



TAJKISTAN
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Tajikistan is a landlocked country located in the Central Asia. Tajikistan presents select opportunities for investors who are willing to put significant research and effort into market development, and who have experience with the area. The government of Tajikistan (GOTI) has expressed interest in attracting more U.S. investment, but is still working to implement reforms that will allow them to become a more competitive investment destination.

Tajikistan became the 159th member of the World Trade Organization (WTO) on March 2, 2013. In 2013, Tajikistan adopted a new national Tax Code; however even with this reform the tax system still remains complex. Tajikistan is scheduled to join the 1961 Hague convention, On Abolishing the Requirement of Legalization for Foreign Public Documents, by the end of 2015. This will make it easier for investors to gain legal recognition of foreign contracts within Tajikistan.

Tajikistan has great potential for hydroelectric power generation, and is poised to expand seasonal electricity exports to South Asian markets along the CASA-1000 power transmission line and planned future lines. U.S. equipment manufacturers and construction firms will be able to bid on new hydroelectric dam construction projects. The Tajik government has also expressed an interest in developing its solar industry.

According to the World Bank, remittances from labor migrants accounted for 45.4 percent of GDP in 2014, making Tajikistan's the most remittance-dependent economy in the world. During this period, more than a million Tajiks worked abroad, primarily in Russia, and sent home more than USD 3.9 billion through the banking system as well as other informal channels, a USD 300 million decrease compared to 2013. The recent ruble devaluation and slowing Russian economy, along with new restrictions placed on migrant employment in Russia, is likely to decrease Tajikistan's 2015 remittance inflow by 35 percent, according to the International Monetary Fund's (IMF). Reduced opportunities for migrant labor could result in markedly higher unemployment in Tajikistan.

The GOTI is presently considering joining the Russian-led Eurasian Economic Union. Should they apply for membership and be accepted, it could result in higher trade tariffs and greater difficulty for U.S. firms to invest in Tajikistan.

Outside of the major cities, Tajikistan currently faces electricity rationing between October 1 through March 31, due to its heavy reliance on seasonal hydropower. The implementation of proposed infrastructure projects or energy trade agreements to resolve the winter energy deficit could end seasonal rationing and spur significant economic development.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The GOT courts mainly state-led investment and external loans from countries such as China, Russia, and Iran. There are no laws that discriminate against foreign investors by prohibiting, limiting, or conditioning foreign investment in any economic sectors.

Other Investment Policy Reviews

The United Nations Conference on Trade and Development (UNCTAD) conducted an investment policy review in Tajikistan in March 2015, and plans to release the report by the end of the year.

Tajikistan has not yet conducted a WTO Trade Policy Review. The WTO has not scheduled a review for Tajikistan in 2015.

Laws/Regulations of Foreign Direct Investment

Article 4 of Tajikistan's Investment Law guarantees equal rights for both local and foreign investors. Most of Tajikistan's current international agreements guarantee the most-favored-nation status. Per domestic law, foreigners can invest by jointly owning shares in existing companies with either other Tajik companies or Tajik citizens; by creating fully foreign-owned companies which operate according to Tajik law, or by concluding agreements with legal entities or citizens of Tajikistan that provide for other forms of foreign investment activity. Foreign firms may acquire assets, including shares and other securities, and land and mineral usage rights. Foreign firms may, also exercise all property rights to which they are entitled, either independently or shared with other Tajik companies and citizens of Tajikistan.

Tajik law recognizes the sanctity of contracts, but the efforts for judicial enforcement are poor. The judicial system lacks transparency.

www.mmk.tj is a repository of Tajikistan's laws, regulations and policies

www.doingbusiness.org/data/exploreeconomies/tajikistan is the World Bank's site that summarizes the steps required to complete various business functions in Tajikistan and calculates the average time required for each step.

tpp.tj/put2011/about_establish_company_eng.htm is the Tajik Chamber of Commerce and Industry's page listing steps required to establish a business in Tajikistan.

amcu.gki.tj/eng/ is the official site of the State Committee on Investments and State Property Management of the Republic of Tajikistan

Industrial Promotion

There is no sector-specific government program designed to attract investment. The State Committee on Investments and State Property Management's website (amcu.gki.tj/eng/) lists government-promoted investment opportunities.

Limits on Foreign Control

There are no limits on foreign ownership or control of firms, but local domestic law considers all land to belong exclusively to the state. There are no sector-specific restrictions that discriminate against market access.

