



Tajikistan Country Strategy

2020-2025

Approved by the Board of Directors on 26 February 2020



European Bank
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Glossary of Key Terms

ABI	Annual Business Investment	ICA	Industry, Commerce & Agribusiness
ASB	Advice for Small Businesses	IFI	International Financial Institution
BEEPS	Business Environment and Enterprise Performance Survey	IPPF	Infrastructure Project Preparation Facility
BOT	Build-Operate-Transfer	LCY	Local Currency
CoO	Country of Operations	LSE	London Stock Exchange
CPI	Consumer Price Index	M&A	Mergers and Acquisitions
CSR	Corporate Social Responsibility	M&S	Manufacturing & Services
EBRD	European Bank for Reconstruction and Development	MSME	Micro, Small and Medium Enterprise
EE	Energy Efficiency	NBFI	Non-Bank Financial Institution
E5P	Eastern Europe Energy Efficiency and Environment Partnership	NDC	Nationally Determined Contribution
EIB	European Investment Bank	NPL	Non-Performing Loans
ETI	Expected Transition Impact	PFI	Private Financial Institution
EU	European Union	PPA	Power Purchase Agreement
E&S	Environmental & Social	PPP	Public-Private Partnership
FDI	Foreign Direct Investment	PSP	Private Sector Participation
FI	Financial Institution	PTI	Portfolio Transition Impact
GCAP	Green City Action Plan	RSF	Risk Sharing Facility
GEFF	Green Economy Financing Facility	SEFF	Sustainable Energy Financing Framework
GET	Green Economy Transition	SOB	State-Owned Bank
GHG	Green House Gas	SOE	State-Owned Enterprise
GNI	Gross National Income	TC	Technical Cooperation
GoT	Government of Tajikistan	TFP	Trade Finance Programme
GVC	Global Value Chains	WiB	Women in Business programme
H&S	Health & Safety		
IC	Investment Council		

The Republic of Tajikistan's commitment to and application of the principles set out in Article 1 of the Agreement Establishing the Bank over the previous Country Strategy period has received a mixed assessment by relevant international bodies. They have welcomed some improvements in the legislative framework, while raising concerns about retrograde steps in other areas. They have also raised a series of concerns about the application of the legal framework for democracy and human rights in practice.

Tajikistan has achieved and maintained political stability since the end of the civil war in 1997 but continues to struggle with economic and social challenges. Real GDP growth was above 7 % in recent years despite the fragility of the banking sector and heightened fiscal pressures. Limited economic opportunities have led to migration and increased reliance on remittances as source of income. The investment climate and business environment remain challenging, which creates difficulties for developing businesses despite the government's efforts to encourage entrepreneurship and the acceleration in reforms in recent years. Limited capacity and resources of government institutions, high level of bureaucracy, and burdensome regulations are major hindrances to private sector development. Rule of law and judicial system also need to be developed to address the needs of business community and protect investors' rights.

Tajikistan has been assessed as the most vulnerable in terms of future climate change risks in Central Asia. The agriculture sector, in particular, will likely be affected by low levels of rainfall, drying-up of water resources, lower snow accumulation in mountain glaciers, and more frequent extreme weather events. Tajikistan has also one of the youngest populations among EBRD countries of operations, with a median age of just 22, and significant gender gap and regional disparities.

Regional cooperation is key to economic development of Tajikistan, both for expansion of trade and to ensure energy security. Recent improvements in the relations with Uzbekistan led to reopening of railway, air, and energy trade links. Tajikistan also resumed construction of Roghun dam, the largest investment in the country since independence, with significant regional impact. Positive economic developments, including better regional relations and connectivity allow the EBRD to help build the momentum and support reforms of the economy to transit from donor/grant funded early transition country to developing economy based on expanding the private sector.

EBRD activities in Tajikistan cover all sectors, including energy, infrastructure, financial sector, corporates and SMEs, reaching €696 million in 127 projects since the start of operations. The Bank has focused on stabilizing and rebuilding trust in the banking sector, developing private enterprises and agribusiness, improving the availability, reliability and quality of municipal services and improving the quality of energy supply, regulation and energy efficiency. Donor co-financing and strong cooperation with other IFIs are key to successful engagement in the country.

EBRD aims to deepen its involvements by continuing to finance infrastructure and energy projects, and provide stronger support for the private sector, particularly export oriented SMEs either directly or through local commercial banks. Alongside the financing, EBRD will continue support reforms by policy engagement and work with clients to improve their financial and operational performance to strengthen the local private sector.

The Bank will pursue the following key priorities in Tajikistan in 2020-2025:

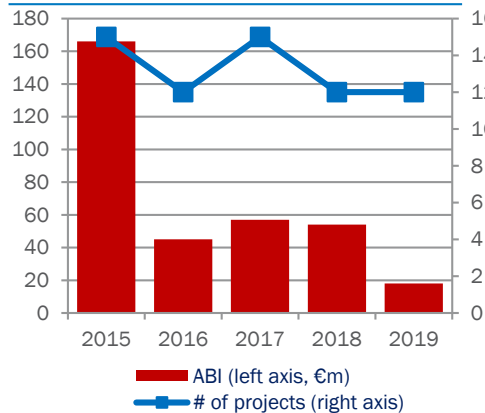
- *Strengthen competitiveness and improve business environment;*
- *Foster regional integration, energy reform, and infrastructure connectivity;*
- *Support wider access to better infrastructure and business services for women, youth and less developed regions.*

Tajikistan - EBRD Snapshot

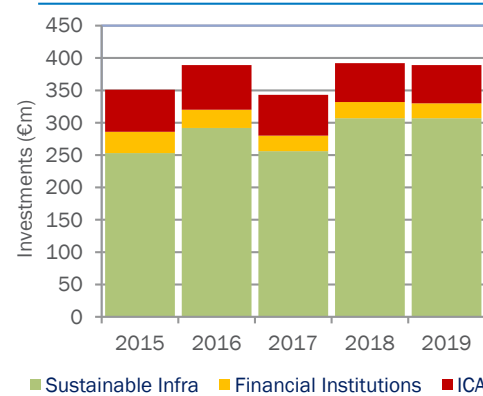
EBRD Investment Activities in Tajikistan (as of December 2019)

Portfolio	€390m	Active projects	73
Equity share	4%	Operating assets	€192m
Private sector share ¹	48%	Net cum. investment	€690m

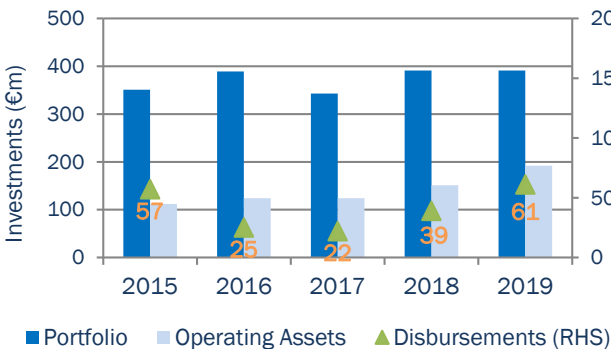
ABI and Operations



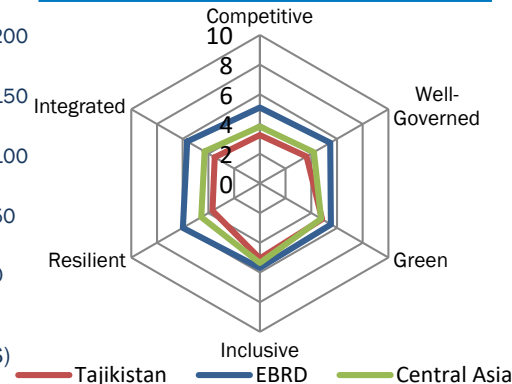
Portfolio Composition



Portfolio Dynamics



Transition Gaps ²



Tajikistan Context Figures

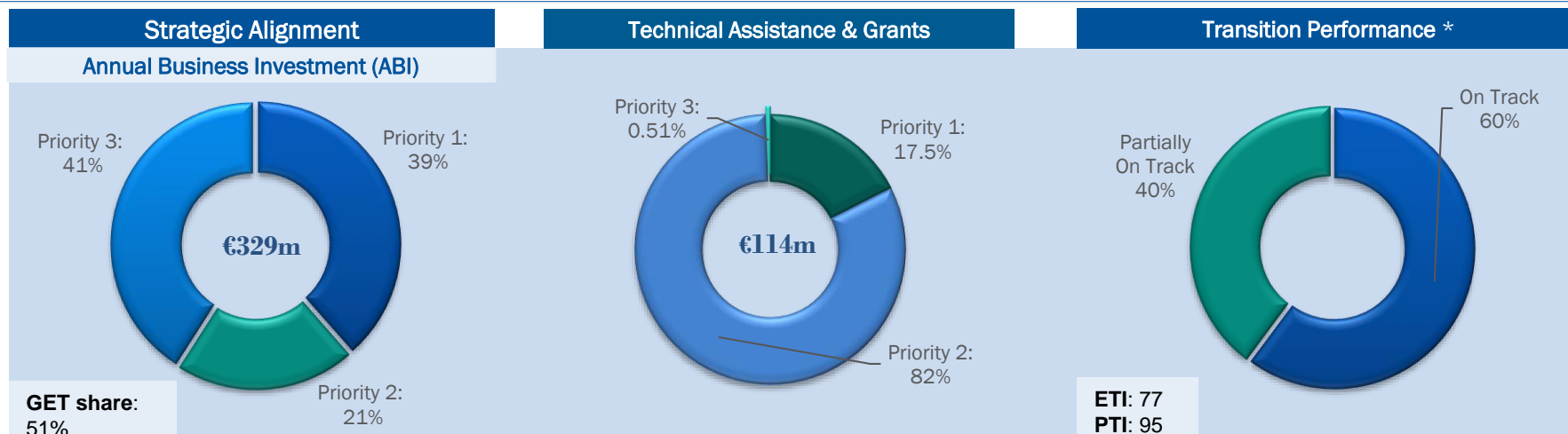
	Tajikistan	Comparators
Population (million) ³	9.1	6.4 (Kyrgyz Rep) 32.7 (Uzbekistan) 9.5 (Belarus)
GDP per capita (PPP, US\$) ³	3,589	4,056 (Kyrgyz Rep) 8,999 (Uzbekistan) 20,643 (Belarus)
Global Competitiveness Index (WEF)	104th Out of 141	96 (Kyrgyz Rep) n/a (Uzbekistan) n/a (Belarus)
Unemployment (% ILO est.)	10.9	7.2 (Kyrgyz Rep) 5.2 (Uzbekistan) 5.7 (Belarus)
Youth unemployment (% ILO est.)	20.6	15 (Kyrgyz Rep) 9.7 (Uzbekistan) 9.8 (Belarus)
Female labour force participation (% ILO est.)	28	48 (Kyrgyz Rep) 53 (Uzbekistan) 58 (Belarus)
Energy intensity (TPES/GDP, toe/thousand 2010 US\$) ⁵	0.34	0.61 (Kyrgyz Rep) 0.6 (Uzbekistan) 0.42 (Belarus)
Emission intensity/GDP (kgCO ₂ /2010 US\$, PPP) ⁵	0.2	0.47 (Kyrgyz Rep) 0.45 (Uzbekistan) 0.34 (Belarus)

