

LUXEMBOURG LISTING PROSPECTUS
US\$500,000,000



Republic of Tajikistan

(acting through the Ministry of Finance)

7.125% Notes due 2027

The Republic of Tajikistan, acting through the Ministry of Finance of the Republic of Tajikistan (the “Issuer” or the “Republic”) is offering US\$500,000,000 aggregate principal amount of its 7.125% notes due 2027 (the “Notes”). Interest on the outstanding principal of the Notes will be payable semi-annually in arrears on March 14 and September 14 of each year commencing on March 14, 2018. The principal of the Notes will, unless previously redeemed or purchased and cancelled, be repaid in six equal semi-annual installments on March 14 and September 14 of each year commencing on March 14, 2025, with the final maturity on September 14, 2027.

The Notes will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will rank equally with all other unsubordinated external indebtedness of the Republic. The Notes will be backed by the full faith and credit of the Republic. The Republic will loan the net proceeds from the offering of the Notes to 96.6% state-owned company Open Joint Stock Company Rogun HPP (“OJSC Rogun HPP”) for the purpose of financing certain amounts due under the construction contract for the Rogun hydropower project. See “*Use of Proceeds*” on page 18.

The Notes will contain provisions, commonly known as “collective action clauses,” regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, the Republic may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of a specified percentage of the aggregate principal amount of the outstanding Notes.

The Notes are a new issue of securities with no established trading market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF market of such exchange. This Luxembourg Listing Prospectus constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 10, 2005, as amended. The Euro MTF market of the Luxembourg Stock Exchange is not a regulated market for the purposes of the Law on Prospectuses for Securities or Directive 2003/71/EC.

The Notes are expected to be rated B- (with stable outlook) by Standard & Poor’s Credit Market Services Europe Limited (“S&P”) and B3 (with stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). S&P and Moody’s are established in the European Community and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (the “CRA Regulation”). The list of credit rating agencies registered in accordance with the CRA Regulation is available on the European Securities and Market Authority’s website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

Investment in the Notes involves significant risks. See “*Risk Factors*” beginning on page 8 regarding certain risks you should consider before investing in the Notes.

Issue price: 100% plus accrued interest, if any, from September 14, 2017

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to U.S. persons except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act (“Rule 144A”) and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes will be offered and sold in registered form and in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes will initially be represented by global certificates in registered form, one or more of which will be issued in respect of the Notes sold in reliance on Rule 144A (the “Restricted Global Notes”) and registered in the name of a nominee for The Depository Trust Company (“DTC”) and one or more of which will be issued in respect of the Notes sold in reliance on Regulation S (the “Regulation S Global Note”) and, together with the Restricted Global Notes, the “Global Notes”) and registered in the name of a nominee of the common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”). It is expected that delivery of the Global Notes will be made on September 14, 2017 or such later date as may be agreed (the “Issue Date”) by the Republic and the Initial Purchasers. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their respective participants. Except in the limited circumstances as described herein, individual certificates will not be issued in exchange for beneficial interests in the Global Notes.

Joint Lead Managers and Bookrunners

Citigroup

Raiffeisen Bank International

The date of this Luxembourg Listing Prospectus is September 14, 2017

TAJKISTAN



TABLE OF CONTENTS

GENERAL PROVISIONS	v
PRESENTATION OF INFORMATION.....	ix
FORWARD-LOOKING STATEMENTS	x
ENFORCEMENT OF CIVIL LIABILITIES AND ARBITRAL AWARDS	xi
EXCHANGE RATE INFORMATION	xiii
SUMMARY	1
THE OFFERING.....	5
RISK FACTORS	8
USE OF PROCEEDS	18
THE REPUBLIC OF TAJIKISTAN	19
THE TAJIKISTAN ECONOMY	27
BALANCE OF PAYMENTS AND FOREIGN TRADE.....	49
MONETARY AND FINANCIAL SYSTEM.....	63
PUBLIC SECTOR FINANCES	80
PUBLIC DEBT	90
DESCRIPTION OF THE NOTES.....	98
BOOK-ENTRY SETTLEMENT AND CLEARANCE.....	113
TRANSFER RESTRICTIONS.....	118
PLAN OF DISTRIBUTION.....	120
TAXATION	123
OFFICIAL STATEMENTS	127
VALIDITY OF THE NOTES	127
GENERAL INFORMATION.....	128

