

Interview with H.E. Dr. Erkinxon RAHMATULLOZDA, Ambassador of Tajikistan:

«Tajikistan has introduced extensive regulatory frameworks to attract investment»

Mr. Ambassador, are provisions of the Constitution of Tajikistan applicable to investment or trade?

I am very pleased with the opportunity to have an interview with Agefi Luxembourg.

These days, Tajikistan celebrates the 25th anniversary of its Constitution's adoption, one of the most important political events in our country. Let us begin our conversation from this event. Adopted in 1994, the Constitution of newly independent Tajikistan became vital for our people. It determined the basic foundations for our state and society. After decades of prohibitions and bans under Soviet rule, the Constitution proclaimed the people as the bearers of sovereignty and the only source of power in Tajikistan. It defined a person, and their rights and interests, as the highest priority.

It is important to emphasize that the development period of our Constitution was complex and challenging, as it came at a time when the country was facing pressing problems associated with both a civil war and the state building process. The Government of Tajikistan had to solve a number of critical issues to radically change the socio-economic and security situation within the country to lift Tajikistan out of dire crisis. Thanks to the insistent efforts of President Emomali Rahmon, Tajikistan has completed a series of initiatives linked to socio-economic issues, security and stability, the affirmation of universally accepted citizens' rights and freedoms, and the development of democratic institutions. The Constitution consolidated these basic principles, laying the foundation for building an open and democratic society. Thus, the common principles of democracy are embodied in our Constitution. The basic economic, social, cultural, public, and political rights are guaranteed by the Constitution. According to our Constitution, Tajikistan is a sovereign, independent, democratic, social, and law based state.

It should be noted that, being the most important instrument of democracy in the modern world, the Constitution plays a huge role in the life of each state by being a central piece in the legal system. The Constitution's essence as a legal document consists of its special content, its higher legal force, the role of the Constitution as the legal basis of current legislation, and the procedures for the adoption of its amendments, which differ from the usual legislative process.

The Constitution of Tajikistan reflects the acknowledgement and affirmation of universal values in the society of our country, containing programmatic provisions to ensure the development of our society.

Speaking about the role of our Constitution in the economic development of the country, I would like to note that the modern market economy requires harmonization between all laws, including national and international, and the creation of mechanisms for their enforcement. Article 10 of the Constitution stipulates that «International legal documents recognized by Tajikistan shall be a component part of the legal system of the Republic. In case the republican laws do not stipulate to the recognized international legal documents, the rules of the international documents shall apply.» So, the Constitution of Tajikistan gives priority to international norms, which creates conditions for international treaties, including trade agreements.

Additionally, all subjects of domestic law should facilitate the state's effective implementation of its rights in the fulfillment of its obligations. In this sense, the development of the economy in Tajikistan, which fixes the principles of interaction of the state, law, and economy, is reflected in the Constitution of Tajikistan. The Constitution's provisions regulate economic relations in the country.

The adoption of the Constitution and key political/legal reforms in Tajikistan were important because they created shifts in the role of the state regulating economic relations, ensuring a transition from an administrative command system of management to a market economy. The constitutional and legal regulation of the economic foundations of our country has a distinctive feature. It is located in Article 12 of the Constitution, and declares that the State guarantees freedom of economic and entrepreneurial activity.

With the adoption of the Constitution of Tajikistan in 1994, the foundations of a market economy received legislative consolidation at the level of the basic law, becoming the subject of constitutional regulation.

What legislative initiatives have been introduced in Tajikistan to form a favorable business and investment environment in the country?

Rapidly changing political and economic situations in the world oblige us to fulfill many important responsibilities, one of which is to determine what is necessary to ensure sustainable economic development and increase the standard of living for the populations of our countries.

It is a fact that today's globalized economies create major challenges for economies of developing countries, including Tajikistan. In such circumstances, creating conditions favorable for balanced economic growth and the strengthening of internal and external economic ties is our most important task.

Compared with the first decade of independence, Tajikistan now has different priorities, and investment and export-oriented economic policy is top agenda items for our Government. The key role in achieving these objectives is given to the National Development Strategy up to 2030, which defines development of the private sector, in particular entrepreneurship and small/medium-sized enterprises (SMEs) key in developing our country. We recognize that SMEs constitute a major source of employment and generate significant domestic and export earnings. Their development would serve as a key instrument for economic growth.

