World Food Programme

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Food Security Update and Implications of Ukraine Conflict in Tajikistan

April 2022

Executive Summary

- The impact of sanctions on Russia is likely to be felt by countries with strong economic ties to Russia, including Tajikistan. Studies have highlighted that a sharp economic slowdown in Russia will have a high impact on remittances and in some cases, trade for Tajikistan.
- Before the Ukraine conflict, the economy of Tajikistan was expected to make further rebounds after a slump in 2020. However, with a slowdown in remittances expected due to the Ukraine conflict, this anticipated continuation of economic recovery in 2022 is unlikely to come to fruition.
- Domestically, prices of some key food commodities continued to rise throughout 2021 across major markets in Tajikistan. This included wheat flour, cotton and vegetable oil, and meat, as well as fuel (petrol and diesel). In 2022, prices of some commodities have risen after the Russian invasion of Ukraine, including wheat, sugar, cooking oil as well as fuel. As of 28 March 2022, compared to a month before, prices of petrol and diesel rose by 19 and 21 percent respectively, wheat flour by 15 percent, sugar by 16 percent and vegetable oil by 5 percent.
- The food security assessment carried out by WFP in August 2021 classified almost one-fifth of the households in Tajikistan as food insecure. Additionally, a higher proportion of female-headed households were classified as food insecure compared to male-headed households. Lack of affordability was highlighted as one of the main reasons for food insecurity.
- The assessment also highlighted high reliance of almost one-fifth of the households on seasonal migration by bringing remittances from abroad, mainly Russia. If the Russian economy struggles from economic sanctions, the Tajik migrants will face the prospect of losing jobs in Russia causing the remittance dependent households to lose their primary income source.
- The assessment found that around 32 percent of households were spending more than 65 percent of their total expenditure on food and these households are going to be the hardest hit from rising prices and income losses.
- It is projected that a combined impact of remittance loss and price rise is likely to cause an increase in food insecurity in Tajikistan by 16 percentage points, from 20 percent to 36 percent across Tajikistan.

1. Background

On the 24 February 2022, Russian President Vladimir Putin ordered a “special military operation” in Ukraine, which has now escalated into a war. Fighting is on-going in many parts of Ukraine with official death toll of 1119 civilians and 1790 injuries[1] as of 27 March 2022. The war has also resulted in a massive exodus of people living in Ukraine into neighbouring countries, which was recorded at around 3.9 million as of 28 March 2022, with over 2.3 million taking refuge in Poland[2]. In response, the international community has imposed severe sanctions to Russia designed to cripple its economy, the impact of which is already visible with the Russian Ruble (RUB) initially depreciating rapidly against the United States Dollar (USD). Many Russian banks have had their assets frozen, including the Central Bank of the Russian Federation, whose foreign assets amount to around USD 630 billion [3]. The United States, Canada and the United Kingdom have banned Russian energy imports, while the EU has pledged to end its dependence on Russian gas.

Many Commonwealth of Independent States (CIS)[4] countries have close economic ties with Russia. Hence, any downturn in the Russian economy will be felt across many of these countries, including Tajikistan. **A recent study has highlighted that a sharp economic slowdown in Russia will have a high impact on remittances and in some cases, trade[5].**

2. Economic overview

2.1 Macro-economic indicators

Among CIS countries, Tajikistan has one of the lowest GDP per capita at USD 859[6]. Its economy is dominated by mineral extraction, metal processing, agriculture and remittances. The increase in metal export and private investment, especially from China, as well as restoration of remittances inflow helped economic rebound in 2021 after seeing a slump in 2020[7]. For 2022, a GDP growth was projected at 5.5 percent, mainly attributed to recovery in remittances, foreign direct investment, and overseas demand. The annual inflation rate also saw a reduction in 2021 at 8 percent compared to 9.4 percent in 2020[8] with similar trend expected for 2022. **However, with a slowdown in remittances expected due to the Ukraine conflict, this continuation of economic recovery in 2022 is unlikely to come to fruition.**

The remittances sector had recently recovered from the COVID-19 pandemic but is likely to be impacted due to the Ukraine conflict. An estimated 1.6 million Tajiks entered Russia in 2021 according to the Government of Russia[9]. Over the first nine months of 2021, USD 1.3 billion was sent by physical