1. Implementation of Previous Strategy (2015-2019)

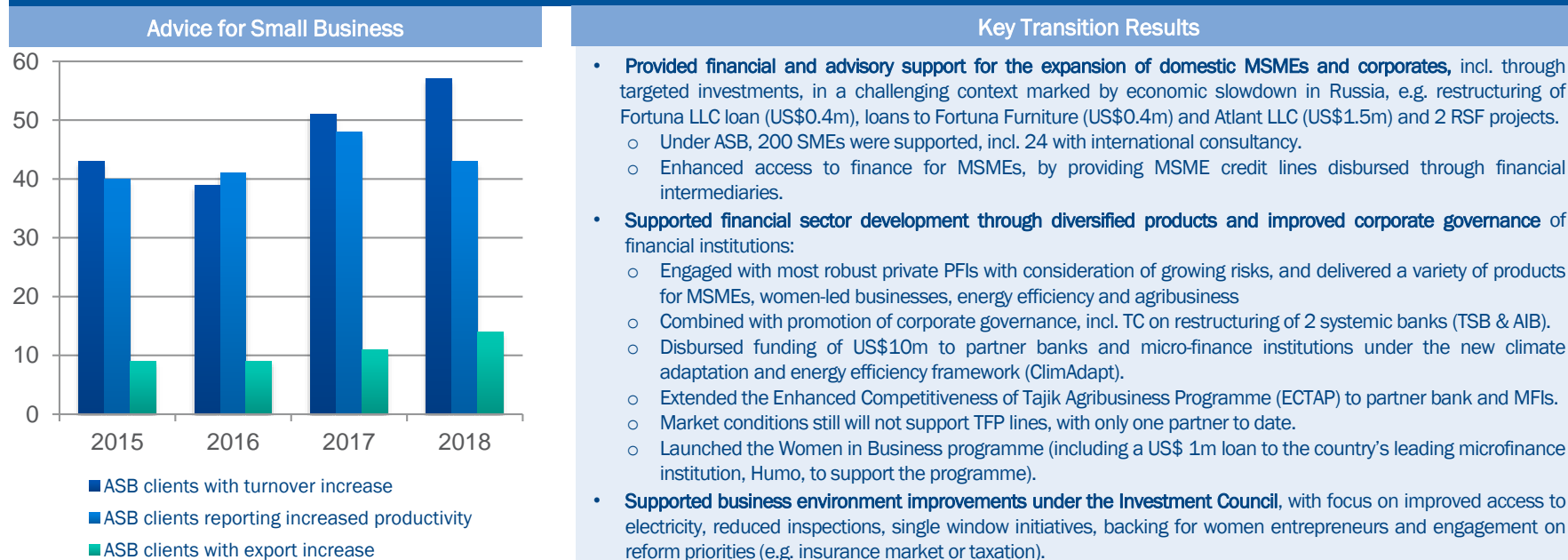


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1.1. Key Transition Results



Priority 1: Supporting expansion of private enterprises, notably SMEs, and helping improve the business environment



* Transition impact performance reflects how likely projects are to achieve the transition impact **PUBLIC** of them at signing. Calculated based on active mature (> 2 years) portfolio.

1. Implementation of Previous Strategy (2015-2019)

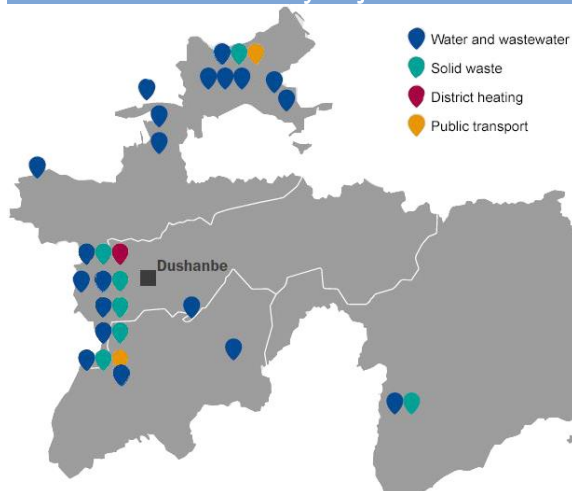


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1.1. Key Transition Results

Priority 2: Contributing to improving public utility services as well as their operational and financial efficiency through commercialisation

Public Utility Projects

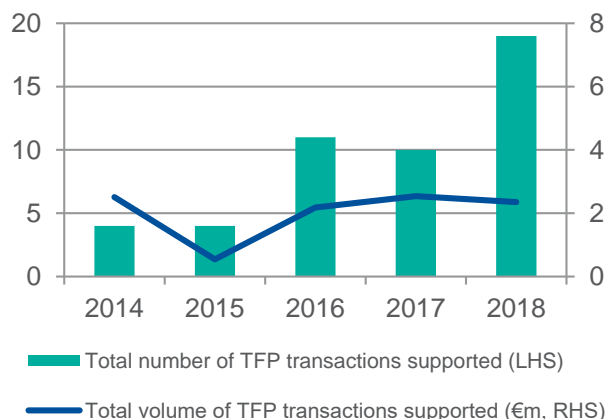


Key Transition Results

- **Actively supported power sector unbundling and tariff reform** through engagement with and corporate restructuring of national power company Barki Tojik. This has resulted in:
 - Splitting of Barki Tojik into 3 units responsible for Generation, Transmission and Distribution (April 2018 decree), with legal structure and further restructuring yet to be adopted.
 - Adoption of a Financial Recovery Action Plan (June 2017) focusing on cost-recovery and loss reduction: new tariff methodology was adopted by the authorities and sector regulatory functions will be introduced under the Government's Anti-Monopoly Service.
- **Encouraged HPP capacity upgrades and energy loss reduction** (by around 20%) under the Qairokkum HPP Rehabilitation projects (jointly with GCF) and the Sugd project (incl. new billing and advanced metering).
- Helped improve **financial and operational sustainability of municipal infrastructure operators**, solid waste (Yavan, Khujand) and public transport operators (Khatlon), through direct investments and TC support for engineering/design/tendering, corporate governance and stakeholder engagement.
- **Supported water sector reform under the new Sector Strategy and Action Plan** to improve financial and operational sustainability of operators, incl. decentralising and capacity building at local level. A new water/wastewater tariff methodology was adopted in 2017 (based on cost recovery and cross-subsidy elimination), with prospects for KMK restructuring under consideration.

Priority 3: Fostering regional infrastructure connectivity and integration to the wider regional economy

Trade Facilitation Programme



Key Transition Results

- **Made much-needed progress in attracting FDI (over €88m) and encouraging export channels** in a difficult operating context for export-oriented companies, e.g. Agrotechservice project to facilitate transfer of Belarussian know-how to Tajik operations of the company.
 - Helped successfully resolve operational challenges (i.e. tax and customs) affecting two high-profile clients (Coca Cola Tajikistan and Auchan), with demonstration effects on market participants.
 - Extended €44.7m loan to Coca Cola Bottlers for enhanced supply chain linkages.
 - Opened IC Secretariat to new stakeholders for enhanced dialogue and coordination.
- **Supported development of key physical infrastructure (e.g. roads) for connectivity**, prioritising legal/regulatory reforms and improved cross-border transport infrastructure capacity:
 - Co-financed the Dushanbe-Uzbekistan Border Road project with AIIB (€26m), incorporating international road safety standards and principles for road maintenance.
 - Prepared Road Sector Institutional Reform Strategy and Action Plan utilising TC funds in co-ordination with IFIs and development partners (e.g., ADB, WB, JICA).
 - Supported implementation of road sector reform (introduction of service agreements / performance-based contracts awarded to private operators, equipment centres, IT systems for road management).
 - GoT increased budget for road maintenance to TJS 6000/km.

1. Implementation of Previous Strategy (2015-2019)



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1.2. Implementation Challenges and Key Lessons

Context for Implementation

Tajikistan is an Early Transition Country and displays some of the largest gaps in the EBRD region, especially acute in Competitive, Well-Governed, Resilient and Integrated qualities despite significant acceleration in reform progress in recent years. Volatile energy supply, banking sector weaknesses, poor infrastructure and relative geographic isolation, as well as vulnerability to climate change and inclusion gaps are all major constraints to economic growth. The Bank has delivered a very good transition impact over the past five years, with low private share resulting from the relative weight of large energy and infrastructure projects in portfolio and business volumes retreating from the historical high achieved in 2015.