The Government of Tajikistan understands that developing the private sector and SMEs, improving the investment climate, and attracting investments are important factors for the country's prosperity. Our relevant institutions, with the help of the Government, have been working diligently to create conditions for our entrepreneurs to adapt to globalization and benefit from global trade opportunities.

The Government of Tajikistan has also been undertaking necessary measures to empower producers to increase the level of earnings of the private sector in our economy, possibly creating permanent jobs and further improving the population's living standards. During this process, Tajikistan has introduced extensive regulatory frameworks to improve the national legislation in support of entrepreneurship and improvement of investment climate.

The process started about 10 years ago, and Tajikistan's efforts to radically change the business environment in the country have been successful. For instance, the country has jumped up several places in the World Bank's Doing Business Report, making Tajikistan a two-time «top 10 reformer» worldwide. The most recent World Bank's report, which named Tajikistan one of the top reformers, was published on October 23, 2019.

Today, current legislation within the Republic of Tajikistan provides more than 40 types of guarantees and privileges to investors. The new Tax Code provides more than 240 privileges and concessions for developing the small/medium-sized business sector.

Overall, the amendments and additions introduced include 30 incentives and concessions aimed at improving the business environment and investment climate in both the production and services sectors. With an aim to support production entrepreneurship in 2018-2019, the Government has declared a moratorium on various inspections and offered a number of tax incentives. Also, in order to improve the tax administration and taxation system, the Government incorporated amendments and additions to the Tax and Customs Codes of Tajikistan last year.

In order to match the international investment climate norms, develop the private sector, and encourage world economic integration, the Government of Tajikistan undertook a number of serious measures. «Free» competitive conditions were created. In terms of protection of rights for domestic and foreign individuals/companies, there are no significant differences between the two.

Alongside the implemented reforms, the Republic of Tajikistan ratified the United Nations Convention on Recognition and Enforcement of Foreign Arbitral Awards and the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents. This could completely ease the conduct of

business activities for investors and entrepreneurs, thereby strengthening the basis for the protection of the rights of entrepreneurs.

With an eye toward improving the effectiveness of public administration in the country, there was the establishment of a single-window system for construction permits, registration of immovable property, export, import, and transit transactions. There was also the introduction of electronic public services, and a shift toward electronic documentation and modernization of databases for public regulation authorities. For the purpose of facilitating easy travel for investors to Tajikistan, we have introduced the special Investor Visa as well.

Also, the operation of four economic free zones in our country provides encouragement for greater foreign direct investment into our economy.

Due to new and positive changes in the Central Asian region, trends of increased cooperation have been observed. The cooperation seems to be a contributing factor for the processes of economic and trade development, and seems to be assisting in laying the foundations for regional integration processes.

As you know, our relations with Europe have been developing steadily. The New EU Strategy for Central Asia, which was adopted this summer, focuses on the key challenges and potential factors for development of our region, defining them as mutually reinforcing priorities. The importance of the Strategy is that its defined priorities embrace the overarching tasks of our governments and foster the implementation of our strategic goals. Also, the EU-Asia Connectivity Strategy has more far-reaching plans aimed at creating networks across borders, and a comprehensive financial framework for mobilizing investment. The Connectivity Strategy puts an emphasis on sustainable and comprehensive connectivity.

These initiatives focus on regional connectivity and overall development and provide a great opportunity for us to improve the business and trade environment in the country. So, we expect the New EU strategy and Europe's Asian strategy to have positive impacts on the development of our economy, assisting us in the promotion of business and investment.

I should also admit that despite the above-mentioned efforts and reforms, these advantages have not had the desired effect in some areas. The process of creating new jobs, enabling new manufacturing enterprises and workshops, and the attraction of modern technologies can not satisfy the country's needs. The economy is not creating sufficient jobs for its rapidly growing workforce. There is a need for inclusive reforms to ensure an effective environment to enable entrepreneurs to create new businesses.

In general, our Government is continuously exploring effective ways to improve the business environment and investment climate, and it will continue doing so until our private sectors and local producers become internationally competitive and our investment climate is favorable.

What are the priority sectors for investment in Tajikistan?

Tajikistan has promising opportunities for the provision of sustainable development, including mineral deposits, hydro-energy and clean water resources, biological and ecological resources, and clean agricultural products which will be of benefit to our trade partners.