Privatization Program

The GOTI conducted privatization on an ad-hoc basis in the 1990s and then again in the early 2000s. The government plans to split national electrical utility Barqi Tojik into three public/private partnerships, responsible for generation, transmission, and distribution, by the end of 2016. Foreign investors are able to participate in Tajikistan's privatization programs. There is a public bidding process, but privatization has historically been non-transparent. Privatized properties have been subject to re-nationalization, often on the grounds that the original privatization process was conducted illegally.

Screening of FDI

Potential investors must submit their proposals for screening by all concerned government agencies. This process can be lengthy. The State Committee on Investments and State Property Management circulates the investor's proposed statement of foreign investments among the relevant government offices and ministries with instructions to review and express their formal opinion. If a ministry objects to the proposed investment activity, it forwards an official note to the State Committee.

Screening proposals often involve background checks on the company, person(s) representing the company, and identification of a financial source to comply with anti-money laundering regulations. No U.S. businesses have commented that the screening mechanism constitutes a barrier to investment.

The purpose of the registration screening is to ensure that the proposed investment does not violate Tajik laws. If an investment fails review, the Tajik government may reject the registration application as incomplete. Applicants may appeal a rejection by filing suit in Tajikistan's court system.

Competition Law

The State Agency for Anti-Monopoly Policy and Enterprise Support is responsible for providing support for entrepreneurship; preventing and eliminating monopolistic activity, abuse of dominant market position, and unfair competition; and regulating prices for products of monopolistic enterprises.

Investment Trends

All types of investments (FDI, portfolio investments, and others) from Tajikistan's trading partners totaled USD 909 million in 2014, according to the data provided by the Tajik State Statistics Agency. FDI in Tajikistan reached USD 377.4 million in 2014. China, Great Britain, Iran, Russia, and Qatar were the leading foreign investor countries in Tajikistan in 2014, with a combined FDI stock of USD 325.3 million. China's FDI stock in Tajikistan, as of 2014, totaled USD 105.3 million, Great Britain's totaled USD 78.8 million (this number includes off-shore operations by Tajik companies registered in the British Virgin Islands), Iran's totaled USD 77.3 million, Russia's totaled USD 47 million, Qatar's totaled USD 16.9 million. All types of investments from other investor countries totaled USD 37.4 million during the same period,

according to the Tajik State Statistics Agency. The Ministry of Economic Development and Trade projects that, from 2015 to 2016, FDI stocks will hold steady at around USD 400 million.

The GOTI has publicly advocated for increased foreign investment, particularly in energy and transport infrastructure. Opportunities for investment exist in energy, telecommunications, construction, food processing, textiles, consumer goods, healthcare, natural resource extraction (minerals, oil, and gas), and tourism.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	152 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	166 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	137 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 990	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation (MCC), a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) or USD 4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

2. Conversion and Transfer Policies

Foreign Exchange

Tajikistan does not restrict conversion or transfer of monies if these sums are deemed to be reasonable. There are no legal limits on commercial or non-commercial transfers. Investors may freely convert funds associated with any form of investment into any world currency. Tajikistan's underdeveloped banking infrastructure, with strict government controls and limited capital, presents obstacles for investors in finding local sources of financing. Businesses often find it difficult to conduct large currency transactions due to the limited amount of foreign currency available in the domestic financial market. Investors are free to import currency.

The GOTI policy has been to support a stable exchange rate, maintaining the exchange rate at TJS 4.75/USD 1 from mid-2011 until early 2014. Supporting the TJS has depleted Tajikistan's foreign reserves. This, combined with economic problems in Russia, has resulted in a steady depreciation of Tajikistan's currency against the U.S. dollar. In February 2015, the International Monetary Fund (IMF) estimated that, if it were allowed to float freely, the Tajik somoni's equilibrium exchange rate would reach as high as TJS 11/USD 1.

Remittance Policies

There have been no recent changes or plans to change investment remittance policies. There are no time or quantity limitations on the inflow or outflow of funds for remittances of profits or revenue, though investors should be aware that Tajikistan's tax code classifies all inflows as revenue and taxes them accordingly.

According to the Financial Action Task Force, Tajikistan does not engage in currency manipulation tactics. The Financial Action Task Force monitors Tajikistan, but does not consider it a country of concern or a "country of primary concern."

3. Expropriation and Compensation

The GOT can legally expropriate property under the terms of Tajikistan's Law on Investments, Law on Privatization, Law on Joint Stock Companies, and Criminal Code. The laws authorize expropriation if the Tajik government identifies procedural violations in privatizations of state-owned assets or determines a property has been used in anti-government or criminal activities, as defined in the Criminal Code. Under the Law on Joint Stock Companies, the GOTI may request that a court cancel the private purchase of shares in State-owned enterprises (SOEs) if it determines that within the original sale there was a violation to the procedure

Tajikistan has a history of expropriating. The expropriation of these lands is based on the grounds that the properties involved were illegally privatized following Tajikistan's independence. Following an investigation by government anti-corruption, anti-monopoly, and other law enforcement agencies, the State Committee for Investments and Property Management can issue a finding that the asset was illegally privatized, and request that the Tajik court system order its return to government control. Local domestic law requires owners to be reimbursed for expropriated property, but the amount of the compensation is usually well below the property's fair market value.