Implementation Challenges

- Financial sector vulnerabilities, incl. liquidity issues of systemic banks and high NPL ratio despite relatively good provision levels.
- Exposure to external macroeconomic and geopolitical risks.
- Challenging business environment, lack of governance reform, concerns regarding rule of law enforcement and judicial system, and strict capital controls.
- Fiscal space constraints.
- Relative geographic isolation and difficult access to export markets (e.g. electricity) as a result of historic tensions with neighbouring Uzbekistan until early 2018.

Key Lessons & Way Forward

- Continue work with Central Bank on improving access to foreign exchange and pursuing financial sector reform.
- Support marketing of Tajikistan as an attractive investment destination, with improving security situation (e.g. Afghanistan), increased regional cooperation and strong sectorial assets (agribusiness, energy).
- Policy engagement around key investment climate reforms, building on government commitment to ensure stable access to foreign exchange and improve business climate, including judicial capacity building and support for business dispute resolutions.
- Pursue reform advocacy in support of increased SOE commercialisation and private sector participation in key infrastructure (e.g. renewables, energy, transport and water).
- Leverage improvements in relations with neighbouring Uzbekistan since 2018 to advance regional connectivity agenda.

2. Economic Context

2.1 . Macroeconomic Context and Outlook for Strategy Period



Tajikistan - Main macroeconomic indicators

	2015	2016	2017	2018	2019*
GDP growth (% y-o-y)	6.0	6.9	7.1	7.3	7.5
CPI inflation (% avg.)	5.8	5.9	7.3	3.8	7.8
Government balance (% GDP)	-2.0	-9.0	-6.0	-2.8	-3.8
Current account balance (% GDP)	-6.1	-4.2	2.2	-5.0	-4.5
Net FDI (% of GDP)	5.8	3.5	2.6	2.9	2.4
External debt (% GDP)	62	70	79	80	81
Gross reserves (% GDP)	6.3	9.4	14.4	14.6	n.a.
General gov't gross debt (% GDP)	33.2	42.1	50.4	47.9	45.2
Unemployment (%)	11.4	11.0	10.7	10.9	n.a.
Nominal GDP (US\$bn)	7.9	7.0	7.1	7.5	8.0

- **Officially reported growth is strong but significant weaknesses remain.** Real GDP growth was above 7 % in 2017-19. However, the headline figures mask the build-up of structural disruptions, reflected in the fragility of the banking sector and heightened fiscal pressures. Demographic pressures coupled with limited economic opportunities led to labor migration and continued reliance on remittances as a source of income.
- **Facing limited foreign currency inflows, the authorities maintain currency control measures seeking to limit somoni depreciation,** such as reduction of the amount of local currency in circulation and banning of independent non-banking currency exchanges. As a result of this policy, businesses and households periodically experience shortages of foreign currency.
- **Elevated debt levels and reduced fiscal space make the economy vulnerable.** Public debt, most of which is in foreign currency, remains significant at 45.2% of GDP in 2019, and is expected to increase due to the need to finance large infrastructure projects, such as the Roghun dam. SOEs also present high quasi-fiscal risks due to mounting losses and liabilities.
- **Real GDP growth is projected at 6.3% in 2020.** Public investment has been supporting recent growth but its role will diminish because of related fiscal challenges. Future growth is likely to be driven by remittances-financed consumption – a source of vulnerability.

2. Economic Context

2.2 . Key Transition Challenges

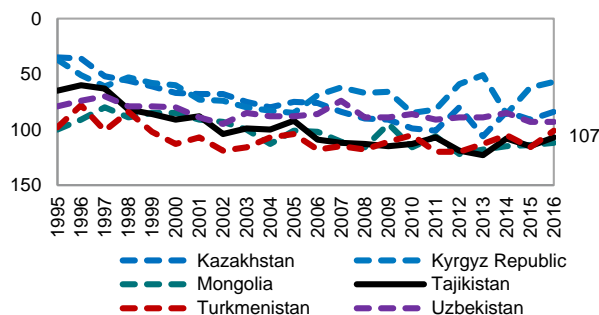


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Competitive (3.3)

- Tajikistan ranks 106th out of 190 countries in the **“Ease of Doing Business”** report in 2020 (20 notches up from 126 in 2019).
- The **tax burden remains high** owing to distortive tax collection practices implemented to fulfil revenue targets.
- Activities of SMEs are **hindered by regulatory shortcomings and racketeering**.
- SMEs also encounter challenges in **access to personnel** with adequate skills and competencies.
- Despite significant improvement in Getting Credit indicator of the World Bank’s Doing Business 2020 report, **access to finance** remains an issue due high interest rates, and broader investment climate issues. Alternative sources of capital are virtually absent.
- There is **little diversification in the products exported** (mostly metals, mineral products and raw cotton) and these are characterised by a **low degree of complexity**.

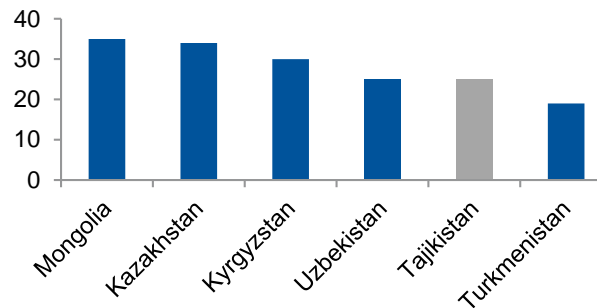
Economic complexity ranking



Well-Governed (3.6)

- Government effectiveness remains weak.** Limited capacity and resources of government institutions, high level of bureaucracy, and burdensome regulations are major hindrances to private sector development.
- The regulatory and institutional framework supporting good corporate governance is undeveloped.** There are weaknesses in the structure and functioning of boards, quality of internal control framework, and disclosure standards.
- Progress with tackling corruption has been limited.** Efforts to combat corruption are guided by anti-corruption strategy for 2013-2020 but implementation is lagging.
- The presence of informality** also weighs on doing business.
- Weak rule of law and lack of effective framework for challenging regulations** continue to deter foreign investment.

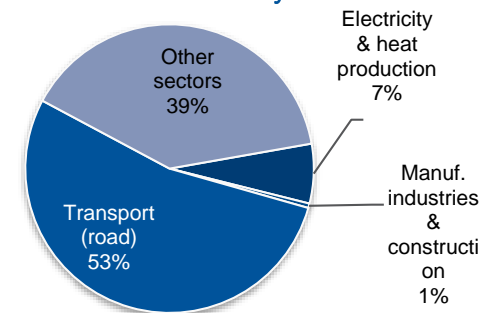
Corruption Perceptions Index scores, 2019



Green (4.8)

- Electricity is almost entirely from glacial fed hydropower** which faces seasonal variability, resulting in a power deficit in winter.
- The country only taps into up to **10% of its hydropower potential and has significant untapped solar potential**.
- Nearly **80% of generation and transmission assets need to be replaced** as it was designed and built in the 1960s and 1970s.
- Road transport** accounts for more than half the CO2 emissions in the country and is the **main cause of poor air quality**.
- Tajikistan has been **assessed as the most vulnerable in terms of future climate change risks** in the region of Europe and Central Asia. The agriculture sector, in particular, will likely be affected by low levels of rainfall, drying-up of water resources, lower snow accumulation in mountain glaciers, and more frequent extreme weather events.

Carbon emissions by sector in 2016



2. Economic Context



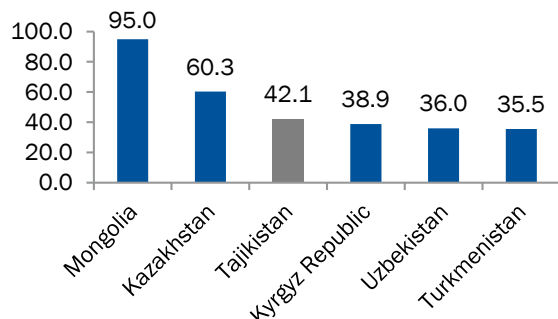
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2.2 . Key Transition Challenges

Inclusive (5.0)

- **Gender gap in the labour market is significant.** Women account for only 14.8% of managerial positions and just 12.5% of total employers. Women are also 38.0% less likely to participate in the labour force than men.
- **Women have a moderate level of financial inclusion,** with 42.1% owning a formal bank account.
- The **gap between youth and adult unemployment is fairly high** but in line with the regional average and rather positive vis-à-vis the broader EBRD average.
- Tajikistan is **one of the very youngest EBRD countries of operations,** with a median age of just 22 and young-age dependency ratio is relatively high at 58%.
- There are **big regional disparities in access to water and quality of health and education systems.**
- Economic opportunities for people with disabilities remain particularly limited.