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[1] https://www.usnews.com/news/world/articles/2022-03-27/ukrainian-civilian-death-toll-reaches-1-119-u-n#:~:text=March%2027%2C%202022%2C%20at%2010%3A13%20a.m.&text=ZURICH%20(Reuters)%20%2D%20The%20United,began%20its%20attack%20on%20Ukraine.
[2] https://data2.unhcr.org/en/situations/ukraine
[3] https://www.bbc.com/news/world-europe-60125659
[4] http://www.cisstat.com/eng/cis.htm#:~:text=At%20present%20the%20CIS%20unites,%2C%20Turkmenistan%2C%20Uzbekistan%20and%20Ukraine.
[5] https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1318620
[6] https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=TJ
[7] https://www.worldbank.org/en/country/tajikistan/overview#3
[8] https://www.adb.org/news/tajikistan-economy-rebound-2021-and-2022-adb#:~:text=In%20its%20Asian%20Development%20Outlook,4.5%25%20growth%20reported%20in%202020.
[9] https://eurasianet.org/tajik-labor-migration-to-russia-hits-historic-high-officially

entities through money transfer systems to Tajikistan from Russia[10]. Remittance contributes to around 27 percent of the total Gross Domestic Product (GDP) at 7.8bn USD[11].

2.2 Food Commodity Prices

Prices of some key food commodities continued to rise throughout 2021 across major markets in Tajikistan, primarily attributed to devaluation of Tajik Somoni against the US Dollar[12]. In 2022, prices of some food commodities have risen after the Ukraine conflict.

At the start of 2021, the average retail price of wheat flour (first grade), a main staple food for Tajikistan, was Tajik Somoni (TJS) 5 per kilogram (kg). The price was stable till July, at which point it started increasing gradually. Towards the end of 2021, the price had increased by 14 percent, to TJS 5.7 per kg (fig 1.a).

Cotton and vegetable oils also saw significant increases in their average prices in 2021. Both commodities saw increases of about 26 percent comparing the start to the end of the year. Beef and mutton prices also increased similarly. Following the same trend, fuel prices also saw a large increase. In 2021, the average price of petrol and diesel started at TJS 6.5 per litre but was recorded at TJS 11.5 per litre by the end of the year, an increase by 77 percent.

The food prices in Tajikistan are reacting to the Ukraine crises with increases in prices of commodities including wheat, sugar, oil as well as fuel prices. As of 28 March 2022, compared to a month before, prices of petrol and diesel increased by 19 and 21 percent respectively, wheat flour by 15 percent, sugar by 16 percent and vegetable oil by 5 percent (fig 1.a-fig 1.b). Additionally, the exchange rate comparing 1 USD against TJS had increased from TJS 11.3 to TJS 12.9[13].

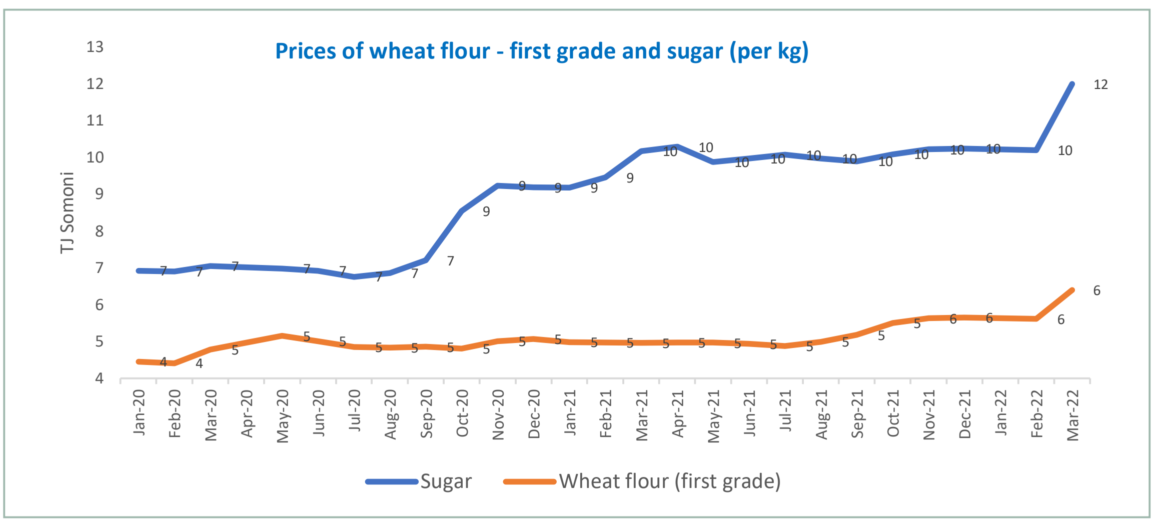

Fig 1.a: Retail price trend of wheat flour and sugar 2020-2022. The latest price was collected on 28 March 2022.

