

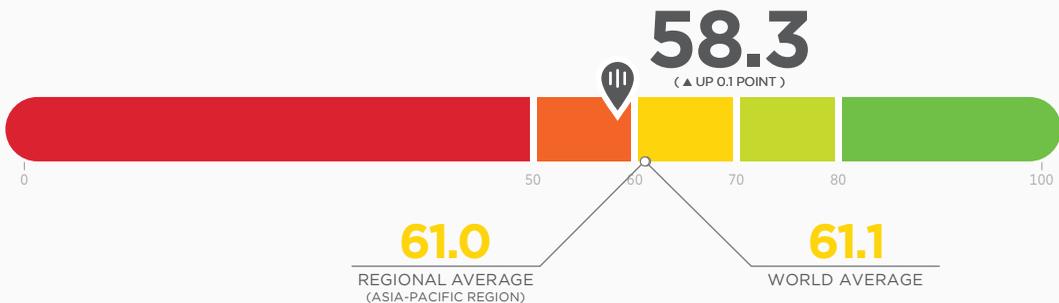
TAJIKISTAN

Tajikistan's economic freedom score is 58.3, making its economy the 106th freest in the 2018 *Index*. Its overall score has increased by 0.1 point, with improvements in **government integrity** and **judicial effectiveness** offsetting lower scores for the **fiscal health** and **trade freedom** indicators. Tajikistan is ranked 23rd among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Tajikistan's poor business climate, burdensome bureaucratic regulations, and inconsistent administration remain impediments to foreign investment. The banking sector is on the verge of collapse and presents a major constraint for investment prospects. The central bank's expenditures to support the weakening currency have left little space for additional fiscal or monetary measures. Despite some progress in privatizing small and medium-size public enterprises, private-sector development has been slow. The rule of law is exceptionally weak, and Tajikistan remains one of the world's most corrupt nations.

WORLD RANK: **106**
REGIONAL RANK: **23**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

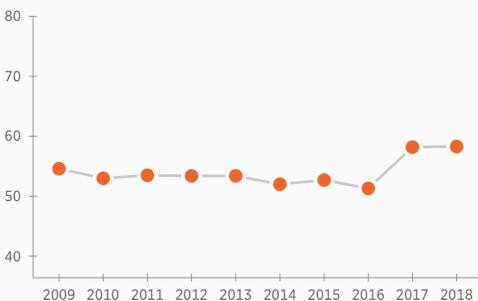


NOTABLE SUCCESSES:
Tax Policy and Fiscal Policy

CONCERNS:
Investment Freedom, Financial Freedom, and Government Integrity

OVERALL SCORE CHANGE SINCE 2014:
+6.3

FREEDOM TREND



QUICK FACTS

POPULATION:
8.7 million

GDP (PPP):
\$26.0 billion
6.9% growth in 2016
5-year compound annual growth 6.9%
\$3,008 per capita

UNEMPLOYMENT:
10.8%

INFLATION (CPI):
5.9%

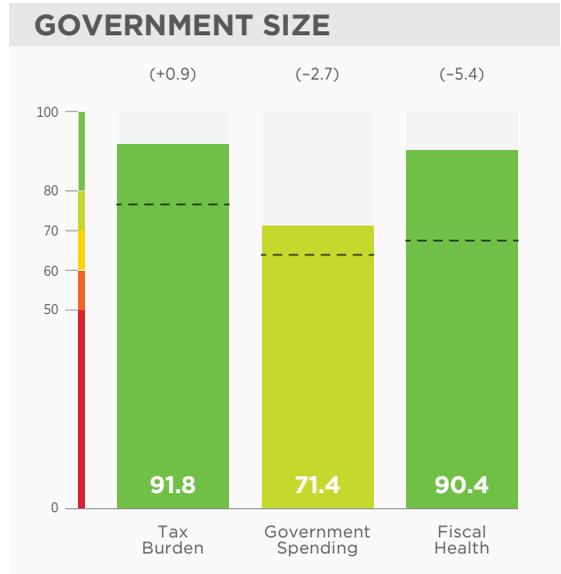
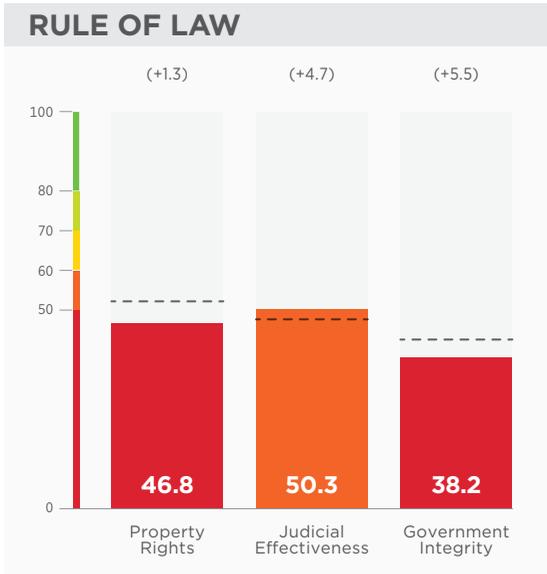
FDI INFLOW:
\$434.2 million