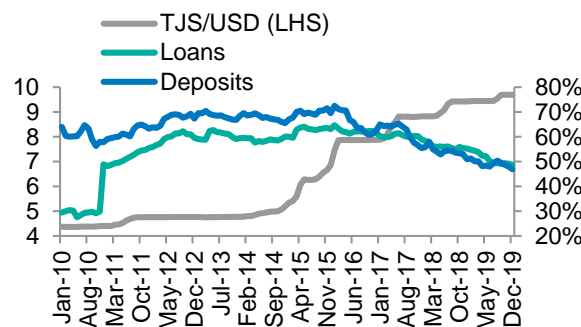
Account ownership, female, 2017



Resilient (3.7)

- While the banking sector has been recapitalised, **protracted resolution and restructuring of two large banks** continues to hinder sector development.
- Further vulnerabilities remain, including due to **highly dollarised balance sheets,** which expose banks to potential FX-related credit risks.
- Sector is exposed to **weak asset quality** mainly concentrated in the two failed banks. NPLs remain high at 30.4% as of December 2019.
- **Gaps in banking supervision and regulatory framework** remain, although efforts are underway to strengthen these.
- The electricity system is strained financially by **low tariffs, poor collection, and large receivables** from major consumers. Economic losses due to energy amount to around USD 200 million a year or 3% of GDP.
- Energy sector faces **investment, regulatory and institutional gaps.**

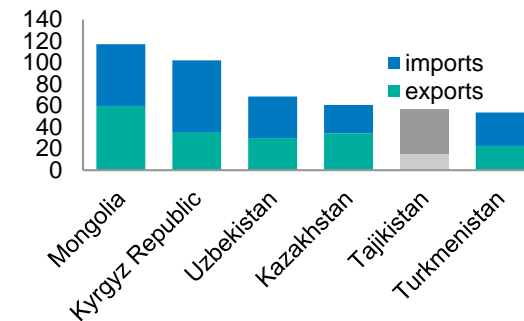
Loan and deposit dollarisation



Integrated (3.5)

- While Tajikistan performs relatively better in terms of FDI and portfolio inflows, its **performance compared to regional averages is worse in terms of trade flows.** Exports and imports of goods and services as a share of GDP have declined in the past 10 years.
- **Transport network is limited,** also due to its geographic landscape, in quality and capacity, constraining access to markets. The transport infrastructure is largely outdated.
- The **logistic performance is assessed very low.** A lack of modern fleets, facilities and quality logistics service providers hampers business. The **cost of trading across borders** (time and cost associated) is **among the highest** in the EBRD region despite simplification of export procedures for perishables in 2019.
- It takes particularly **long for businesses to obtain a permanent electricity connection.**
- The **ICT infrastructure is lagging behind.**

Exports and imports, % of GDP, 2017



3. Government Priorities and Stakeholder Engagement

3.1. Government Reform Priorities

As defined in Tajikistan National Development Strategy 2030.

- Improvement of legislation in the field of investment, international trade and the introduction of international quality standards and product safety;
- Targeted attraction of foreign aid to address national, sectoral and regional priorities through increased and better use of foreign aid management information system;
- Development of entrepreneurship, taking into account gender perspective, investment and exports;
- Improvement of the Tax Code of the Republic of Tajikistan with a view to simplifying tax administration and reducing the tax burden on business entities; Introduction of an instalment plan for the VAT payment for machinery and technological equipment, a significant expansion of the list of imported industrial goods that are VAT exempted;
- Development of a multi-level institutional system to support entrepreneurship by regional - sectoral clusters for the development of entrepreneurship, specialized funds and support for the establishment of infrastructure organizations;
- Implementation of the policy of encouraging foreign direct investment as one of the main conditions for industrial-innovative development of the economy;
- Improving the protection of the rights of entrepreneurs, both at the level of the judiciary and through the establishment of Ombudsman Institute;
- Consistent implementation of the policy of reducing the administrative burden of introducing a business and creating a system of administrative support for medium and large private sector investment projects («single window» principle);
- Development of small businesses in rural areas and mountainous regions through the use of local raw materials and integrated processing of agricultural products;
- Establishment and development of a full-fledged stock market;
- Improvement of normative legal acts and regulations on the development of environmental friendly business and environmental investments;
- Improving and strengthening Investment Activity Management Institute at the national and regional levels;

3.2. EBRD Reform Areas Broadly Agreed with Authorities

- Enhancing the competitiveness of domestic firms, in particular export oriented businesses, through capacity building, technical assistance and finance;
- Policy engagement and institutional strengthening to improve the investment climate and business environment;
- Capacity and efficiency upgrades of electricity transmission for greater regional integration;
- Improving local and regional connectivity through the rehabilitation, maintenance and expansion of key road and rail networks;
- Assistance for the enhancement of digital and financial infrastructure and greater inclusion of women and youth;
- Continued support to explore opportunities for public-private partnerships.

3.3. Key Messages from Civil Society to EBRD

- High migration and need to create new jobs for young and growing population are the most pressing issue.
- SMEs are particularly vulnerable in the current economic climate. Bank's support for economic diversification and SMEs is welcome.
- Additional institutional mechanisms are needed to ensure gender equality and economic and social inclusion. More focus on regional development and closing the gap in regional differences is also important.
- Key environmental problems include access to energy, energy poverty, regional connectivity, and sustainable consumption. Enhanced focus on renewables (e.g. wind, hydro and solar) and support to the energy regulatory framework and strategic orientation is required. Water and waste management also remain a significant problem.
- Strong environmental and social safeguards remain essential, especially for vulnerable populations in remote areas who would benefit from awareness rising.



4. Defining EBRD Country Strategy Priorities

What needs to change ? (Country Diagnostic)	Can it be changed ? (Political Economy)	What can the Bank do ? (Institutional Capabilities)	Strategic Priorities (2020-2025)	What We Want to see (Key Objectives)
<ul style="list-style-type: none"> Tajikistan's productivity and competitiveness remain low. 90% of Tajikistan's energy comes from glacial fed hydropower, impacted by climate change. Business environment and investment climate remain challenging, including lack of well funded independent judiciary. Access to finance, especially by private sector SMEs, is difficult, especially sources of local currency. Businesses face restrictions on currency convertibility. 	<ul style="list-style-type: none"> Private sector share grew over time but the state presence is still pervasive in multiple sectors. Fragmented agricultural sector accounts for about 60% of total employment. Banks prioritise specific sectors for FX transactions such as export-oriented businesses and the import of food and fuel; high lending rates preclude long term Capex investments in LCY and perpetuate dollarisation. 	<ul style="list-style-type: none"> Strong focus on supporting the private sector through a combination of financial investment, including LCY finance, climate finance, policy engagement, and technical assistance. Small Business Initiative to provide dedicated SMEs support. Investment Climate and Governance Initiative support for business environment improvements. Judicial capacity building and support for Alternative Dispute Resolutions through LTT. 	<p>Strengthen competitiveness and improve business environment</p>	<ul style="list-style-type: none"> Improved business skills, standards and business sophistication; Diversified and deepened financial system products Improve the quality of institutions; Strengthen the rule of law Commercialisation and restructuring of SOEs
<ul style="list-style-type: none"> Access to energy and water remain serious obstacles to business activity and economic growth, exacerbated by physical climate risks e.g. water/heat stress and extreme weather events. Infrastructure service provision is inefficient, strained by poor collection and large receivables, and vulnerable to physical climate risks. Global value chain integration is weak, connectivity is hampered by limited infrastructure. 	<ul style="list-style-type: none"> Tajikistan has abundant water resources. Hydropower represents about 94% of power generation. The Power Sector Financial Recovery Action Plan, adopted in June 2017, outlines reform measures for Barqi Tojik, state integrated power company. Improved relations with Uzbekistan support regional integration. Strengthening of regional connectivity, including energy and transport networks, is a key government priority. 	<ul style="list-style-type: none"> Ability to combine finance with policy engagement and capacity building to promote commercialisation and sustainable development, including green infrastructure. Expertise and focus on building physical and regulatory architecture of energy transmission and distribution to ensure energy security. Strong track record in regional integration support. 	<p>Foster regional integration, energy reform, and infrastructure connectivity</p>	<ul style="list-style-type: none"> Improved quality of infrastructure and enhanced resilience to climate change Reinforced and climate-resilient networks for domestic and inter-country connectivity
<ul style="list-style-type: none"> Male dominated emigration resulted in women filling the gap, primarily in agriculture, while facing significant gender specific constraints. Coverage of drinking water and sanitation is limited, especially in rural areas, where over 70 per cent of the country's population lives. 	<ul style="list-style-type: none"> Gender based constraints are well recognised but significant improvements are needed. Total investment needs of the water sector are estimated around US\$ 2 billion by the government, requiring significant support by IFIs and donors. Authorities strongly focus on regionally balanced development. 	<ul style="list-style-type: none"> Dedicated and expanding programmes for women and other target groups, covering finance and advice. Successful examples of policy engagements to address gender based constraints. Ability to support climate resilient infrastructure investments in a wide range of municipalities, including through Green Cities and GEF programmes. 	<p>Support wider access to better infrastructure and business services for women, youth and less developed regions</p>	<ul style="list-style-type: none"> Increased access to finance and skills Increased access to climate resilient infrastructure and services Enhanced environmental protection