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[10] http://rr.eastera.tj/en/news/tajikistan/economic/20211217/remittances-from-russia-to-tajikistan-reportedly-rise-56-percent

[11] https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=TJ

[12] DataViz - Tajikistan - Reports Explorer (wfp.org)

[13] www.nbt.tj

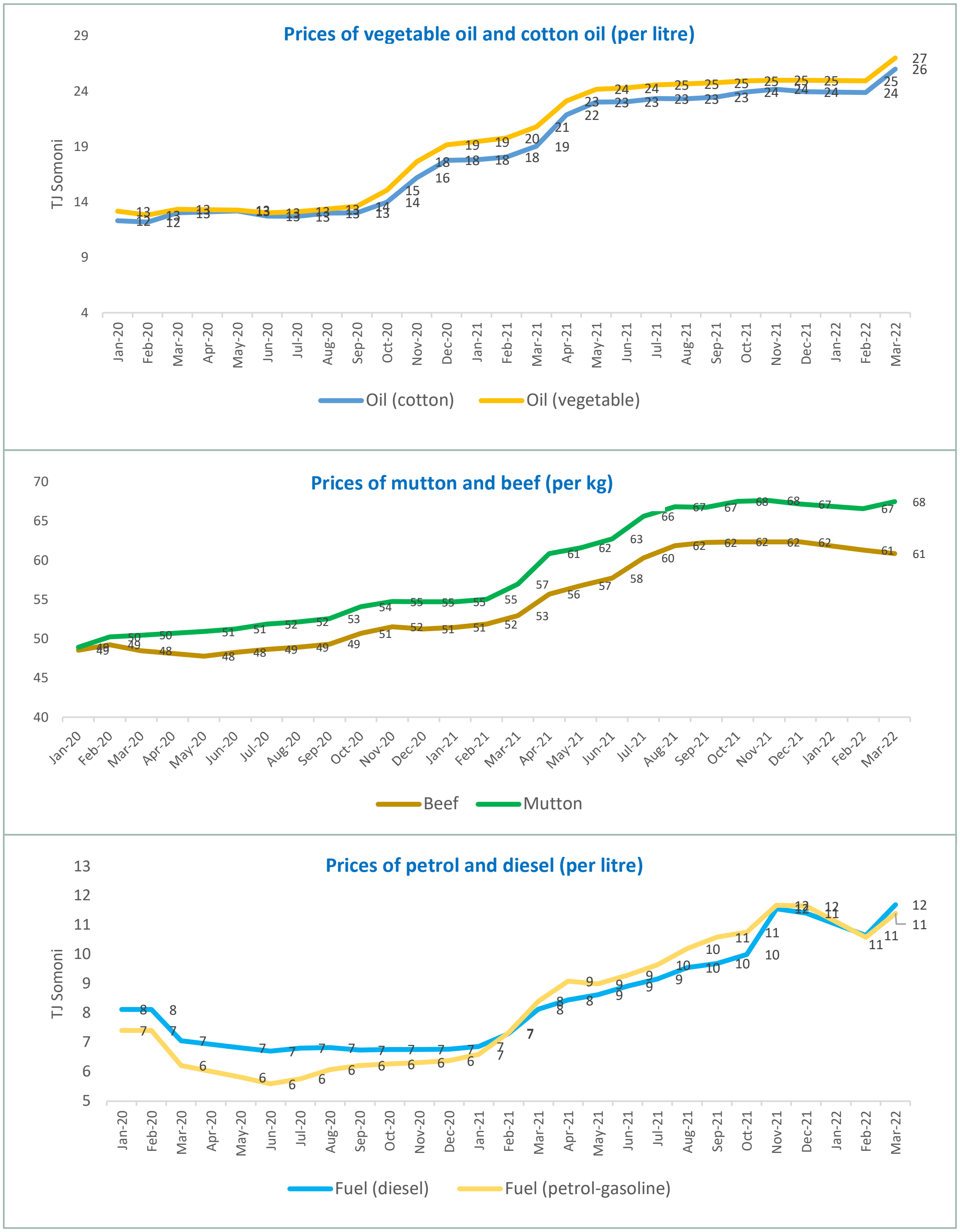

Fig 1.b: Retail price trend of some key commodities 2020-2022. The latest price was collected on 28 March 2022.