GENERAL PROVISIONS

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

In making an investment decision, you should rely only on the information contained in this Luxembourg Listing Prospectus (the “Luxembourg Listing Prospectus”). We have not, and the Initial Purchasers have not, authorized anyone to provide you with information that is different from the information contained in this Luxembourg Listing Prospectus. This Luxembourg Listing Prospectus may only be used where it is legal to sell the Notes. The information in this Luxembourg Listing Prospectus may only be accurate on the date of this Luxembourg Listing Prospectus.

This Luxembourg Listing Prospectus may only be used for the purposes for which it has been published.

The Notes will be issued in registered form only. Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without interest coupons (the “Regulation S Global Notes”) deposited with a custodian for, and registered in the name of a nominee of the common depositary for Euroclear and Clearstream, Luxembourg. Notes sold in the United States to qualified institutional buyers as defined in, and in reliance on, Rule 144A will be represented by one or more permanent global notes in fully registered form without interest coupons (the “Restricted Global Notes”) and, together with the Regulation S Global Notes, the “Global Notes”) deposited with a custodian for, and registered in the name of a nominee for DTC. Beneficial interests of DTC participants (as defined under “*Book-Entry Settlement and Clearance*”) in the Global Notes will be shown on, and transfers thereof between DTC participants will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg, if applicable. See “*Book-Entry Settlement and Clearance.*” Except as described herein, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. For restrictions on transfers applicable to the Notes, see “*Transfer Restrictions*” and “*Plan of Distribution.*”

The Republic has taken reasonable care to ensure that the information contained in this Luxembourg Listing Prospectus is true and correct in all material respects and not misleading as of the date hereof, and that, to the best knowledge and belief of the Republic, there has been no omission of information which, in the context of the issue of the Notes, would make this Luxembourg Listing Prospectus as a whole or any such information misleading in any material respect. The Republic accepts responsibility accordingly.

The Notes described in this Luxembourg Listing Prospectus have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”) or any other U.S. federal or state securities commission or regulatory authority, nor has the SEC or any such state securities commission or authority passed upon the accuracy or adequacy of this Luxembourg Listing Prospectus. Any representation to the contrary is a criminal offense.

This Luxembourg Listing Prospectus does not constitute an offer by, or an invitation by or on behalf of, the Republic or the Initial Purchasers to subscribe to or purchase any of the Notes. You are not to construe the contents of this Luxembourg Listing Prospectus as investment, legal or tax advice. Each recipient of this Luxembourg Listing Prospectus shall be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Luxembourg Listing Prospectus or any part thereof and the offering, possession, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Luxembourg Listing Prospectus comes are required by the Republic and the Initial Purchasers to inform themselves about and to observe any such restrictions. We are not, and the Initial Purchasers are not, making any representation to you regarding the legality of an investment in the Notes by you under applicable laws. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. See “*Transfer Restrictions*” and “*Plan of Distribution*” for a description of further restrictions on the offer, sale and delivery of Notes and on distribution of this Luxembourg Listing Prospectus and other offering material relating to the Notes. You should be aware that you may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Each person purchasing Notes pursuant to Rule 144A will be deemed to:

- represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer (as defined in Rule 144A); and
- acknowledge that the Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be reoffered, resold, pledged or otherwise transferred except as described under “*Transfer Restrictions.*”

Each purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to distribution thereof in the United States.

Each person purchasing Notes also acknowledges that:

- it has been afforded an opportunity to request from the Republic and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein;
- it has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of the information contained in this Luxembourg Listing Prospectus or its investment decision; and
- no person has been authorized to give any information or to make any representation concerning the Republic or the Notes other than those contained in this Luxembourg Listing Prospectus and, if given or made, such information or representation should not be relied upon as having been authorized by the Republic or the Initial Purchasers.

We reserve the right to withdraw the offering of the Notes at any time, and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you. We are making this offering subject to the terms described in this Luxembourg Listing Prospectus.