5. Activities and Results Framework



Priority 1: Strengthen competitiveness and improve business environment

Key Objectives	Activities	Tracking Indicators (Outcomes)
<p>Improved business skills, standards and business sophistication</p> <p>Diversified and deepened financial system products</p>	<ul style="list-style-type: none"> Provide direct financing to private companies, including debt and equity, as well as targeted credit lines/blended finance (including first-loss) through financial institutions, including agribusiness, green economy financing facilities (GEFFs), Risk Sharing Facility, Trade Facilitation (incl. green TFP and compliance in trade finance), microfinance, and innovative product introduction including FINTECH and IT technologies for start-ups. Support for corporates, including MSMEs, with a focus on improving operating standards/corporate governance, capacity building / training (Advice for Small Business), value chains integration, enhancing export potential, and further industrialisation of the country. Support foreign direct investments across all sectors, and promote know-how transfer (adoption of international standards). Support expansion and deepening of local currency financing solutions, including through policy engagement on legal/regulatory reforms. 	<ul style="list-style-type: none"> Number of advisory clients reporting increased turnover, employment Total number/volume of MSME loans outstanding of PFIs (incl. LCY) Policy recommendations on LCY capital market accepted by relevant authorities and stakeholders
<p>Improve the quality of institutions;</p> <p>Strengthen the rule of law</p>	<ul style="list-style-type: none"> Continue supporting Investment Council, working on practical solutions to improve investment climate and business environment (incl. policy engagement on tax reform and administration). Strengthen governance and procurement standards, including capacity building, training – with focus on increased transparency and enforcement. Introduce and implement e-procurement. Continue policy engagement on financial sector reform with National Bank of Tajikistan to improve supervisory/regulatory aspects, bank resolution, corporate governance, anti-money laundering – incl. via TC engagement with selected financial institutions to strengthen institutional capacities. Support for dispute resolutions, including Alternative Dispute Resolution, and judicial enforcement for corporate recovery / bankruptcy, and enforcement of contracts. Support for stronger NPL tools in the key areas of financial restructuring. Consider engagement with Deposit Insurance Fund to strengthen financial sector resilience. 	<ul style="list-style-type: none"> Legal, institutional or regulatory changes to improve the business environment (tax regime) Policy recommendations accepted by relevant authorities and stakeholders
<p>Commercialisation and restructuring of SOEs</p>	<ul style="list-style-type: none"> Continue support for commercialisation and restructuring of SOEs, including sector tariff reform and loss reduction , in energy, transport and water/wastewater (Barki Tojik, KMK, Tajik Railways), including wider sectoral reform and capacity building / training. Explore potential for greater private sector involvement in key economic sectors, including infrastructure and services. Prepare the ground for PPP development, including policy engagement on legal framework and sustainable infrastructure advisory. 	<ul style="list-style-type: none"> Transparent tariff reform/ methodology adopted by authorities in energy, transport or water/ wastewater sectors Legal, institutional or regulatory improvements to improve market efficiency as targeted



5. Activities and Results Framework

Priority 2: Foster regional integration, energy reform, and infrastructure connectivity

Key Objectives	Activities	Tracking Indicators (Outcomes)
Improved quality of infrastructure and enhanced resilience to climate change	<ul style="list-style-type: none"> Finance capacity upgrades, internal networks strengthening, and efficiency improvements of energy transmission and distribution networks, including to assist in enhancing a significant energy export potential. Policy engagement to support the development of a transparent and well governed regional energy market, including well designed power purchase agreements. Increase climate resilience and commercial sustainability of energy (esp. hydro), transport and water infrastructure systems. Explore potential for diversification of energy sources, low carbon transition, and investments in renewable energy generation, including small-scale. Support upgrade and modernisation of airports and air navigation services. Explore investments in logistics networks and services. 	<ul style="list-style-type: none"> Improved/increased infrastructure capacity Total number of people benefitting from improved/increased access to infrastructure
Reinforced and climate resilient networks for domestic and inter-country connectivity	<ul style="list-style-type: none"> Provide financing for the rehabilitation, maintenance and expansion of key road, rail and other networks, both domestic and cross-border – including along international corridors such as CAREC, and building the climate resilience and commercial sustainability of critical transport infrastructure. Explore possibility for improved standardisation/certification in support of international trade. Explore potential investments in digital connectivity. Capacity building for project preparation and implementation in the public sector. 	<ul style="list-style-type: none"> Improved/increased transport infrastructure capacity Legal/institutional or regulatory reform to improve trade and investment frameworks as targeted

5. Activities and Results Framework

Priority 3: Support wider access to better infrastructure and business services for women, youth and less developed regions

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased access to finance and skills	<ul style="list-style-type: none"> Support the economic inclusion of women, youth and regions through dedicated financing, advisory activities as well as promotion of inclusive procurement and relevant policy engagement. Continue providing financing and advisory services to women entrepreneurs under the Women in Business programme, and potentially to other inclusion target groups (e.g. youth, regions) – including through financial institutions. Promote gender equality by establishing a policy screening mechanism for “gender-responsive impact assessment” of investment climate reforms. Engage with the full range of public and private stakeholders, including civil society, to support curriculum and skills development such as vocational training. 	<ul style="list-style-type: none"> Number/volume of loans extended to women-led, women-owned firms by PFIs Number of operations delivering policy advice (incl. draft recommendations for improved legal, institutional or regulatory framework submitted) Number of people receiving new/improved skills as a result of training by target group
Increased access to climate resilient infrastructure and services	<ul style="list-style-type: none"> Finance expansion and rehabilitation of climate resilient and commercially sustainable water/wastewater, solid waste infrastructure services. Support modernisation and expansion of public transport fleet, services and equipment (e.g. ticketing), including to improve inclusion of women. Roll out investment activities and policy engagement under the Green Cities Framework. Explore potential for urban regeneration and regional development under Cultural Heritage Framework, including outdoor and eco-tourism. Improve the climate resilience and commercial sustainability of energy, transport and water infrastructure, ensuring also inclusive, gender responsive design of key services. Explore potential for expanding GEFF Tajikistan to support less developed rural regions. Develop climate resilient and commercially sustainable livelihoods and regional market access. Support low-carbon transition and measures to address climate change risks. 	<ul style="list-style-type: none"> Number of clients improving quality of infrastructure Number of people and/or household benefitting from new/better infrastructure and services resulting in improved economic opportunities Total CO2 reduced/avoided (ton/yr)
Enhanced environmental protection	<ul style="list-style-type: none"> Support eligible uranium remediation projects under the EBRD Environmental Remediation Account (ERA) for Central Asia, wastewater treatment, solid waste management, and other environmental projects in line with the Bank’s GET Approach. 	<ul style="list-style-type: none"> Number of clients that improved environmental standards

Impact Indicator: Difference between women's and men's labour force participation rate (Baseline: 38%); Carbon emissions (Baseline: Transport 53%, Electricity and heat production 7%)

Public

Inclusive  **Green** 

6. Mapping of International Partners' Complementarity in EBRD Business Areas



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EBRD BUSINESS AREAS														
		Sectors									Cross-cutting Themes			
		Industry, Commerce & Agribusiness				Sustainable Infrastructure		Financial Institutions			Strategic Initiatives			
Indicative average annual investments/ grants (€m, 2015-2019)		Agribusiness	Manufacturing & Services	Property & Tourism	ICT	Natural resources	Energy	Infrastructure	Banking	Non-Bank Financial Institutions	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
ADB	128			€		€	€P	€P	€			€		€
EU	50	€									€	€		€
EIB	8						€P							
AIIB	19						€	€						
WB (IBRD)	100						€P	€P			€	€		
IFC	2		€							€		€		€
KfW	12						€P		€					€
EBRD	65	€	€				€	€	€		€	€	€	€

€ Area of significant investments ● Focus mostly on private sector
P Area of significant policy engagement ○ Focus mostly on public sector

Potential Areas of Cooperation



Competitive

Leverage grant financing from EU and other donors to support access to finance and skills of local SMEs and corporates.



Green

Invest in climate resilient measures across all sectors in close coordination with other donors and IFIs (WB, KfW).



Integrated

Co-invest in regional integration projects together with other IFIs (EU, ADB, WB) and donors while pursuing stronger regional cooperation through policy engagement.



Resilient

Continue policy engagement on financial sector reform and energy security in close coordination with other IFIs and donors (WB, IFC, EU). IFI coordination on public debt.



Well-Governed

Focus on governance improvements and institutional strengthening, as a part of Development Coordination Council and in close coordination with the EU, WB, IFC, and other donors.












Inclusive

Cooperate with the EU, WB and other IFIs to advance the inclusion of women and youth into the labour market and support the development of local skills through training opportunities.

Note: IFI mapping based on publicly available data (excluding budget support), with significant IFI investment defined as exceeding 5% of investments signed between 2015-2019. ADB, EU, and IBRD provide grants only, and all public sector projects require at least 35% grant element.

7. Implementation Risks, Environmental and Social Implications

Risks to Strategy Implementation	Probability	Effect
<ul style="list-style-type: none"> Fiscal Issues – Large infrastructure projects, such as Roghun hydropower plant, are a major source of fiscal stress and indebtedness. Donor funding is contingent on an IMF program. Tajikistan remains at a high risk of debt distress given a large share of FX-denominated debt, large repayments coming in 2020-25 and low FX reserves. 		
<ul style="list-style-type: none"> Political Stability - a challenging geopolitical location, history of civil war, and need to implement reforms and create jobs for young population highlight the risks associated with the need for political stability. 		
<ul style="list-style-type: none"> Public Sector Implementation Capacity – underdeveloped institutions hinder preparation and implementation of both infrastructure projects and business environment improvements. 		
<ul style="list-style-type: none"> Corporate Governance / Integrity – equal playing field and rule of law must be instilled into business practices to turn from donor funded economy to developing economy. 		
<ul style="list-style-type: none"> External Factors - the economy relies on remittances, mostly from Russia, as well as the relation with its neighbours to reach markets and ensure energy security. 		

Environmental and Social Implications
<ul style="list-style-type: none"> Assessment and Management of E&S Impacts: Ensure that direct, indirect, cumulative and transboundary E&S impacts of projects are appropriately assessed and mitigated. Consider capacity building in environmental and social in E&S assessments, strategic assessments, E&S management systems and contractor management may be required to support the adoption of good international practice. Labour and Working Conditions: Ensure that clients' HR policies and labour practices comply with EBRD requirements, particularly in respect of addressing labour terms and condition requirements; contractor management, potential discrimination in the workplace and promotion of equal opportunities. The Bank will pay particular attention to preventing gender-based violence on projects and support clients in developing and implementing policies and mechanisms that address sexual harassment, abuse and exploitation. Resource Efficiency and Pollution Prevention and Control: Develop capacity building initiatives in the infrastructure sector. Identify and develop waste and water resource efficiency projects and consider technical assistance particularly when addressing cross border issues. Health and Safety: Aim to improve H&S standards across all sectors. Road and traffic safety are priority issues and engagement with clients and other stakeholders may be required. TC funds to support these activities may be needed. Land Acquisition, Involuntary Resettlement and Economic Displacement: Ensure that any projects requiring acquisition of land comply with compensation and livelihood restoration requirements of the Bank, with special attention on informal land users, vulnerable groups and monitoring provisions. Biodiversity Conservation and Sustainable Management of Living Natural Resources: Develop capacity building initiatives for biodiversity assessments that will ensure that species and habitats of conservation importance are protected. Cultural Heritage: Work with clients to identify and consult with key stakeholders relating to projects within areas recognised as culturally important and protect sensitive cultural heritage. Financial Intermediaries: Ensure that FI partners have adequate E&S capacity and risk management procedures in place. Stakeholder Engagement: Support clients in developing and implementing stakeholder engagement plans to ensure meaningful public disclosure and consultation is carried out as part of the E&S assessment and during the project implementation. Monitoring and supervision: Work with clients to monitor E&S performance and address legacy issues associated with the Bank's portfolio.