In several cases, Tajik officials have used government regulatory agencies to pressure businesses and individuals into ceding properties and business assets. Due process was not provided in these cases.

The Tajik government has not shown any pattern of discrimination against U.S. persons by way of illegal expropriation. There are no "high-risk" sectors prone to expropriation actions.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Tajikistan has a civil legal system with a substantial body of legal codes either inherited from the Soviet Union or developed after their independence. Tajikistan's court system hears cases on the enforcement of property ownership and contract enforcement. Commercial disputes are usually resolved in less than one year.

Tajikistan has a written body of commercial and contractual law, which generally conforms to international standards, though implementation and consistent interpretation are often lacking.

Tajikistan has specialized economic courts to hear commercial disputes, but no separate judicial system to process intellectual property rights claims. Tajikistan's judiciary lacks independence.

In 2012, Tajikistan became a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). Nevertheless, the local courts, refused to enforce a 2013 ruling by a Swiss tribunal against the state-owned Tajik Aluminum Company.

Bankruptcy

Under the 2003 Law on Bankruptcy, both creditors and debtors may file for an insolvent firm's liquidation. The debtor may reject overly burdensome contracts, but may not continue contracts supplying essential goods or services or avoid preferential or undervalued transactions. The law does not provide for the possibility of the debtor obtaining credit after the commencement of insolvency proceedings. Creditors have the right to demand the debtor return creditors' property if that property was assigned to the debtor less than four months prior to the institution of bankruptcy proceedings. Tajik law does not criminalize bankruptcy.

Investment Disputes

Disputes involving foreign investors have been primarily centered on the implementation of investment incentives. In the last ten years, three foreign investors have reported they were unable to utilize the promised value-added tax exemption on imported items. Tajik procedures require businesses seeking exemption to submit a list of goods to be imported in January, and the exemption expires at the end of December that year. In practice, the Tajik government often does not approve such exemptions before October of each year, causing firms to incur substantial costs due to the delay. Firms that have paid the VAT and filed for reimbursement have been told that the Tajik government lacks a legal mechanism to refund the money.

The GOTI has also been involved in disputes with the governments of Iran and Russia over revenue sharing arrangements at the jointly-owned Sangtuda-1 and Sangtuda-2 hydroelectric power plants.

International Arbitration

Tajikistan has signed bilateral agreements with several countries on arbitration and investment disputes, but local domestic courts do not always properly enforce or recognize awards. Domestic legislation provides for enforcement of arbitral awards under both the 1958 New York Convention and the ICSID Convention, but implementation remains inconsistent.

Tajikistan's Third Party Arbitration Courts (TPAC) settle disputes between parties outside of the formal legal system. Decisions from TPAC bodies are recognized by Tajik courts. In practice, however, these courts are primarily used to resolve disputes over agricultural plot demarcations as part of the land reform process, and do not serve as venues to resolve non-agricultural commercial disputes.

ICSID Convention and New York Convention

In 1993, Tajikistan became a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). In 2012, Tajikistan became a signatory to the convention on the Recognition and enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

It takes an average of 430 days to obtain a resolution on a commercial dispute/contract enforcement proceeding in Tajikistan - 40 for filing and service, 120 for trial and judgment, and 270 for enforcement of the decision. No data is available on the average duration of investment dispute resolution.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The GOTI does not maintain any measures that are inconsistent with Trade Related Investment Measures (TRIMs) requirements. The GOTI encourages investors to purchase locally, but recognizes the limited supply of domestic products and therefore does not make it a requirement. The GOTI has adopted an action plan which foresees full implementation of its WTO obligations by 2017.

Investment Incentives

Tax benefits and customs preferences include tax exemptions for certain categories of imported equipment, cotton processors, and hydropower construction, and income tax holidays for production facilities of up to five years, depending on the size of the investment. Investors receive tax benefits in accordance with the Tax Code and Customs Code of the Republic of Tajikistan.

