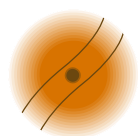
consultations between Tajikistan and the U.S.A. on 10-12 February in Washington. The Tajik delegation participated in the consultations after the delegations of Uzbekistan and Kazakhstan.

The parties discussed safety issues relative to border cooperation in the context of antiterrorist activity, Northern delivery network, human rights, business and investment climate, development issues, agrarian reforms, food safety, financial transparency and power. Before the final discussion session, assistant Secretary of State for South and Central Asian Affairs Robert O. Blake noted in his interview to Tajik journalists: "We realize the importance of energy safety for Tajikistan and we support the efforts of the Tajik government to give their citizens, enterprises and organizations access to adequate and reliable energy sources. We urge Tajikistan to consider the opinions of its neighbours concerning the construction of hydroelectric projects such as Rogun and [we also] urge Tajikistan to consider the development of small hydroelectric plants".

## Economy and business enterprises

Despite the influence of the global recession and energy difficulties, the economy of Tajikistan has been showing signs of steady growth. GDP volumes in January-February 2010 exceeded 2.4 billion somoni (about \$500 million), 6% more than in the same period in 2009. According to the State Statistical Committee of Tajikistan, GDP breaks down as follows: 55.9 % services; 31.3 % production of goods, and 12.8 % taxes. Russia was the largest investor in Tajikistan in 2009, during which it invested \$36.8 million in the country's economy. The IMF estimates that the rate of development of the Tajik economy will increase from 3.4 % in 2009 to 4-5 % in 2010.

The economy of Tajikistan remained relatively stable in the face of external shocks. However experts believe that economic growth rates may fall due to the fund-raising campaign to build the Rogun hydroelectric



plant insofar as the population's consumption levels and the level of private investment by firms will be reduced. IMF experts believe that the fund-raising campaign could slow down macroeconomic indicators and lead to a temporary reduction in economic growth in 2010, by 1 %. In the period 2009-2011, the IMF will implement its programme to decrease poverty and assist economic growth in Tajikistan, for which about \$40 million was earmarked last year from the confirmed \$116 million.

The state policy to reduce poverty is being successfully implemented in Tajikistan. On 24 February, the lower house of parliament approved the poverty reduction strategy for 2010-2012. The new strategy includes reforms in the state administration, development of the private sector and creating an attractive environment for investments. The realization of previous strategies has effectively boosted the growth of the national economy and improved standards of living. Poverty levels in Tajikistan fell from 72.4% in 2003 to 50% in 2009. Government officials believe that if the new strategy is properly implemented, poverty levels can be reduced to 40% by 2012.

Some \$5 billion was earmarked for the implementation of the strategy for 2007-2009. Methods and principles for working on the realization of the new strategy will be significantly improved, and a budget increase of \$5.3 billion has been planned.

Since 1 January, tariffs for electrical power for the population have been raised from 1.71 to 2.06 cents per 1 kW/h. New tariffs have also been established for other categories of consumers. For the Tajik aluminium company, the new tariff is 1.87 cents rather than the old 1.17 cents per 1 kW/h since 1 January. The new tariff for electrical power for industrial and nonindustrial consumers was raised by 55.7% and is now 4.87 cents; for budgetary organizations and municipal branches the new tariff has been raised by 56.5% to 1.95 cents.

Energy projects are also connected with regional cooperation. The Tajik parliament ratified the agreement between Tajikistan, Afghanistan, Pakistan and Kyrgyzstan relative to the development of an energy line transmission project for Central Asia – Southern Asia-1000 (or CASA-1000). The regional project CASA-1000 provides for the building of high-voltage transmission lines from Kyrgyzstan and Tajikistan to Pakistan via Afghanistan. To execute the given project, \$700 million is needed. The World Bank, the Asian Development Bank and the U.S. Agency for International Development intend to invest in this project.

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