8. Donor Co-Financing Assessment

8.1. Needs Assessment for the New Country Strategy Period

Donor funding will be required to achieve the strategic objectives of the Country Strategy, including for:

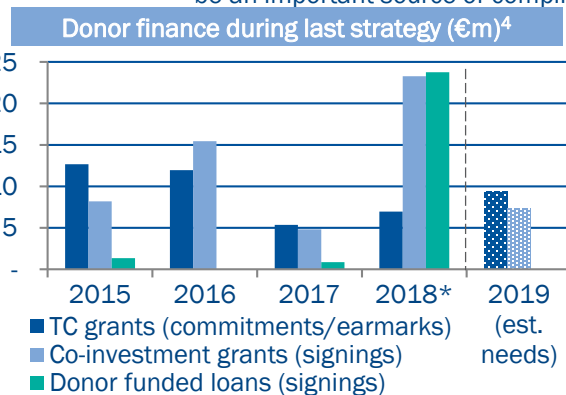
- Advisory services and training to enhance skills development and capacity of MSMEs
- Policy engagement and training to strengthen institutional capacity and the wider business environment, including in the judicial and financial sectors
- Due diligence, implementation support and CAPEX grants to help support infrastructure projects which improve quality, connectivity or climate resilience, including in the road, aviation and energy sectors
- Risk sharing instruments and TC support to facilitate access to finance and advisory services for women entrepreneurs
- Improving access to municipal infrastructure services such as water, solid waste and public transport by providing project preparation, implementation, corporate development and/or co-investment grant support, including under the Green Cities Framework

8.2. Potential Sources of Donor Funds

- Support from the **EU** is primarily channelled through the **Investment Facility for Central Asia (IFCA)**. TC and co-investment grants are available for priority sectors such as energy infrastructure, environmental protection & climate change resilience, and SMEs
- The **Women Entrepreneurs Finance Initiative (WE-Fi)** has made over US\$ 20 million in grants available to promote skill development and access to finance for women-led SMEs, as well as associated policy engagement, in four countries including Tajikistan
- The **Early Transition Countries (ETC) Fund** is committed to allocate at least 70% of its resources to the low and lower-middle income countries of Central Asia. In Tajikistan, the fund has been financing infrastructure project implementation support and projects which increase private sector employment. Funding may also be available through the **Small Business Impact Fund (SBIF)** for supporting SME development and growth.
- Funding from **bilateral donors** will continue to be pursued
- Tajikistan is eligible for funding for green initiatives from the **Green Climate Fund (GCF)**, **Global Environment Facility (GEF)** and **Climate Investment Funds (CIF)**
- The **EBRD Shareholder Special Fund**, via its ETC window, has been and will continue to be an important source of complimentary TC and co-investment fund resources

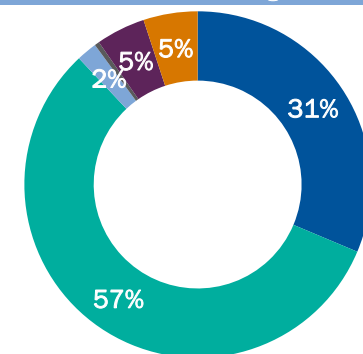
Selected Affordability Indicators		
		EBRD regional percentile rank ¹
GDP per capita (PPP, current, US\$) ²	3,416	Lowest COO
ODA Country	YES	N/A
ODA as share of Gross National Income (%) ³	3.69	72 nd
ODA per capita (US\$ - current prices) ³	34.07	28 th

Sources: ² IMF (2018), ³ OECD (2017)



*Over 85% of co-investment grants and 100% of donor funded loans are for the Qairokkum Hydro Power Plant Climate Resilience Upgrade

Current Grant Funding Needs⁵



■ Competitive ■ Green ■ Inclusive
■ Integrated ■ Resilient ■ Well Governed

1. Simple percentile rank reported as the share of EBRD economies that are represented below Tajikistan.

4. The 2015 TC data is based on commitments as at the end of March 2016 (the latest available date before data migration to a new Donor Funds System). 2016-2018 TC data is based on earmarks at the project level. Co-investment grants and donor funded loan amounts are based on client signings.

5. Estimated grant funding needs are based on the operational needs reported by banking teams for projects to be implemented in 2019. Estimated funding needs generally exceed actual grant use as some needs may not materialise, may be delayed, or may be split into several years of fundraising efforts due to operational needs and realities.

Annexes



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PUBLIC

The Republic of Tajikistan’s commitment to and application of the principles set out in Article 1 of the Agreement Establishing the Bank over the previous Country Strategy period has received a mixed assessment by relevant international bodies. They have welcomed some improvements in the legislative framework, while raising concerns about retrograde steps in other areas. They have also raised a series of concerns about the application of the legal framework for democracy and human rights in practice.

Since independence in 1991, Tajikistan has faced unparalleled challenges in establishing its statehood and basic civil peace. The country was wracked by a Civil War from 1992-97 in which between 50,000 and 100,000 people died. The unstable security situation in neighbouring Afghanistan, which has a large ethnic Tajik minority, provides another point of reference. Tajikistan has made great political and economic progress in the past twenty years and the country’s leadership enjoys wide respect from the population for bringing political and social stability and economic growth. During the previous Country Strategy period the leadership has brought about a shift away from the inclusive political arrangements which emerged out of the 1997 Peace Accords, which brought the Civil War to an end, to a more centralised model with a sharper focus on building a strong nation state, enhancing the implementation of reforms and providing reassurance over the continuity of the country’s leadership.

The 2016 constitutional amendments, which strengthened the presidency and streamlined decision-making but restricted the space for political debate by outlawing parties based on religious principles, were central to this shift. The constitutional law of November 2016, which granted President Rahmon special status and life-time powers, was also significant. The mixed assessment by relevant international bodies of Tajikistan’s commitment to and application of the principles set out in Article 1, referred to above, reflects these changes. After the most recent round of their annual human rights dialogue in October 2018, the EU welcomed legislative measures, including in the fields of the prevention of torture and promoting gender equality, but expressed concerns about, inter alia, the “overall shrinking space for human rights.” The report of the UN Human Rights Committee published in August 2019, praised a series of legislative measures adopted by the Tajik leadership but raised concerns about, inter alia, the independence of the judiciary, problems with electoral regulations and practices, restrictions on freedom of expression and freedom of association. Both bodies expressed a series of concerns about the poor implementation of legal safeguards for human rights.¹

Free Elections and Representative Government

Free, fair and competitive elections

The Constitution of the Republic of Tajikistan, adopted in 1994 and amended in 1999, 2003 and 2016, sets out the legal basis for the conduct of free elections. Article 6 states that, “The highest direct expression of the power of the people is a national referendum and elections.” Articles 49 and 65 state that elections for the lower house of parliament (Majlisi Namoyandagon) and the presidency are conducted on the basis of an equal and direct franchise with a secret ballot. Article 27 states that procedures for the conduct of elections are set out in constitutional laws and other legislation.

¹ EU-Tajikistan Human Rights Dialogue, Press Release, 26 October 2018; Human Rights Committee. Concluding observations on the third periodic report of Tajikistan, 22 August 2019.

The lower house of parliament (Article 57) is responsible for the formation of the Central Commission for Elections and Referendums (CCER) and the election and dismissal of its members (and the appointment of the Chair and Deputy) as proposed by the President. In June 2019, parliament approved a new law On the Central Commission for Elections and Referendums. Its provisions include giving the staff of the CCER an enhanced status and salaries from the state budget. It also prevents members of political parties from being members of the CCER and lower level electoral bodies. It is too early to assess the impact of this new law.

Since independence in 1991, elections in Tajikistan have been conducted on a regular basis and the principle of universal suffrage has been observed. Since the end of the Civil War in 1997, there has been a choice of candidates for voters to choose from in presidential elections and a choice of parties in parliamentary elections. OSCE/ODIHR has regularly sent full missions to observe elections in Tajikistan, giving them a mixed assessment. The report of the OSCE/ODIHR Election Observation Mission (EOM) on most recent presidential election in 2013 concluded that, “the election... took place peacefully, but restrictive candidate registration requirements results in a lack of genuine choice and meaningful pluralism.”²

The most recent national elections in Tajikistan were to the lower house of parliament in March 2015. The report of the OSCE/ODIHR EOM concluded that while they provided political alternatives and some improvements had been made to electoral legislation, they “took place in a restricted political space and failed to provide a level playing field for candidates.” It contained a series of criticisms of the legislative framework, political environment and administration of the elections and made a series of recommendations for the conduct of future elections.³ The UN Human Rights Committee has expressed concern about shortcomings in the legislative framework for the conduct of elections including: limitations on the right to stand for election and the lack of independence of the CCER.⁴

Separation of powers and effective checks and balances

The Constitution sets out the legal basis for the separation of powers. Article 1 states that Tajikistan is a presidential republic and Article 9 states that, “State power is implemented on the basis of its division into legislative, executive and judicial branches.” The relevant chapters of the Constitution clearly set out the roles and prerogatives of Parliament (“the highest representative and legislative body”), the President (“the head of state and the executive”), the Government (essentially an implementing body subordinate to the President with parliament exercising oversight) and the Courts (the independence of the judiciary is dealt with below).