Current legislation provides equal tax and customs incentives to local and foreign investors. In practice, companies with close connections to the government often receive preferential

treatment. Operating from a Soviet-era legal code that views anything beneath the land's surface as a potential state secret, the government has been reluctant to offer mining concessions to foreign companies. An effort to revise the legislation is underway, and the government has made some effort to attract foreign mining projects, but generally only on the condition that the State is given a controlling interest or receives a substantial advance payment. The government has also established four Free Economic Zones that provide reduced taxes and customs fees to clients located therein.

Research and Development

U.S. and other foreign firms are not legally restricted from participating in government financed or subsidized research and development programs, but limited government resources make such opportunities few and far between.

Performance Requirements

Joint stock companies with foreign investors receive significant tax incentives that are not offered to private companies with domestic investors. The government does not formally impose performance requirements as a condition for establishing, maintaining, or expanding investment.

Under the Law on Foreign Investment, not less than 70 percent of employees in foreign-owned enterprises must be local employees, though this requirement is sometimes waived.

It is possible to obtain visas and residence/work permits, but applicants are required to provide documentary support, and most permits are limited to a maximum of one year in duration.

As a government-imposed condition on permission to invest, relevant ministries must review and approve all investment proposals.

Data Storage

The GOTI does not impose a forced localization policy to require investors to use domestic content in goods or technology.

Tajikistan abandoned its plan to require IT providers to turn over source code and provide access for surveillance purposes in 2009, due both to lobbying from telecom providers and appreciation of the high cost of creating and maintaining such a monitoring system.

6. Right to Private Ownership and Establishment

Private entities may establish and own businesses and engage in almost all forms of remunerative activity. Under local domestic law, foreign entities may establish, acquire, and dispose of interests in business enterprises.

7. Protection of Property Rights

Real Property

When secured interests in property do exist, enforcement remains an issue. Investors should be aware that establishing title may be a more involved process than in Western countries, because ownership is often unclear. The GOTI has re-nationalized former state-owned properties in cases where it claims the original privatization had been carried out illegally.

The government passed mortgage legislation in March 2008 which allows parties to use immovable property as collateral. The GOTI has adopted a revised Land Code in August 2012. A cadaster system to record, protect, and facilitate acquisition and disposition of property exists, but needs improvement.

According to local domestic law, all land belongs exclusively to the state; individuals or entities may be granted first- or second-tier land use rights. The government restricts foreigners' first-tier land use rights to 50 years, while Tajik individuals and entities have indefinite first-tier land use rights. Foreigners' second-tier land use rights are similar to those of Tajik individuals and entities, and first-tier land use rights holders may grant them under lease agreements for up to 20 years. Ownership of rural land use rights can be particularly opaque, since many nominally privatized former collective farms continue to operate as a single entity. Many of the new owners do not know where their land is and do not exercise their property rights.

Intellectual Property Rights

Tajikistan is party to several international conventions that protect intellectual property rights (IPR), including the World Intellectual Property Organization (WIPO) Convention, but has left seven of the 24 WIPO treaties unsigned, including the Patent Law treaty. Tajikistan budgets limited resources for enforcement, and splits regulatory authority between the Ministry of Economic Development and Trade, the Ministry of Interior, and the Ministry of Agriculture. Most software and other media products sold in Tajikistan are unlicensed copies, and many brand name consumer goods are counterfeit.

No new IPR related laws or regulations were enacted in 2014, though the Tajik government did formulate an action plan for the implementation of World Trade Organization (WTO) obligations, which includes IPR enforcement provisions as part of the Trade Related Aspects of Intellectual Property Rights (TRIPS) requirements.

In 2012, the GOTI opened 415 criminal cases, 289 of them for consumer fraud under Article 156 of the Civil Code relating to seizures of counterfeit goods. In 2011, this total was up to 369 criminal cases of which 271 were for consumer fraud. The Tajik Ministry of Interior was unwilling to release enforcement statistics for 2013 and beyond, citing a lack of resources. Information on successful prosecutions is likewise unavailable.

Tajikistan is on the watch list of the USTR's Special 301 report. Tajikistan pledged to improve IPR enforcement as part of its WTO membership, but it has not yet taken concrete action to comply with WTO IPR protection requirements. The Tajik government has drafted a 2014 –

2020 National Strategy for the Development of Intellectual Property, but says it needs funding from outside donors to implement it. Tajikistan does not devote the resources necessary to stop the widespread importation and sale of pirated and counterfeit goods. Pirated software and audio-visual media remain widely available in Tajikistan.

As part of its WTO accession process, Tajikistan amended its Customs Code to provide ex officio authority to its customs officers to seize and destroy counterfeit goods, but has not begun practical implementation of the amended code.

Tajikistan's Law on Quality and Safety of Products requires IPR violators to pay all expenses for storage, transportation, and destruction of counterfeit goods.

