

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

FIRST IMPLEMENTATION SUPPORT WEBINAR

**Improving the Legal Environment for Business in Central Asia:
Focus on Tajikistan**

Improving the legal and policy environment for foreign investment

12 May 2021

10:00 – 12:00 (GMT+2: France)

12:00 – 14:00 (GMT+4: Georgia)

13:00 – 15:00 (GMT+5: Tajikistan)

OECD Eurasia Competitiveness Programme

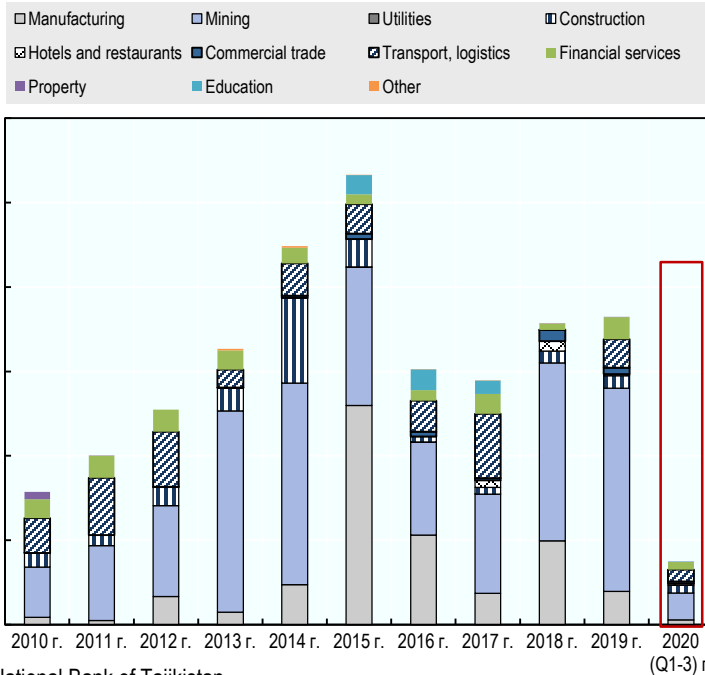


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The COVID-19 pandemic precipitated a sharp decline in FDI to Tajikistan

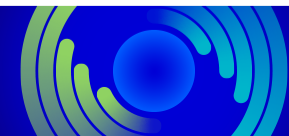
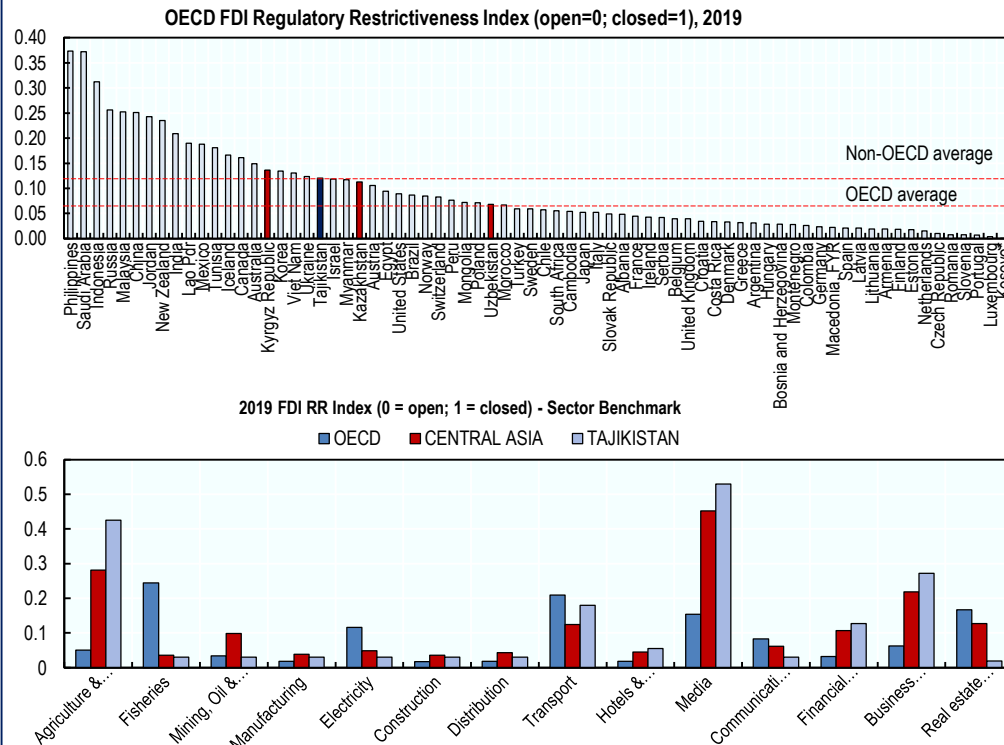
In Q1-3 2020, FDI fell by 74% against the previous 5-year average for the corresponding period