² Republic of Tajikistan. Presidential Election, 6 November 2013. OSCE/ODIHR Election Observation Mission. Final Report. 5 February 2014, p 1.

³ Republic of Tajikistan. Parliamentary Elections, 1 March 2015. OSCE/ODIHR Election Observation Mission. Final Report. 15 May 2015, p 1.

⁴ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 54-5.

The division of formal competences between the President and the other branches of power is weighted in favour of the former. The President sets the basic directions of the country's internal and external policies, appoints and dismisses the Prime Minister and other ministers as well as the heads of executive bodies at the regional level, with post factum confirmation by parliament, and appoints and directs the Security Council. Perhaps more significantly, the incumbent President Emomali Rahmon has been in office since 1994 and has accumulated considerable informal power independent of constitutional and legal provisions. He has become closely associated with the country's political stability since the end of the Civil War and has established unrivalled authority within the broader political system and society.

Since the end of the Civil War, the de facto dominant role of the President has increasingly been given de jure expression. Constitutional referendums in 1999 and 2003 increased the presidential term from five to seven years and the term limit from one to two. A referendum in May 2016 approved 41 constitutional amendments, which were passed into law by parliament in December, and which removed all term limits from the presidency and reduced the minimum age for a candidate for the presidency from 35 to 30. In November 2016, Parliament approved a constitutional law which granted President Rahmon the title, Founder of Peace and National Unity – Leader of the Nation, and also a series of life-time prerogatives, including the right to address the nation on important issues, take part in sessions of parliament and the Security Council and be consulted on major policy issues.

Article 46 of the Constitution states that the President has the right to declare a state of emergency in situations where constitutional bodies cannot function normally but also, including in Article 47, establishes a series of protections against the abuse of that prerogative. The legal basis for a state of emergency is set out in a specific constitutional law. The UN Human Rights Committee has raised concerns about the non-compliance of the law On the state of emergency with Tajikistan's international treaty obligations.⁵

Effective power to govern of elected officials

The Constitution sets out the legal basis for Tajikistan's elected officials to have effective power to govern. Article 6 states that the "usurpation of power or its appropriation is forbidden." The Constitution describes clearly the powers of the Parliament, President and other elected bodies, which ensures that they can perform their roles effectively. The 2016 constitutional law granting President Rahmon life-time prerogatives may infringe on the powers of elected officials and bodies, but this has yet to be demonstrated in practice.

In a clear break with the country's Communist past when the Communist party was granted a 'leading role' and was able to control constitutional bodies from behind the scenes, Article 6 states that, "No public organisation, political party, group of people or specific individual has the right to usurp state power." Article 8 continues, "The ideology of no party, public or religious organisation or group can be recognised as a state ideology." It also states that, "Religious associations are separate from the state and cannot interfere in state affairs," and "the financing of political parties by foreign states and organisations, foreign juridical persons and citizens [is banned]."

⁵ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 21-2.

The Tajik armed forces and security services are under the direct control of the President and do not play an autonomous role in the country's decision-making processes. Religious, corporate or other non-elected entities do not wield excessive power over elected officials.

Civil Society, Media and Participation

Scale and independence of civil society

The Constitution sets out the legal basis for a free and active civil society. Article 8 states that, “Public associations... can be set up and operate in the framework of the Constitution and laws.” Article 28 states that, “Citizens have the right to form associations. The citizen has the right to participate in the creation of political parties, trade unions and other public associations, to voluntarily join them and leave them.” Since independence, civil society organisations (CSOs) in Tajikistan have developed and play an important part in the country's public life. From the mid-2000s a series of legislative measures somewhat reduced the scope for CSOs to operate but, nonetheless, it is estimated that there are around 3,000 CSOs currently registered. CSOs are able to exert a meaningful influence on government decision-making and in delivering services to the public.

The law on public associations, which was adopted in 2007, which required all CSOs to undergo re-registration, signalled a more restrictive legal environment for CSOs. More recently, in December 2018, parliament adopted amendments to the law On public associations which imposed new requirements on CSOs to report on their finances and to store a wide range of information about their activities, officials and members for five years and to be ready to provide that information to the authorities. The Press Release issued at the conclusion of the tenth round of dialogue between the EU and Tajikistan on human rights in October 2018 “expressed concern about the pressure that they [civil society and human rights defenders] continue to experience.” The EU “encouraged the Tajik government to agree to a greater degree of involvement of civil society organisations in the law-making process.” The UN Human Rights Committee has also expressed concern about pressure and restrictions on CSOs.⁶

The legal framework for independent trade unions and the defence of labour rights is in place. The ability of trade unions to operate effectively is limited by the weakness of their organisations in the workplace and the salience of the informal sector in the economy.

Independent, pluralistic media that operates without censorship

The Constitution sets out the legal basis for free media to operate. Article 30 states, “Everyone is guaranteed freedom of speech, press and the right to use mass media.” It goes on to stipulate that, “State censorship and persecution for expressing criticism is forbidden.” However, it also states that, “Propaganda and agitation stirring up social, racial, national, religious and linguistic hatred and enmity is forbidden.” In recent years, international bodies responsible for monitoring and promoting free media have expressed concern about growing restrictions.

⁶ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan **PUBLIC** 2019, paras 51-2.

In June 2017, the UN Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression published a report in which he made a series of recommendations including the need for the registration of media organisations to be “completely insulated from Governmental interference” in line with international standards. He said the “alleged harassment of journalists must be investigated and strongly condemned by State officials.”⁷ In the Press Release issued at the conclusion of the tenth round of dialogue between the EU and Tajikistan on human rights in October 2018, the EU “urged Tajikistan to cease blocking access to news and social media websites... underlined that access to information is a vital part of a democratic state and called on the Tajik government to facilitate access for all journalists.” The UN Human Rights Committee has set out a number of concerns relating to restrictions on free expression including: criminalisation of insult or libel against the President and insult against other state officials; state control over the media resulting in self-censorship and harassment of independent journalists.⁸

Multiple channels of civic and political participation

The Constitution sets out the legal basis for citizens to participate in the country’s public life. Article 27 states that, “The citizens have the right to participate in political life and in managing the state either directly or through representatives.” Article 25 states that, “State bodies, public associations, political bodies and officials are obliged to ensure that everyone has the opportunity to have access to and to familiarise themselves with documents, which concern their rights and interests, except cases which are stipulated in law.”

As set out above and below, although the space for civic and public participation has reduced, civil society, including numerous CSOs, and political parties still offer Tajik citizens a range of opportunities to participate in public life.

Freedom to form political parties and the existence of organised opposition

The Constitution sets out the legal basis for citizens to form political parties and take part in organised opposition. Article 28 states that, “Citizens have the right to form associations. The citizen has the right to participate in the creation of political parties... to voluntarily join them and leave them.” It continues, “Political parties facilitate the formation and expression of the will of the people on the basis of political pluralism and take part in political life. Their structure and activity must be in line with democratic norms.” There was a relatively diverse party political scene in Tajikistan until the beginning of the period covered by this Political Assessment at which point new restrictions were introduced.

⁷ Report of the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression on his mission to Tajikistan, June 2017, paras 75-8

⁸ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 47-8.

In the March 2015 parliamentary elections, six political parties won seats in the lower house of parliament, with the People’s Democratic Party of Tajikistan, which is headed by President Rahmon and has won a majority of seats in every parliamentary election since 2000, winning 51 out of 63 seats. The Islamic Renaissance Party of Tajikistan (IRPT), which had been represented in parliament since the end of the Civil War, was not able to gain representation. In September 2015, the Supreme Court ruled that the IRPT was a terrorist organisation and banned it. The decision came after violent clashes in Dushanbe between Government forces and militants loyal to a former deputy defence minister. This move was criticised by many western countries and organisations.⁹ Subsequently, leading members of the IRPT were arrested and sentenced to long prison terms.¹⁰ The 2016 referendum on amendments to the Constitution approved provisions banning political parties based on religion.

The UN Human Rights Committee has expressed concern about the ban on religious and ethnicity-based parties introduced by constitutional amendments in 2016. It has also expressed concern about the “politically-motivated harassment of opposition members that undermines genuine political pluralism.” It noted in this regard the treatment of the Islamic Renaissance Party of Tajikistan and the Group 24 organisation.¹¹

Rule of Law and Access To Justice

Supremacy of the law

The Constitution sets out the legal basis for the rule of law and access to justice from the outset. Article 1 states that Tajikistan is a “law-governed state”, Article 10 sets out a series of basic principles to ensure the supremacy of the law. However, World Bank Governance Indicators suggest a steady deterioration in the rule of law between 2015-17.¹² In his annual State of the Union address to parliament in December 2018, President Rahmon underlined the importance of “raising the population’s legal understanding as the fundamental factor in building a law-based state and civil society and also ensuring the supremacy of the law.” He instructed the relevant judicial and state bodies to prepare a new programme of judicial and legal reform for 2019-21.

The independence of the judiciary

The Constitution sets out the legal basis for the independence of the judiciary. Article 84 states that, “The judiciary is independent and its work is carried out by judges in the name of the state.” This is confirmed by Article 87 which states that, “Judges in their activities are independent and are only subject to the Constitution and the law. Interference in their activity is forbidden.” Article 91 confirms that, “Judges enjoy the right of immunity.” Otherwise, Article 84 states that, “The manner in which courts are formed, their organisation and activity are set out in a constitutional law.”

⁹ The EEAS Spokesperson issued a Statement on 1 October 2015, which said that the outlawing of the IRPT added “a further restriction on the freedom of political expression and pluralism in the country.”