To register a patent or trademark with the National Center for Patents and Information (NCPI), applicants must submit an application with all relevant information on the IP, and pay a fee. The NCPI (www.ncpi.tj) will search its records for conflicts and, if none are found, register the IP within 30 days from the time the application is received.

Tajikistan's weak implementation of its intellectual property rights laws makes it difficult for investors to enforce their rights. IPR enforcement has the potential to improve if the Tajik government effectively implements its action plan to comply with WTO TRIPS requirements. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

U.S. Embassy
Economic Section
Dushanbe-ICS@state.gov

American Chamber of Commerce in Tajikistan
+992 (93) 577 23 23
+992 (93) 577 29 29
Director@amcham.tj
Info@amcham.tj

Public list of local lawyers:
<http://photos.state.gov/libraries/tajikistan/231771/PDFs/list-of-lawyers-in-dushanbe-2014.pdf>

8. Transparency of the Regulatory System

Tajikistan's regulatory system lacks transparency. Executive documents -- presidential decrees, laws, government orders, instructions, ministerial memos, and regulations -- are often inaccessible to the public. Each ministry has its own set of unpublished regulations that may contradict laws or the regulations of other ministries.

Proposed laws and regulations are not usually published in draft form for public comment. Although the Tajik government solicited public comment on the 2013 Tax Code, it did not modify the draft law based on the input received.

TajikStandard, the government agency responsible for certifying goods and services, calibrating and accrediting testing laboratories, and supervising compliance with state standards, lacks experts and appropriate equipment. TajikStandard does not publish its fees for licenses and certificates, or its regulatory requirements.

Tajikistan is working towards adopting international accounting standards, but these are not yet implemented.

9. Efficient Capital Markets and Portfolio Investment

Foreign portfolio investment is not a priority of the Tajik government. Tajikistan lacks a securities market. According to government statistics, portfolio investment in Tajikistan in 2014 totaled USD 1,200. The Tajik government does not regard it as a significant sector of the national economy.

Tajikistan does not have an effective regulatory system to encourage and facilitate portfolio investment. There is little liquidity in Tajikistan's markets. Tajikistan has not established policies to facilitate the free flow of financial resources into product and factor markets, as these do not exist in Tajikistan.

Tajikistan does not place any restrictions on payments and transfers for current international transactions, per IMF Article VIII. It regards transfers from all international sources as revenue, however, and assesses taxes accordingly.

The private sector has access to several different credit instruments. Foreign investors could get credit on the local market, but those currently operating in Tajikistan do not rely on local credit sources due to high interest rates on loans. Local financial institutions offer only a limited range of credit instruments.

Money and Banking System, Hostile Takeovers

Tajikistan's banking system faces numerous challenges: insufficient capital, limited services, consumer mistrust, and high interest rates (averaging 25.72 percent for local currency loans and 23.67 percent for foreign currency loans). Analysts estimate 20 percent of the overall credit portfolio to be non-performing. Loans to small and medium enterprises are healthier, with a 14.05 percent non-performance rate.

As of December 2014, estimated banking sector assets totaled USD 2.50 billion, held by 17 banks, one non-banking financial organization, and 120 microfinance organizations. The National Bank of Tajikistan (www.nbt.tj) serves as the central bank.

To establish a bank account, foreigners need to submit a letter of application, a copy of their passport, and their Tajik government-issued taxpayer identification number.

Without a securities market, Tajikistan does not have hostile takeovers in the traditional sense. Politically connected individuals, however, may seek to acquire ownership of a desired business or business assets through political pressure and court rulings.

10. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are active in travel, automotive/ground transportation, energy/mining, metal manufacturing/products, food processing/ packaging; agricultural, construction, building & heavy equipment; services; finance; and information & communication. The GOTI divested itself of smaller SOEs in successive waves of privatization, but retained ownership of the largest Soviet-era enterprises and any sector deemed to be a natural monopoly.

The State Committee for Investments and State-Owned Property Management maintains a database of all SOEs in Tajikistan, but does not make this information publicly available.

Major SOEs include:

Travel: "Tajik Air," "Dushanbe Airport," "Kulob Airport," "Qurghonteppa Airport," "Khujand Airport," and "Tajik Air Navigation;"

Automotive & Ground Transportation: "Tajik Railways;"

Energy & Mining: "Barqi Tojik," "TajikTransGas," "Oil, Gas, and Coal," and "VostokRedMet;"

Metal Manufacturing & Products: "Tajik Aluminum Company (TALCO)," and "AluminSohtMon (TALCO subsidiary);"

Agricultural, Construction, Building & Heavy Equipment: "Tajik Cement;"

Food Processing & Packaging: "Konservniy Combinat Isfara;"

Services: "Dushanbe Water and Sewer," "Vodokanal Khujand," and "ZhKX (water utility);"

Finance: "AmonatBonk (savings bank)," "TajikSarmoyaguzor (insurance)," "TajikSugurta (insurance);"

Information & Communication: "Tajik Telecom," "Tajik Post," and "TeleRadioCom"

The GOTI defines SOEs as either being 100 percent owned by the government, or private companies in which the government holds at least a 51 percent participation.