STABILIZATION

In connection with the issue of the Notes, Citigroup Global Markets Limited (the “Stabilizing Manager”) (or any person acting on behalf of the Stabilizing Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, Stabilization may not necessarily occur. Any Stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any Stabilization action or overallotment must be conducted by the Stabilizing Manager (or any person acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISTRIBUTED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Luxembourg Listing Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Luxembourg Listing Prospectus may only do so in circumstances in which no obligation arises for the Republic or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Republic nor the Initial Purchasers has authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Republic or the Initial Purchasers to publish a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Luxembourg Listing Prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Luxembourg Listing Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Luxembourg Listing Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

PRESENTATION OF INFORMATION

In this Luxembourg Listing Prospectus, unless otherwise specified:

- references to “we”, “us”, “the Republic” and “Tajikistan” are to the Republic of Tajikistan;
- references to the “Government” are to the central government of Tajikistan; and
- references to the “CIS” are to the Commonwealth of Independent States.

The National Bank of Tajikistan (the “NBT”) is independent from the Government and is not included in any statistics in this Luxembourg Listing Prospectus with respect to the Government.

Unless otherwise specified or the context requires, references herein to “U.S. dollars” and “US\$” are to the lawful currency of the United States of America; references to “TJS” are to Tajikistan somoni, the lawful currency of the Republic; references to “rouble” are to the lawful currency of the Russian Federation (“Russia”); and references to “SDR” are to Special Drawing Rights allocated by the International Monetary Fund.

Gross domestic product (“GDP”) is a measure of the total value of final products and services produced in a country. “Nominal GDP” measures the total value of final production in current prices. “Real GDP” measures the total value of final production in constant prices, thus allowing historical GDP comparisons that exclude the effect of inflation. For the purposes of this Luxembourg Listing Prospectus, GDP figures are calculated in accordance with System of National Accounts (SNA) 1993 and the IMF’s Quarterly System of National Accounts paragraph 9.21 recommendation. GDP growth rates and growth rates for the various sectors of the Tajikistan economy are based on real figures, unless otherwise indicated. Figures expressed as a percentage of GDP use nominal GDP as the base number. GDP figures presented are nominal GDP unless otherwise indicated.

Statistical data appearing in this Luxembourg Listing Prospectus has, unless otherwise stated, been obtained from the Agency on Statistics under the President of the Republic of Tajikistan (“TajStat”), the Ministry of Finance, the NBT and other official Government sources. Certain statistics are preliminary and are identified as such where presented. The development of statistical information relating to Tajikistan is an ongoing process, and revised figures and estimates are produced on a continuous basis and may change further in the future. We are not obligated to distribute such revised data and information to any investor. For this reason, certain data presented herein may differ from data made public previously. All statistical information provided in this Luxembourg Listing Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. See *“Risk Factors – Risk Factors Relating to Tajikistan – Statistical Information.”*

Certain statistical information contained herein has been derived from official publications of, and information supplied by, among others, the International Monetary Fund (the “IMF”), the United Nations Conference on Trade and Development (“UNCTAD”), the United Nations Development Program (the “UNDP”) and the World Bank Group.

Unless otherwise stated, all annual information, including budget information, is based on calendar years, and interim statistical information has not been annualized. Data included in this Luxembourg Listing Prospectus have been subject to rounding adjustments; accordingly, data shown for the same item of information may vary, and total figures may not be arithmetical sums of their components.

Except as otherwise provided, translations of amounts from one currency into another currency are solely for the convenience of the reader and are made at various exchange rates. No representation is made that amounts referred to herein could have been, or could be, converted into another currency at any particular exchange rate or at all.

FORWARD-LOOKING STATEMENTS

This Luxembourg Listing Prospectus contains certain forward-looking statements (as such term is defined in the Securities Act) concerning the Republic. These statements are based upon beliefs of the Government and others as well as a number of assumptions and estimates which are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. In addition, in those and other portions of this Luxembourg Listing Prospectus, the words “anticipates,” “believes,” “contemplates,” “estimates,” “expects,” “plans,” “intends,” “projections” and similar expressions, as they relate to the Republic, are intended to identify forward-looking statements. Such statements reflect the current views of the Republic with respect to future events and are subject to certain risks, uncertainties and assumptions. The Republic undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurances that the events described or implied in the forward-looking statements contained in this Luxembourg Listing Prospectus will in fact occur.