PUBLIC DEBT:
35.3% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017

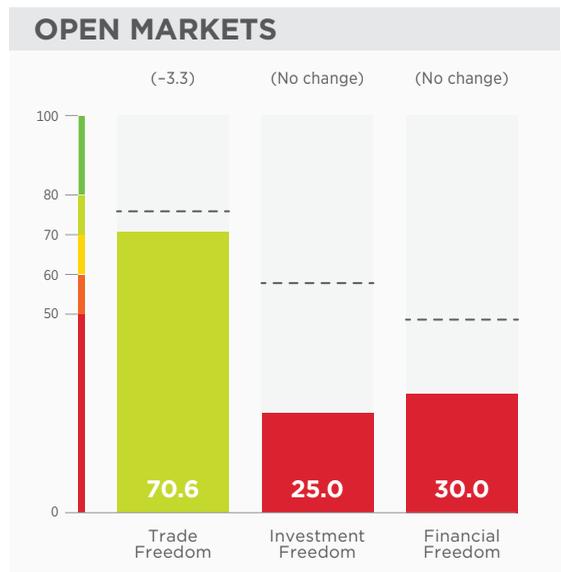
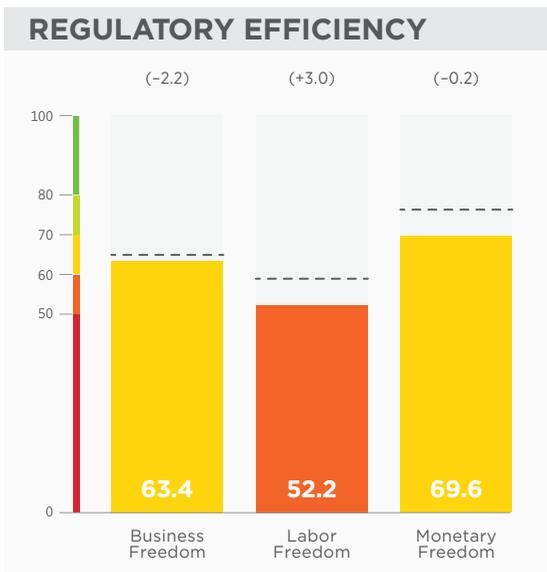
BACKGROUND: Ethnic Uzbeks are still a substantial minority in this mountainous country, created in 1924 as an autonomous republic within Uzbekistan. Tajikistan has one of the lowest per capita GDPs among the 15 former Soviet republics. Autocratic President Emomali Rahmon has been in power since 1994. His ruling party's parliamentary election victory in 2015 was criticized by international monitors. For the first time since independence in 1991, the Communist and Islamic Renaissance parties failed to clear the 5 percent threshold needed to win seats. Relations with Uzbekistan are strained, and the border with Afghanistan remains porous. Tajikistan relies heavily on revenues from aluminum, gold, and cotton exports. Illegal drug trafficking and emigrants' remittances account for more than 25 percent of GDP.

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Although a cadaster system exists, property ownership is often unclear, and even when secured interests in property do exist, enforcement remains an issue. Under Tajik law, all land belongs to the state. The poorly trained judiciary lacks independence, and bribery is reportedly widespread. Corruption is pervasive. Patronage networks and regional affiliations are central to political life.

The top individual income tax rate is 13 percent. The statutory corporate tax rate is 15 percent. Other taxes include a value-added tax. The overall tax burden equals 20.6 percent of total domestic income. Over the past three years, government spending has amounted to 30.9 percent of total output (GDP), and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 35.3 percent of GDP.



Tajikistan's regulatory system lacks transparency, and entrepreneurial activity is often hampered by state interference that creates uncertainty and bureaucratic barriers. Unskilled labor is widely available, but skilled labor is not. Price controls and large subsidies to numerous state-owned enterprises cost the economy about 3 percent of GDP, although the electricity tariff was raised by 16 percent in 2016.

Trade is significant for Tajikistan's economy; the combined value of exports and imports equals 53 percent of GDP. The average applied tariff rate is 7.2 percent. Nontariff barriers impede trade. The government screens new investment and owns all the land, and the regulatory system limits foreign investment. Financial-sector assets have grown, but continued state interference seriously handicaps capital acquisition for private-sector development.