Figure 2 shows average retail prices of aggregated 14 food commodities [14] collected by WFP's market monitoring system since 2020. It can be concluded that the prices in general have been rising especially since 2021. With the recent spike in some food commodities, this trend is likely to continue as indicated by the polynomial fit of the trend line.

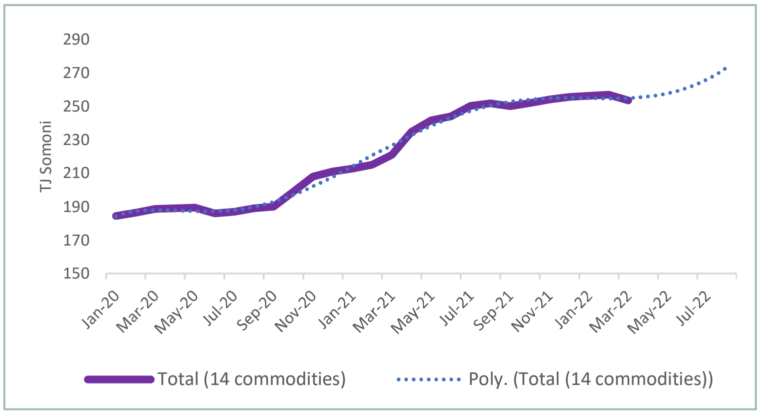

Fig 2: Average retail price trend of aggregated 14 food commodities since 2020. The latest price was collected on 28 March 2022.

3. Household food security overview

3.1 Access to food

In a food security assessment carried out by WFP in August 2021, almost one-fifth of the households in Tajikistan were classified as food insecure [15] (fig 3). Households who achieved marginal food security (47 percent) were able to do so by adopting livelihood-eroding coping mechanisms (fig 6). The rate of food insecurity was found to be higher in rural areas compared to urban areas. Additionally, a higher proportion of female-headed households were classified as food insecure compared to male-headed households (fig 4).

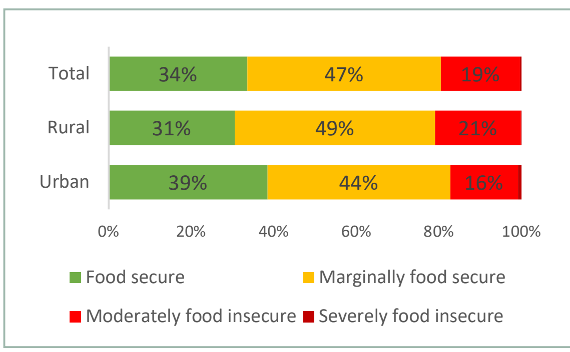

Fig 3: Proportion of households in different food security status overall and by urban and rural areas

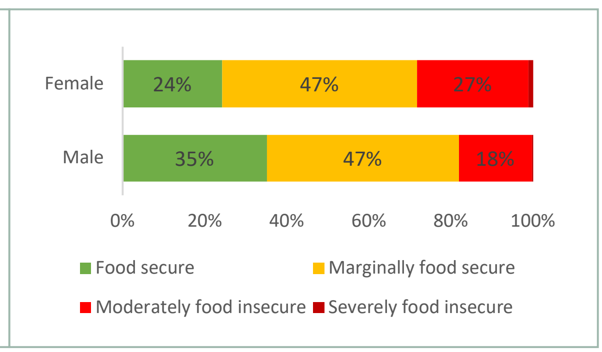

Fig 4: Proportion of households in different food security status by gender of household head

[14] Bread, cabbage, carrot, chickpeas, eggs, beef, mutton, milk, cotton oil, vegetable oil, onion, potatoes, rice, sugar per kg or litre

