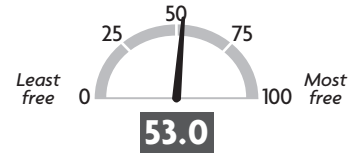


# TAJIKISTAN

## Economic Freedom Score



World Rank: **128**

Regional Rank: **27**

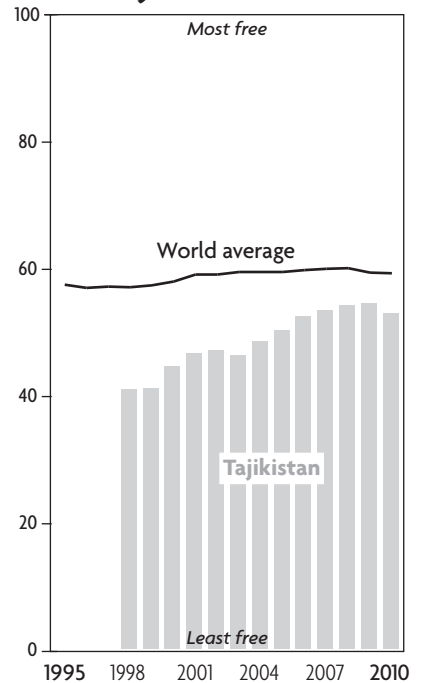
Tajikistan's economic freedom score is 53.0, making its economy the 128th freest in the 2010 *Index*. Its score is 1.6 points lower than last year, reflecting reduced scores in eight of the 10 economic freedoms, including freedom from corruption, investment freedom, and property rights. Tajikistan is ranked 27th out of 41 countries in the Asia-Pacific region, and its overall score is lower than the world average.

Tajikistan has pursued reforms to foster sound macroeconomic management and improvement of the business climate, but progress has been marginal. Growth potential remains constrained by government interference, which has left the economy vulnerable in a changing political environment. Tajikistan continues to face many challenges that require rebuilding infrastructure, improving the entrepreneurial environment, and attracting foreign investment.

Despite some progress in privatizing small and medium-size public enterprises, the private sector is developing slowly. Dependence on remittances (estimated at over 45 percent of GDP) continues, reflecting the lack of domestic economic dynamism. Foreign investment is deterred by burdensome bureaucratic regulations and inconsistent administration. Tajikistan remains one of the world's most corrupt nations.

**BACKGROUND:** Tajikistan's transition to multi-party democracy has been problematic since the 1992–1997 civil war between Islamists and the ruling post-Communists. Parliamentary elections in February 2005 and President Imomali Rahmon's November 2006 re-election to a third seven-year term failed to meet international standards. Rahmon has limited political activity and tightened controls on civil society. Poverty remains pervasive, and remittances and drug production and trafficking are important sources of income. Major exports are aluminum (the price of which severely declined in 2008), cotton, and electricity from massive Soviet-era hydropower plants. A decline in remittances and the return of a large number of migrants could cause instability. Tajikistan is borrowing heavily from China to finance investments in energy infrastructure and requested support from the International Monetary Fund in 2009.

## Country's Score Over Time



## Quick Facts

**Population:** 6.8 million

**GDP (PPP):** \$13.0 billion

7.9% growth in 2008

7.4% 5-year compound annual growth

\$1,906 per capita

**Unemployment:** 2.4% (registered unemployed). If combined with underemployment, the rate would be much higher.

**Inflation (CPI):** 20.4%

**FDI Inflow:** \$376 million

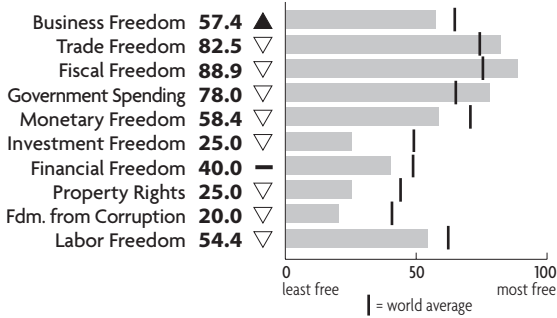
2008 data unless otherwise noted

Data compiled as of September 2009

### How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## TAJIKISTAN'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 57.4

The overall freedom to start, operate, and close a business is restricted under Tajikistan's regulatory environment. Starting a business takes an average of 25 days, compared to the world average of 35 days. Obtaining a business license requires more than the world average of 18 procedures, and costs are high. Closing a business is a protracted process.