- The COVID-19 pandemic had a particularly severe impact on two of Tajikistan's key economic growth drivers – the export of **surplus labour and raw materials**.
- FDI continues to be concentrated in **extractive sectors**, which create few high quality jobs and linkages with SMEs, and are vulnerable to volatile swings in commodity prices.
- Growth in 2020 fell to **4.5% from 7.5%** in 2019, and is projected to trend downwards in the coming three years.
- The precipitous decline of FDI into Tajikistan was in line with the **77% average** observed in other transition economies, a decline that was far more severe than the **12% observed in developing economies**.
- The collapse in FDI underlined the **long-standing challenge of creating a durable investment environment** in the country, one whose health is not dependent on the fluctuations of commodity prices.

FDI remains low despite Tajikistan having a relatively liberal statutory regime: Enforcement, implementation and other regulatory barriers need to be addressed

- Tajikistan has a **relatively open statutory regime for investment**, but levels of FDI remain low.
- Statutory openness is a necessary but **not sufficient condition for FDI**; the low level of investment indicates the presence of **indirect barriers** to investment and **low attractiveness** of Tajikistan as an investment destination.
- The sectors of Tajikistan's in which legal restrictions remain significantly more stringent than in OECD countries are similar to other Central Asian economies: **agriculture and forestry, media, financial and legal services**.
- One of the key issues for Tajikistan's investment climate is ensuring the **predictable enforcement and implementation** of the investment- and business-related laws already on the books.



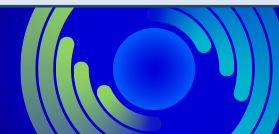
Findings: Tajikistan must ensure the implementation and predictability of existing laws, improve access to information, and rationalise remaining restrictions

Key findings and issues

- Tajikistan has a relatively sound **de jure framework** for investment and business activity, underpinned by a number of key pieces of legislation such as the 2016 Law on Investment, the 2012 Law on Investment Agreements and the 2011 Law on Free Economic Zones. The **de facto** implementation of this framework remains uneven.
- **Improvements have been made** with increasing the availability of information on relevant legal acts, and while efforts have often led to duplication, a new online portal (www.businessportal.tj) adds welcome clarity to the legal requirements and opportunities for international investors.
- Tajikistan is one of the few countries in Central Asia to maintain a **screening mechanism**, managed by the State Committee. This complicates market entry for firms lacking detailed knowledge of Tajikistan's legal and policy framework for investment, and could contribute to lowering the country's investment attractiveness.
- A number of long-standing issues – **indirect expropriation through license and permit revocations, tax administration, dispute settlement, IPR protection** – all weigh heavily on the broader investment climate.

Recommendations

- ➔ The **data portal** could play an important role in improving awareness of investment opportunities in Tajikistan – the IPA and other government agencies should ensure an **aligned approach, using and sharing data**.
- ➔ **Rationalise existing screening mechanisms and remaining sectoral restrictions**, ensure alignment with long-term objectives.
- ➔ Improve the **enforcement and implementation** of existing laws.
- ➔ Address **indirect barriers** to investment and weaknesses in the investment climate, without which FDI levels will remain below their potential.



Issues for discussion

Reform area	Key findings and issues	Expert discussion	Priority for today's discussions
Legal framework for investment	<ul style="list-style-type: none"> Tajikistan has a relatively strong <i>de jure</i> framework for investment, but other aspects of the legal environment remain weak, implementation is uneven. In a more competitive investment climate post-COVID, addressing these challenges has become a priority. FDI remains overly concentrated in the extractive sector, lack of progress in attracting higher quality and more diverse investment due to challenges in investment climate and insufficient linkages with local firms. 	<ul style="list-style-type: none"> OECD experience from the MENA region on improving clarity of legal framework, addressing implementation challenges, addressing investment policy in the COVID-19 context. Georgia's experience in conducting an Investment Policy Review, having an integrated investment strategy, using investor and private sector experience to improve policy making. 	
Focus for in WG 2 and 3	Contract enforcement		
	Taxation		



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Thank you

For more information

 <https://www.oecd.org/eurasia/>

 <https://twitter.com/OECDGlobal>

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