[15] For detail on the methodology for estimating food insecurity, please refer to CARI guidelines: https://www.wfp.org/publications/consolidated-approach-reporting-indicators-food-security-cari-guidelines

One of the main drivers of food insecurity was identified as the lack of economic access to food. Sixty-one (61) percent of the households spent over 50 percent of total expenditure on food while almost one-fifth spent over 75 percent of their total expenditure on food. This constantly placed the households under stress to make ends meet (fig 5). Similarly, most households (63 percent) were found to have adopted coping strategies to buy food that eroded their productive assets. Some of these strategies included spending their life savings on buying food, reducing health and education expenditures, and consuming seeds stocks that were saved for sowing in the next season, among others (fig 6).

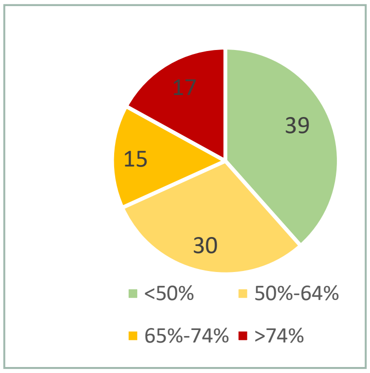

Fig 5: Proportion of households reporting share of food expenditure out of total expenditure

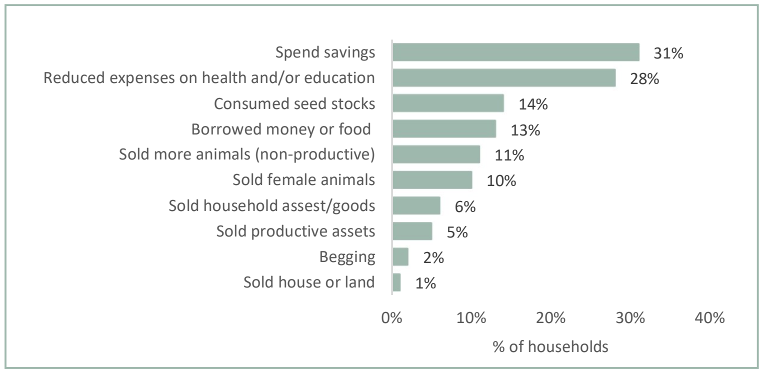

Fig 6: Proportion of households reporting different coping strategies

3.2 Income sources

According to the assessment results, the main source of cash income of 40 percent of households in the last 3 months before the survey was the salaried work with regular income. **Almost one-fifth relied heavily on seasonal migration by bringing remittances from abroad, mainly Russia.** Fourteen (14) percent of households were engaged in daily casual labour while 12 percent were engaged in farming or livestock production (fig 7). Additionally, **sixty-two percent** of the households reported that they had at-least one member working abroad in 2021.