### TRADE FREEDOM — 82.5

Tajikistan's weighted average tariff rate was 3.8 percent in 2006. Some quotas, import bans and restrictions, non-transparent standards and other regulations, inadequate bureaucratic capacity, non-transparent and corrupt customs implementation, and weak enforcement of intellectual property rights add to the cost of trade. Ten points were deducted from Tajikistan's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 88.9

Tajikistan has competitive tax rates. The top income tax rate is 13 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and a tax on immovable property. In the most recent year, overall tax revenue as a percentage of GDP was 17.8 percent.

### GOVERNMENT SPENDING — 78

Total government expenditures, including consumption and transfer payments, are relatively low. In the most recent year, government spending equaled 27.1 percent of GDP. State-owned enterprises are a drag on public finances. Despite employing 50 percent of the working population, the cotton sector accounts for only 4 percent of GDP and suffers from state interference and mismanagement.

### MONETARY FREEDOM — 58.4

Inflation has been very high, averaging 17.7 percent between 2006 and 2008, but fell sharply in 2009. The government influences prices through regulation, subsidies, and numerous state-owned enterprises and utilities. Farmers are subject to state control of production and harvesting decisions, particularly in the cotton sector. Fifteen points were deducted from Tajikistan's monetary freedom score to account for policies that distort domestic prices.

### INVESTMENT FREEDOM — 25

Both foreign and domestic investors face numerous barriers to investing in Tajikistan. All private investment is screened and requires government approval. Investment laws are inconsistently implemented, and the bureaucracy is non-transparent, burdensome, and prone to corruption. Contracts are weakly enforced, and infrastructure remains inadequate. Investors face ownership restrictions and cumbersome procedures with regard to tax and business registration. Remittance of profits abroad is allowed. Residents and non-residents may hold foreign exchange accounts. Foreign exchange and capital payments and transfers are subject to documentary requirements. All land is owned by the state, but land-use rights may be leased.

### FINANCIAL FREEDOM — 40

Tajikistan's financial sector has undergone a gradual transformation that has led to increased transparency and improved supervision and regulation. Financial-sector assets have grown very rapidly in recent years, reaching around 40 percent of GDP. However, the banking sector's limited capacity to provide financial intermediation impedes the development of a more vibrant private sector. There are 11 private commercial banks, one of which is foreign-owned. The four largest banks, including one state-owned bank, control 80 percent of deposits. All banks except one are privately owned. Non-performing loans have been decreasing. The small non-banking financial sector includes several small insurance companies and one pension fund. Capital markets remain rudimentary, reflecting the lack of efficiency and depth in the financial system.

### PROPERTY RIGHTS — 25

Protection of private property rights is weak. Judicial corruption is widespread, and the courts are sensitive to pressure from the government and paramilitary groups. Legal proceedings are not transparent, and a lack of respect for due process undermines the freedom of civil society. Tajikistan's weak enforcement regime lacks criminal penalties for violations of intellectual property rights.

### FREEDOM FROM CORRUPTION — 20

Corruption is perceived as pervasive. Tajikistan ranks 151st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Bribery and nepotism are endemic. Numerous observers have noted that power has become consolidated in the hands of a relatively small number of individuals. Anemic anti-corruption efforts from the Tajik government have proven ineffective, and some anti-corruption units are known to be particularly corrupt.

### LABOR FREEDOM — 54.4

Tajikistan's labor regulations are inflexible. The non-salary cost of employing a worker is high, and dismissing an employee is difficult. Regulations on the number of work hours are not flexible.