Before underlining the key sectors for investment, I would like to note for the purpose of forming a favorable investment and business environment, as well as attracting foreign investments over the period since the independence, more than 100 normative and legal acts, regulating this sphere have been adopted, including the laws On State Support of Entrepreneurship, On Investments, On Foreign Economic Activity, On Financial Rent (leasing), On Investment Agreements, On Concessions, On Free Economic Zones, On Public-Private Partnership and other regulatory acts. These laws are aimed at legal protection of investments, providing investors with fiscal and non-fiscal incentives, ensuring their participation in the privatization process and infrastructure development.

Tajikistan has wide opportunities for the involvement of investors in the processing of mineral resources. There are more than 600 deposits of known natural and non-mineral resources that are ready for exploration. Currently, one hundred deposits, producing 40 types of minerals are in use. Our country has many types of gemstones, precious metals, and necessary raw materials. Mining and processing is considered an advantageous direction.

The energy sector is one of the important sectors of our reliable economic development and ensuring energy

independence is considered to be one of the strategic goals of the Government.

It is widely known today that the development of a country's economy, in particular the industrial sector, depends highly on the development of hydropower potential. In the near future, Tajikistan may be converted to the largest electricity producing country, providing neighboring countries and regions with cheap and clean electricity.

Our country is making steady steps in this direction. In September of this year, Tajikistan launched the second turbine of the Rogun Hydropower Plant, a megaproject featuring the world's highest dam. This megaproject will ensure our country's energy independence and bring in export revenue.

The energy sector, especially construction of hydropower plants, is one of the most promising sectors in the country because Tajikistan is rich in water resources. Annually, there are 115 billion cubic meters of water in the country, mainly within the Amudarya and Syrdarya river systems. About 70% of all drinking water resources in Central Asia are located in Tajikistan. Tajikistan is the country where the largest rivers of Central Asia originate. The total length of rivers, with lengths of more than 10 km, exceeds 28,500 km. To date, Tajikistan uses only 20% of the available water potential. The country has the potential to produce 527 billion kWh of electricity per year, but today only 6% of this potential is being used.

Tajikistan offers a favorable environment for investors in this field. For example, for the construction of a hydroelectric power plant, the investor and the general contractor are fully or partially exempted from payment of taxes. Also, import of goods for the construction of hydroelectric power plants, which are especially important objects, is exempted from customs duties.

The development of the agriculture industry and raising the production and export potential is a strategically important goal of the country. Tajikistan has all conditions for the improvement of this industry, including appropriate water, climate, soil, raw materials, and cheap workforce. This industry may be one of the most beneficial directions, highlighting our cooperation with Europe.

It is noted that the cotton currently continues to make up the significant part of Tajik exports. That is why this agricultural crop occupies 1/3 of the entire ploughed area of the country. Due to suitable conditions, in which 10 months of sunny days and abundant water resources play an important role, the country can produce up to 400,000 tons of high-quality cotton per year.

The opportunity to implement projects in the sphere of agro-products and textiles, production of high quality products, and their export to regional and world markets is considered beneficial for our partners.

In our country there are opportunities for the production and sale of various types of ready products, and products manufactured from aluminum. Tajikistan has the largest aluminum manufacturing plant in Central Asia.

Our country has numerous natural mineral and medical herb resources that create good opportunities for the promotion of the chemical industry, and medical/pharmaceutical industries. The development of these fields may be seen as promising fields for the attraction of investors, as well as mutually beneficial cooperation.

The Republic of Tajikistan also possesses a rich historical and cultural heritage, prosperous wildlife, gorgeous landscapes, high mountains, extraordinary lakes, and rare flora and fauna that are very important for the expansion of tourism. Therefore, the Government of the country pays special attention to the growth of tourism through the attraction of small and medium entrepreneurs and foreign investments. This may be considered another broad field of successful cooperation for our countries.

Furthermore, we pay distinctive attention to the improvement of economic structures, construction of new industrial enterprises, attraction of foreign investments, the implementation of modern technologies, and customizing the activities of existing industrial facilities.

Another direction of interest for investors is small and large projects in the infrastructure, transportation, and communication sectors.

The Republic of Tajikistan, together with its international partners, is implementing a number of huge infrastructural projects regarding the construction of regional highways, railways, electricity and gas transmission lines, and small and medium power plants.

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