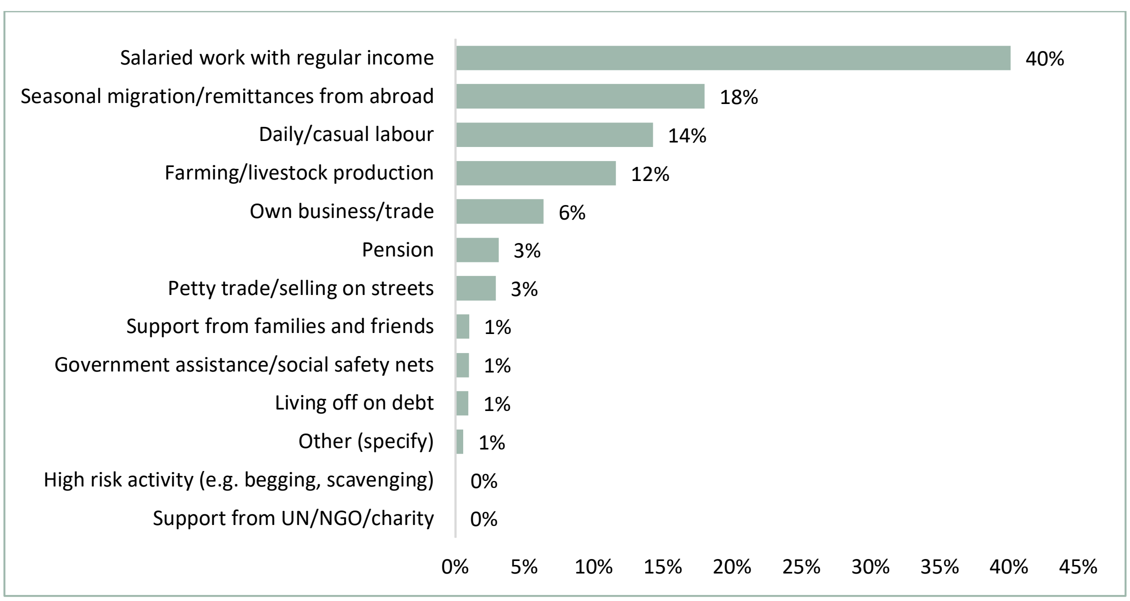

Fig 7: Proportion of households reporting different income sources 3 months prior to survey

The assessment also highlighted that households have continued to lose their income in 2021 which can be attributed to Covid-19 impact. Overall, 35 percent of the households reported that their income had decreased compared to the same period last year. This was observed to be similar for households residing in both urban and rural areas.

Fig 8: Proportion of households reporting income change in 2021

4. Food security outlook

In summary, the current food security situation of households in Tajikistan and its causal drivers can be described as below:

- In 2021, at least one-third of **Tajik households experienced decline in their income and purchasing power (fig 8).** This can be attributed to the COVID-19 pandemic and rise in prices of key food commodities and fuel.
- Food security for most households has been achieved through adoption of livelihood-based coping strategies resulting in loss of their productive assets (fig 6). **This has made them susceptible to shocks, such as the Ukraine conflict, with severe implications on their future food security.**

Immediate impacts:

- **Food price increase** is going to have immediate impact on households' access to food. The prices of key food commodities such as wheat and cooking oil have already increased after the Ukraine conflict compared to a month before.
- **Rise in fuel prices**, which has already been observed, is going to have a knock-on effect on prices of various goods and services including the transportation cost and service sectors and industries.
- **Problems transferring remittances** from Russia to Tajikistan have been reported by the households during a recent survey which further affects their ability to buy food[16].

Medium and long-term impacts:

- Potential **remittance loss** and return of Tajik migrants from Russia is going to have a significant medium and long-term impact in Tajikistan including slowdown of GDP growth rate.
- **Inflation** resulting from rising cost of producing goods and services is likely to be the medium- term impact of Ukraine conflict as evidenced by current price rises.
- Tajikistan's main exports include gold, raw aluminium, raw cotton, zinc and other ores, exported mainly to countries like Switzerland, Turkey, China, Italy. Russia imported around 12% of cotton in 2019. Hence, Ukraine conflict is not likely to significantly affect Tajikistan's income from exports[17]. Russia, on the other hand, is one of the major export partners of Tajikistan. Refined petroleum is

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[16] Reported by traders and customers during price monitoring survey. March 2022.
[17] https://oec.world/en/profile/country/tjk

the main export amounting to 30 percent of total exports from Russia in 2019[18]. If supply of petroleum from Russia is hindered due to prolonged conflict, Tajikistan will see more price rise of fuels and lack of availability and would need to find alternate suppliers. However, importing oil from other countries will increase the price of Tajikistan's fuel imports because it mainly gets oil from Russia on concessional terms.

4.1 Remittance impact

According to the food security assessment, almost one-fifth of the surveyed households reported income from remittances as their main income source (fig 8) and more than 60 percent of households had at-least one member working abroad, mainly Russia. As the Russian economy struggles from economic sanctions, these households are highly likely to lose their primary income source as Tajik migrants could be the first to lose their jobs in Russia. Other migration destination Kazakhstan has now reduced quota for labour migrants[19]. Under this scenario, the food security situation will worsen for remittance dependent households. **As a result, the households who are currently marginally food secure and have high reliance on remittances are likely to become moderately and severely food insecure.** It is also important to note that loss of remittances will have a much wider impact on the Tajik economy as its GDP contracts given its contribution to country's GDP.