¹⁰ The UN Special Rapporteur on the right to freedom of opinion and expression expressed his dismay over the sentencing of IRPT leaders. Press Statement, June 2016.

¹¹ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, para 53 and 55.

¹² Tajikistan’s Rule of Law score went down from -1.06 to -1.35 and its percentile ranking from 13.14 to 8.17.

Article 84 sets out the basis for the judicial branch to manage its own affairs. The abolition of the Council of Justice, following the referendum on constitutional amendments in 2016, and the transfer of its powers to the Supreme Court, diluted the President’s control over judicial appointments. However, his powers in this area remain considerable. Article 69(8) states that the President proposes candidates for the chair and other leading posts in the Constitutional Court, the Supreme Court and the Supreme Economic Court to Parliament for appointment and dismissal. Article 86 sets out the prerogative of the President to appoint and dismiss judges for all other courts according to procedures laid down in a constitutional law.

The UN Human Rights Committee has expressed concern about the independence of the judiciary owing to “the role of and influence exerted by the executive and legislative branches; the criterion for selection, appointment, reappointment and dismissal of judges; and the lack of security of tenure of judges.” It has set out a series of concerns about reports of unfair trials and other issues.¹³

Government and citizens equally subject to the law

The Constitution sets out the legal basis for equal application of the law to all citizens regardless of their status. Article 10 states that, “The state and all its bodies, officials, citizens and their associations are obliged to observe and fulfil the Constitution and the laws of the Republic.” Article 17 states that, “All are equal before the law and courts.” Article 19 states that, “Everyone is guaranteed legal defence. Everyone has the right to demand that their case is dealt with by a competent, independent and impartial court, formed on the basis of law.”

The UN Human Rights Committee has welcomed the expansion in the mandate and monitoring functions of the Commissioner for Human Rights (Ombudsman) in 2014 and 2016 and it has recommended that the Tajik authorities step up their efforts to ensure that the Ombudsman was fully compliant with international standards (the Paris Principles). It has also expressed concern about a dramatic decline in the number of defence lawyers following changes to legislation in November 2015 and reports of the harassment of lawyers involved in politically sensitive cases.¹⁴

Effective policies and institutions to prevent corruption

The Tajik authorities have recognised that corruption is an issue and have taken steps to tackle it. The main body charged with fighting corruption is the Agency for State Financial Control and Combating Corruption (ASFCCC), which was established in 2008. The Tajik authorities have adopted an Anti-Corruption Strategy for 2013-20. In his annual State of the Union address to parliament in December 2018, President Rahmon called for the ASFCCC and other relevant state bodies to intensify their work to combat corruption and to prepare an updated law on corruption to replace the 2005 law.

¹³ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 37-8.

¹⁴ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 9-10 and 39-40. The Commissioner for Human Rights had been established after a law was passed in 2009.

For the moment, Tajikistan's record in tackling corruption in practice remains poor. World Bank Governance Indicators suggest a steady deterioration in the control of corruption criterion between 2015-17.¹⁵ Its score on the Transparency International Corruption Perceptions Index since the last Country Strategy was approved has barely changed and was 25 in 2018.¹⁶ Its ranking has varied more, mainly because of fluctuations in the performance of other countries, and in 2018 was 152 out of 180 countries.

The UN Human Rights Committee has welcomed the adoption in 2016 of procedures to analyse corruption risks in organisations, the increase in penalties for bribe-taking in 2018 and the Plan of Action to implement the recommendations made by the OECD in the framework of the 2018-19 Istanbul Action Plan, it remained concerned about “reports that corruption, including bribe-seeking by public officials, is widespread.” It recommended amendments to legislation regarding the definition and criminalisation of all elements of corruption and the strengthening of the ASFCCC to enhance its independence and to enable the investigation of complex and high level cases.¹⁷

Civil and Political Rights

Freedom of speech, information, religion, conscience, movement, association and private property

The preamble of the Constitution sets out a solemn commitment to “the inalienable freedom and rights of the person, respect for the equal rights and friendship of all nations and peoples, aiming to create a just society.” The first two sections of the Constitution contain a range of guarantees of the fundamental civil and political rights of citizens, including free speech, access to information, freedom of religion and conscience, free movement, free association, legal protection for private property and the impermissibility of forced labour.

Tajikistan has a long-standing and constructive engagement with UN human rights bodies. It underwent the Second Cycle of the Universal Periodic Review (UPR) in 2016. In June 2017, the Tajik authorities adopted a National Plan of Action for 2017-20 to implement the UPR recommendations. Tajikistan has a regular and long-standing human rights dialogue with the EU. The Press Release issued at the conclusion of the tenth round of dialogue in October 2018, welcomed progress in a number of areas but, “expressed concerns about the overall shrinking space for human rights in Tajikistan. The continuous imprisonment of political opponents, harassment of members of their families and lawyers representing them...” The Tajik authorities have participated in the annual OSCE/ODIHR Human Dimension Implementation Meeting in Warsaw but not on every occasion.

¹⁵ Tajikistan's Control of Corruption score went down from -1.13 to -1.33 and its percentile ranking from 11.54 to 7.69.

¹⁶ In 2015 Tajikistan scored 26, in 2016 – 25 and in 2017 – 21.

¹⁷ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 11-12.

Political inclusiveness for women, ethnic and other minorities

The Constitution sets out the legal basis for inclusiveness and equality, including in the areas of gender and ethnicity. Article 17 states that, “The state guarantees the rights and freedom of everyone, without regard to nationality, race, gender, language, religion, political convictions, education or social or economic status. Men and women have the same rights.” There is a developed legislative and institutional base to promote the realisation of these aspirations. In his annual State of the Union address to parliament in December 2018, President Rahmon committed his administration to “yet more raise the role and place of women in society.” He cited figures showing that the number of women working in state bodies had grown significantly and accounted for 19% of jobs in leading roles.

According to the 2010 census, ethnic Tajiks make up 84.3% of the population of the Republic of Tajikistan. Ethnic Uzbeks (13.8%) constitute the largest minority with significant numbers of Kyrgyz and Russians. Article 2 gives Russian the status of “the language of inter-ethnic communication” and states that, “All nations and peoples inhabiting the territory of the republic have the right to use their native language.” The Gorno-Badakhshan Autonomous Region (GBAR), in the light of its historical and ethnic specificities, enjoys special administrative status. Article 82 of the Constitution grants the GBAR assembly the right of legislative initiative and Article 83 notes that, “The competences of the GBAR in the social, economic, cultural and other spheres are defined by a constitutional law.”

The UN Human Rights Committee has welcomed the constitutional and other legislative provisions to ensure inclusivity for women and other minorities but has expressed concern about the lack of comprehensive anti-discrimination legislation. It has welcomed measures that had been adopted to promote gender equality, including the 2011-2020 National Strategy, to promote the role of women and the Action Plan for 2015-2020 but raised concerns about the continued under-representation of women in public life and the persistence of polygamous marriages. Similarly, it has welcomed measures taken to address the issue of violence against women, such as the State Programme on the Prevention of Violence for 2014-2023, but it expressed concern that gender-based violence and domestic violence remains prevalent and is largely under-reported.¹⁸

Freedom from harassment, intimidation and torture

The Constitution sets out the legal basis to ensure that citizens are free from harassment, intimidation and torture. Article 5 states that, “Life, honour, dignity and other natural rights of the person are inalienable.” Article 18 states that, “The inviolability of the person is guaranteed by the state. No one can be subjected to torture, inhuman treatment and punishment.” Articles 22 and 23 pledges that citizens’ homes and communications are inviolable. The establishment in 2014 of a Joint Working Group under the Human Rights Ombudsman to monitor conditions in places of detention and the work being done to draft a Strategy for Reform of the Penal System has been widely welcomed. Civil society, through the Anti-Torture Coalition, is active in working to eradicate torture and other forms of mistreatment.

¹⁸ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 13-14, 17-18 and 19-20. The Concluding observations on the sixth periodic report of the Committee on the Elimination of All Forms of Discrimination against Women published in **PUBLIC** October 2018 contained the same concerns and recommendations and a more in-depth analysis of the issues.

In June 2018, the UN Committee against Torture published a report containing a series of concerns about the situation in Tajikistan including “allegations that torture and ill-treatment continue to be routinely practiced by law enforcement officials” and the very low rate of prosecutions. Its recommendations included: ending a culture of impunity for torture and ill-treatment, ensuring better access for the Human Rights Ombudsman and the Joint Working Group to places of detention and provide better legal safeguards for detainees. The ICRC does not conduct regular visits to places of detention in Tajikistan. Prison riots at the end of 2018 and spring of 2019, in which a number of inmates died, have ensured that the issue of prison conditions will remain on the authorities’ agenda.

The UN Human Rights Committee, while it has welcomed measures taken to combat torture, including amendments to the Code of Criminal Procedure in 2016, has expressed concern about “reports of torture or ill-treatment of persons deprived of their liberty, including human rights defenders and political opponents. It has also expressed concern about the absence of an independent mechanism to investigate allegations of torture.¹⁹ In June 2019, the UN Working Group on Arbitrary Detention issued a ruling declaring the detention of Buzurgmehr Yorov, Tajik human rights lawyer and member of the opposition Social Democratic Party of Tajikistan, unlawful and demanded his immediate and unconditional release.²⁰

¹⁹ Human Rights Committee. Concluding observations on the third periodic report of Tajikistan 22 August 2019, paras 31-2.

²⁰ UN Bodies had earlier called for the release of other arrested activists. In May 2018, the UN Working Group on Arbitrary Detention released an opinion finding IRPT deputy chairman Mahmadali Hayit’s detention and imprisonment since September 2016 a violation of Tajikistan’s international human rights obligations and called for his immediate release. In July 2018, the UN Human Rights Committee, urged the immediate release of opposition figure, Zayd Saidov.