Tajik SOEs lack research and development budgets.

In sectors that are open to both the private sector and foreign competition, SOEs receive a larger percentage of government contracts/business than their private sector competitors. As a general rule, private companies cannot compete successfully with SOEs unless they have good government connections.

SOEs purchase goods and services from, and supply them to, private sector and foreign firms through the Tajik government's tender process. Tajikistan has undertaken a commitment, as part of its WTO accession protocol, to initiate accession to the Government Procurement Agreement (GPA). At present, however, Tajik SOEs are not covered under the GPA.

Per government policy, private enterprises cannot compete with SOEs under the same terms and conditions with respect to market share, products/services, and incentives. Private enterprises do

not have the same access to financing as SOEs. Most lending from state-owned banks is politically directed.

Local domestic law makes SOEs subject to the same tax burden and tax rebate policies as their private sector competitors, but the Tajik government regularly writes off SOE tax debts via administrative orders or decrees. SOEs are afforded material advantages, including preferential access to land and raw materials that are not granted to private enterprises.

SOEs have budget constraints under Tajik law. The Ministry of Finance, Agency for State Financial Control and Fight with Corruption, and Accounting Chamber are responsible for enforcement.

OECD Guidelines on Corporate Governance of SOEs

The GOTI appoints directors and boards to SOEs, but their actions are not governed or reviewed by any internal control procedures. Tajik SOEs do not adhere to the OECD Guidelines on Corporate Governance for SOEs. Third party market analysts regard SOEs as closely connected to the Tajik government. When SOEs are involved in investment disputes, it is highly likely that the domestic courts will find in the SOE's favor. Court processes are generally non-transparent and discriminatory.

Sovereign Wealth Funds

Tajikistan does not have a sovereign wealth fund. Tajikistan lacks a securities market, so it is not possible for the Tajik government to make portfolio investments domestically.

11. Corporate Social Responsibility

There is little awareness of corporate social responsibility in the international sense in Tajikistan. Some corporations do engage in voluntary community assistance on an ad hoc basis, and others have financed public infrastructure projects (schools, hospitals, stadiums, power plants) at government request. International investors generally adhere to their parent corporation's social responsibility standards.

The Tajik government enforces consumer protection and environmental protection laws through its Law on Consumer Protection and the Committee on Environmental Protection. Citizens may file lawsuits against violators of consumer rights or environmental laws through the court system. Tajikistan's state Labor Union is charged with safeguarding labor and employment rights under Tajikistan's laws. In practice, enforcement is minimally effective. Neither the press nor civil society monitor compliance with labor, environment, or consumer protection laws.

The Tajik government lacks corporate governance, accounting, or executive compensation standards to protect shareholders. The Tajik government does not encourage public disclosure of these issues.

The Aga Khan Foundation's Civil Society Program held a round-table discussion to promote awareness of corporate social responsibility in 2010. At that time, participants noted the concept

was new to the region, and was frequently viewed as either philanthropy or charity, or as a corporate liability.

OECD Guidelines for Multinational Enterprises

The Tajik government has not formally encouraged foreign and local enterprises to follow generally accepted corporate social responsibility principles by adhering to OECD Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights.

12. Political Violence

Tajikistan has a history of politically motivated violence, having suffered through a civil war that lasted from 1992 to 1997, when all factions signed a peace agreement that involved power-sharing provisions. Since the end of the war, political violence has been rare and isolated.

In 2014, residents of Khorugh staged a three-day protest during which a police officer and several local residents were killed. The protest ended peacefully after representatives of Khorugh civil society negotiated with central government officials.

In 2014, the leader of the banned anti-government organization Group 24, Umarali Quvvatov, used social media to call for public anti-government protests and the violent overthrow of the current regime. The Tajik public did not endorse Group 24's call for anti-government protests, and the planned rally did not occur. In March 2015, Quvvatov was killed by unknown parties while in exile in Istanbul.

In 2012, the Tajik government conducted security operations in the Gorno-Badakhshon Autonomous Region after the head of the regional branch of the State Committee on National Security was murdered. These operations resulted in the deaths of an unconfirmed number of government security agents and armed residents of the Khorugh region.