4.2 Price rise impact

Ukraine and Russia are both global breadbaskets. Combined wheat exports from the two countries make up to 30 percent of the global export market[20]. With Russia under sanction and the Government of Ukraine deciding to ban wheat exports, the global wheat prices have started increasing[21]. This has also been observed in Tajikistan (fig 1). As wheat is a main staple food of Tajik households, the recent price rise because of the Ukraine conflict will further erode purchasing power of the households. This further exacerbates the already high prices of other key commodities including cooking oil, meat, and fuel (fig 1).

The assessment found that **around 32 percent of households were spending more than 65 percent of their total expenditure on food,** and these households are going to be the highest hit from the price rise (fig 5). Among the population, the households residing in rural areas and female-headed households will be more affected as they already exhibit higher food insecurity prevalence compared to urban and male-headed households (fig 2, 3).

4.3 Food security projection

Based on the food security assessment data collected in August 2021, a likely evolution of food security situation was made based on below criteria:

- A prolonged conflict in Ukraine will push the households that are heavily dependent on remittance (18% -fig 8) **OR** are highly vulnerable to food price rise (32% - fig 5) **AND** are classified as marginally food secure (**47% -** fig 3) into moderately food insecurity category and similarly, the moderately food insecure households are likely to become severely food insecure.

[18] ibid

[19] [В Казахстане сократили квоты на работу для иностранцев | Новости Таджикистана ASIA-Plus (asiaplustj.info)]

[20] https://edition.cnn.com/europe/live-news/ukraine-russia-putin-news-03-09-22/h_ff6029c10a0eac46ebb1d13b46889eaf#:~:text=Combined%2C%20Russia%20and%20Ukraine%20are,prices%20not%20seen%20since%202008.

[21] IBID

- Households currently classified as food secure are not likely to be affected significantly.

Using the criteria above the analysis showed that the combined impact of remittance loss and food price increase is likely to increase the current prevalence of food insecurity (moderate and severe) from **20 percentage to 36 percentage**. A substantial increase in severe food insecurity is also projected from **1 percent to 8 percent** (see figure 9). At population level, this represents an **increase in moderate food insecurity** from 2 million people **to 2.9 million people** and an **increase in severe food insecurity** from 40,000 people **to 830,000 people**.

Fig 9: Projected increase in prevalence of food insecurity because of remittance loss and price rise as a percentage of households.

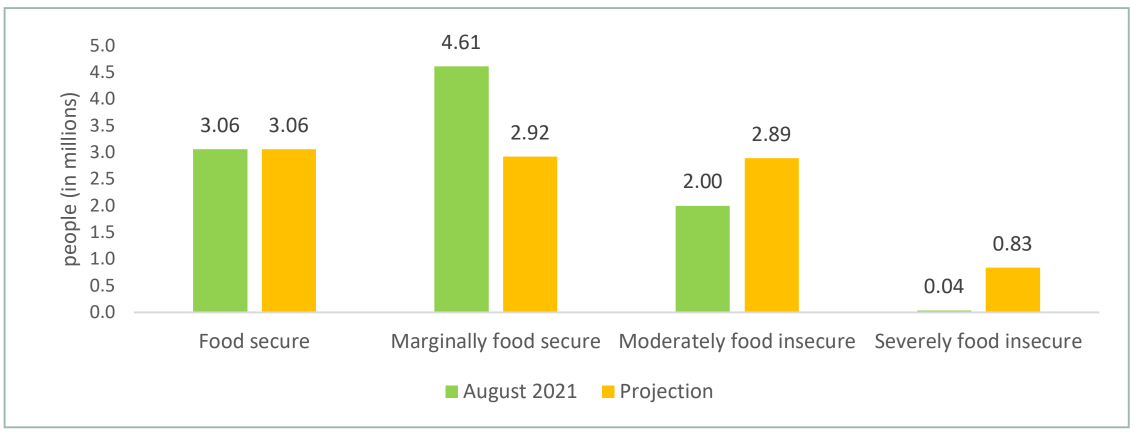

Fig 10: Projected increase in number of food insecure people because of remittance loss and price rise

At the regional level, a recently conducted Integrated Context Analysis (ICA) classified areas into three categories of food insecurity, namely, high, medium, and low using the current prevalence of 20 percent. Based on this, most areas of GBAO and DRS regions have high prevalence (>23%). An overlay of population highly vulnerable to remittance loss and food price rise shows that DRS region has the highest proportion of households that are likely to be affected followed by GBAO since the current food insecurity prevalence is already high in GBAO. It should be noted that prices are generally already high in GBAO compared to other regions given its remoteness. Some areas of Khatlon are also highly vulnerable (figure 11).