The only example of political violence damaging projects or installations in the past ten years was the burning of a police station during the 2014 protests in Khorugh.

13. Corruption

Tajikistan has enacted anti-corruption legislation, but enforcement is highly selective, and generally ineffective in combating corruption of public officials. In February 2015, President Rahmon dismissed senior staff at the Agency for State Financial Control and Fight with Corruption and appointed his eldest son as the new head in an effort to improve enforcement, but it is too early to judge the impact of this action.

Tajikistan's anti-corruption laws officially extend to family members of officials and political parties.

The Tajik government does not require private companies to establish internal codes of conduct that prohibit bribery of public officials. Prosecutions for corruption, including bribery, are primarily politically motivated.

Few private companies in Tajikistan use internal controls, ethics, or compliance programs to detect and prevent bribery of government officials.

Tajikistan does not specifically provide protection to NGOs involved in investigating corruption. There is a general lack of coordinated public and civil society activism on the issue of corruption.

U.S. firms have identified corruption as an obstacle to FDI, and have reported instances of corruption in government procurement, award of licenses and concessions, dispute settlements, regulations, customs, and taxation.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Tajikistan became a signatory to the UN Anticorruption Convention on September 25, 2006. Tajikistan is not party to the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

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14. Bilateral Investment Agreements

Tajikistan has signed bilateral investment treaties (BITs) with Austria, Azerbaijan, Belarus, China, the Czech Republic, France, Germany, India, the Islamic Republic of Iran, the Republic of Korea, Kuwait, Lithuania, the Republic of Moldova, Mongolia, the Netherlands, Slovakia, Spain, Switzerland, and Turkey. These BITs are in force. It has signed BITs which are not yet in force with Algeria, Armenia, the Belgium-Luxembourg Economic Union, Indonesia, Kazakhstan, Kyrgyzstan, Pakistan, Qatar, the Russian Federation, the Syrian Arab Republic, Thailand, Turkmenistan, Ukraine, the United Arab Emirates, and Vietnam.

Tajikistan's other investment agreements include: the Eurasian Investment Agreement with Belarus, Kazakhstan, Kyrgyzstan, and the Russian Federation (not yet in force); the Economic Cooperation Organization Investment Agreement (not yet in force); the European Community-Tajikistan Partnership Agreement with the European Union; the Commonwealth of Independent States Investor Rights Convention with Armenia, Belarus, Kazakhstan, Kyrgyzstan, and the Republic of Moldova; the Energy Charter Treaty; and the Organization of the Islamic Conference Investment Agreement.

Tajikistan currently has bilateral agreements to avoid double taxation with Russia, Belarus, Ukraine, Azerbaijan, Turkey, United Kingdom, Belgium, Bahrain, Kuwait, South Korea, Thailand, Austria, Finland, Luxembourg, and China.

Tajikistan became a signatory to the Trade and Investment Framework Agreement between the United States, Uzbekistan, Turkmenistan, Kyrgyzstan, Kazakhstan, and Tajikistan in 2004, but Tajikistan and the U.S. have not signed either a Free Trade Agreement containing an investment chapter, or a bilateral investment treaty.

Bilateral Taxation Treaties

Tajikistan is one of the former Soviet Republics which are not covered by the treaty with the Commonwealth of Independent States (CIS), formerly known as the Union of Soviet Socialist Republics (USSR). In 1992, Tajikistan pledged to uphold treaty obligations inherited from the USSR, including the 1973 Income Tax Treaty which entered into force in 1976.

Tajikistan adopted a new national tax code on January 1, 2013, but Tajikistan's tax system remains internally inconsistent and administratively burdensome. Investors should be aware that they will be required to pay social security taxes on non-Tajik employee's salaries, and that any financial transfers from parent companies to branches within Tajikistan will be taxed as revenue. Investors who qualify for value-added tax (VAT) exemption on imported materials should be aware that applications for exemption may be submitted on January 1 and any exemption granted will expire on December 31 of that year, but in practice, exemptions are often not granted until October, leaving a very narrow window to take advantage of the exemption. The exemption is granted retroactively, but the Tajik government has said the Tax Code has no legal mechanism to authorize refunds of VAT paid prior to the exemption being granted.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investments Corporation (OPIC) is active in Tajikistan. Tajikistan signed an investment incentive agreement with the United States of America in 1992, with provisions for issuing investment insurance, loans, and guarantees administered by OPIC.

OPIC has supported a beverage bottling project in 2000, and currently provides loans to microfinance organizations. OPIC is also exploring financing campus expansion of the University of Central Asia.

16. Labor

As of December 2014, the official unemployment rate in Tajikistan was reported as 2.4 percent, but this does not include the roughly one million citizens (12.5 percent of the population) that seasonally emigrate in search of work in other countries - primarily Russia. Unskilled labor is widely available, but skilled labor is often in short supply, as many Tajiks with marketable skills have chosen to emigrate due to limited domestic employment opportunities. Corruption in secondary schools and universities means degrees may not accurately reflect an applicant's level of professional training or competency.

Due to its weak education system, Tajikistan's domestic labor force is generally becoming less skilled, and is ill-equipped to provide international standards of customer service and management. Foreign businesses and nongovernmental organizations report difficulty recruiting qualified staff for their organizations in all specialties.

The Tajik Ministry of Labor and Social Protection announced a plan to expand its network of training centers at which Tajik workers can become more marketable. The curriculum at these centers is primarily focused on the migrant community, offering training in English, Russian language, culture, and history, certification of a worker's existing skills, and short term vocational training as welders, electricians, tractor operators, textile workers, and confectioners.

The Law on Investments stipulates that at least 70 percent of employees at foreign owned businesses must be Tajik nationals.

Article 38 of Tajikistan's Labor Code gives employers the right to change workers' contracts (remuneration, hours, responsibilities, etc.) due to fluctuating market conditions. If the worker does not accept the amended contract, the worker may be terminated, but is entitled to a severance payment equivalent to two months of salary payments.

There are no special regulations regarding treatment of labor in Tajikistan's four free economic zones.

The labor market favors employers. Although the majority of workers are technically unionized, most are not aware of their rights, and few unions effectively advocate for workers' rights. The Tajik government controls unions, and the national trade union federation has not had many disputes with the government. Tajikistan has no formal labor dispute resolution mechanisms. Although collective bargaining has been known to occur, it is rare. There have been no significant labor strikes in Tajikistan.

Tajikistan's 1997 Labor Code contains regulations requiring specially authorized independent inspectorates, public sanitary inspectorates, and trade unions to monitor labor abuses, health, and safety standards in low-wage assembly operations. In practice, enforcement is not effective.

Tajikistan's Labor Code grants certain international labor rights, such as freedom of association, bans on forced labor, prohibitions on employment discrimination, and the guarantee of time off work by adherence to specified weekly work hours. It makes adherence to safety and health requirements the responsibility of the employee. In 2011, President Rahmon issued a decree

banning the practice of having schoolchildren harvest cotton, and most regions in Tajikistan are now compliant. Tajikistan is party to 44 international labor conventions, including the Worst Forms of Child Labor Convention.

Tajikistan's Labor Code does not include any provisions for waiving labor regulations to attract or retain investments, but the Tajik government has waived the 70 percent requirement for the employment of Tajik workers in some cases.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

The Government of Tajikistan has established four Free Economic Zones (FEZs) that offer greatly reduced taxes and customs fees to both foreign and domestic businesses located in the zones. The legislation for the FEZs has been modified several times since the start of the process, but current law requires a minimum investment of USD 500,000 for manufacturing companies, USD 50,000 for trading companies, and USD 10,000 for consulting and service companies, before being eligible for the preferential tax treatment.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	9,250	2013	8,500	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	15	N/A	N/A	Tajikistan is not listed in international or USG data sources.
Host country's FDI in the United States (\$M USD, stock positions)	Q1-Q3 2013	1.9	N/A	N/A	Tajikistan is not listed in international or USG data sources.
Total inbound stock of FDI as % host GDP	Q1-Q3 2013	0.00008 %	N/A	N/A	Tajikistan is not listed in international or USG data sources.

*National Bank of Tajikistan and State Statistics Agency of Tajikistan

Table 3: Sources and Destination of FDI

Tajikistan is not included in the IMF's Coordinated Direct Investment Survey. The data in the table below is from the State Statistics Agency of Tajikistan. The British Virgin Islands are a major source of inward FDI, with the ultimate source being Tajikistan. Available data indicates that Tajikistan has no significant outward direct investment.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	377.4	100%	Total Outward	0	100%
China	105.3	27.9%			
Great Britain (British Virgin Islands)	78.8	20.9%			
Russia	47	12.5%			
Qatar	16.9	4.5%			
United States of America	15	4%			
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

The IMF did not include Tajikistan in its Coordinated Portfolio Investment Survey. Tajikistan does not have a developed securities market. Total portfolio investment in 2014, according to the State Statistics Agency of Tajikistan, totaled USD 1,200. Local data sources did not indicate whether this amount was for equity or debt securities.

19. Contact for More Information

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