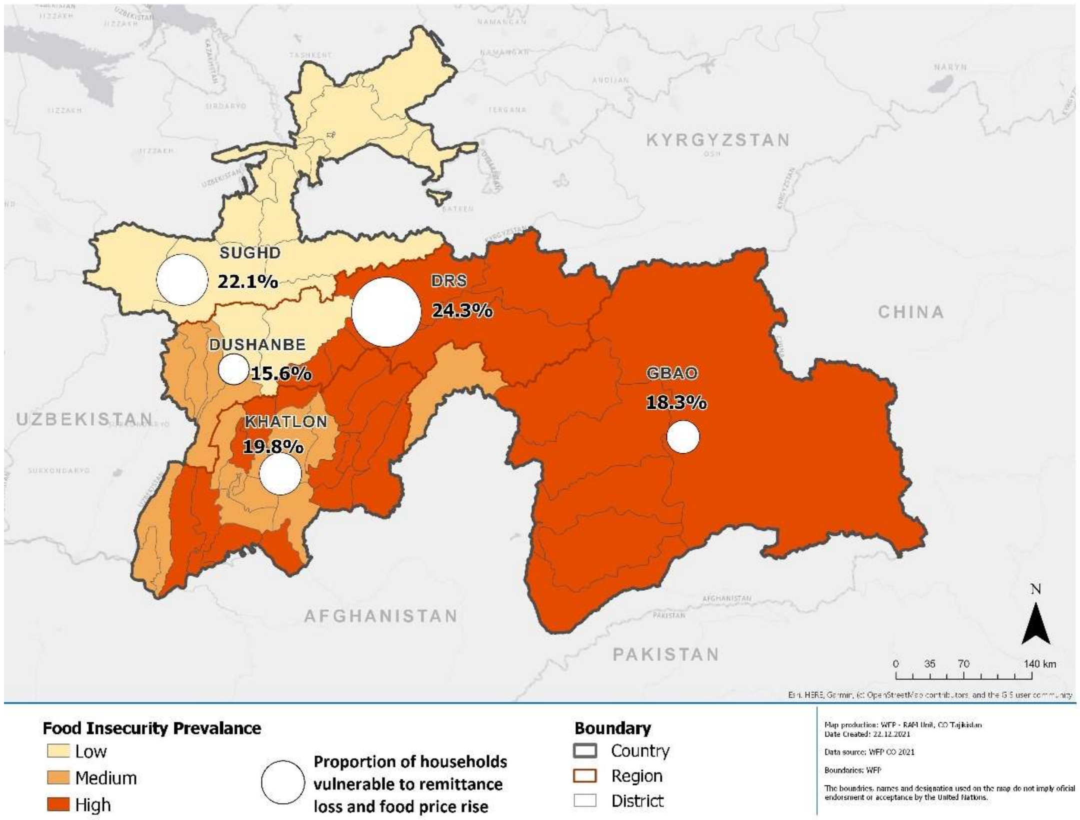

Figure 11: Map showing prevalence of food insecurity at household level and proportion of households expected to be highly exposed to remittance loss and food price rise. Source: WFP, ICA 2021

5. Recommendations

- Severe food insecurity is characterized by extreme food consumption gaps or significant loss of livelihoods or productive assets leading to consumption gaps. With the loss of remittances and price rise, severe food insecurity is projected to rise from less than 40,000 people to 830,000 people. Assistance to the most food insecure populations will need to be prioritized.

- Households under the moderate food insecurity category have sustained livelihood losses from adoption of livelihood eroding coping strategies. This is projected to increase from 2 million to 2.9 million people. Activities geared towards livelihoods recovery and creation of household and community productive assets will help prevent further deterioration in their food security situation.

- For existing projects, it is important to review the value of assistance provided to the households. This is especially critical for projects applying cash-based transfers, as the rising food prices will significantly diminish the value of their current entitlements.

- Given the current global market volatility associated with commodities mainly the food and fuel, it is also important to look for alternative suppliers if the countries the commodities are sourced from start implementing export bans which is already being done by Russia and Ukraine for wheat.