For Tajikistan, in addition to the factors described in this Luxembourg Listing Prospectus, including but not limited to those discussed under “*Summary*,” “*Risk Factors*,” “*The Republic of Tajikistan*,” “*The Tajikistan Economy*,” “*Balance of Payments and Foreign Trade*,” “*Monetary and Financial System*,” “*Public Sector Finances*” and “*Public Debt*,” the following factors, among others, could cause future conditions to differ materially from those expressed in any forward-looking statements made herein:

- adverse external factors, such as global or regional economic slowdowns or recession or low growth in Tajikistan’s trading partners including Russia, China or Kazakhstan, higher international interest rates, declines in foreign direct investment (“FDI”) or portfolio investment, reduced demand for Tajikistan’s exports or decreases in global commodity prices (including oil and gas prices);
- adverse domestic factors, such as recession, high domestic inflation, high domestic interest rates, exchange rate volatility, lower than expected tax receipts and foreign currency revenues, adverse developments in the Tajikistan banking system, larger than expected fiscal costs (including for the recapitalization of banks), difficulties in borrowing in the domestic and foreign markets, deterioration in the foreign reserve position, trade and political disputes between Tajikistan and its trading partners or instability in or tensions with neighboring countries;
- decisions of international financial institutions such as the IMF and the World Bank regarding their financial assistance to Tajikistan over the life of the Notes;
- political factors in Tajikistan, which may affect, among other things, the timing and nature of economic reforms in Tajikistan, the reduction of Tajikistan’s budget deficit, the implementation of anti-corruption reforms and the climate for FDI; and
- delays or unforeseen costs or other difficulties in the implementation of strategic infrastructure projects, in particular the Rogun Hydropower Plant and CASA-1000 electricity transmission system projects.

ENFORCEMENT OF CIVIL LIABILITIES AND ARBITRAL AWARDS

Foreign judgments or arbitral awards will not be enforced in Tajikistan until they have passed the procedure of recognition. Recognition is a formal procedure providing for participation of the parties to the dispute but without re-consideration of the merits of the dispute. The main aim of recognition is to determine whether there are any formal grounds for refusal of recognition and enforcement of foreign judgments or arbitral awards. Specifically, due to mandatory provisions of the Code of Economic Procedure of Tajikistan (article 223), a Tajikistan court may refuse the recognition and enforcement of foreign judgments or arbitral awards if: (i) a foreign judgment or arbitral award has not entered into force under the laws of a state on whose territory it was rendered; (ii) a party against which a foreign judgment or arbitral award was rendered had not been timely and duly notified about the proceedings, their time and place or due to other reasons could not provide its explanations to the arbitration tribunal; (iii) according to the Tajikistan legislation and international treaties of the Republic consideration of the case is within the exclusive competence of Tajikistan courts; (iv) there is a judgment of a Tajikistan court rendered in a dispute between the same parties, on the same subject and on the same grounds which has already entered into force or such case is being considered by a Tajikistan court provided that such proceedings started before commencement of proceedings in a foreign court or a Tajikistan court first seized the case; (v) expiration of the statutory term for enforcement of a foreign judgment and such term is not restored by a court; or (vi) enforcement of a foreign judgment or arbitral award will contradict the “public policy” of the Republic. The laws of Tajikistan do not provide any clear guidelines for determining what the “public policy” of Tajikistan actually is. Such ambiguity of the “public policy” concept may be used by Tajikistan courts to deny recognition and enforcement of foreign judgments and arbitral awards rendered against Tajikistan or threatening its interests.

Generally, the courts of Tajikistan will not recognize judgments of a foreign court of law in the absence of an international and/or bilateral agreement between Tajikistan and the jurisdiction in which such decision was rendered. No such agreement is currently in force between Tajikistan and the United States. The laws of Tajikistan do not include any rules on the principle of reciprocity or international comity. Thus, there can be no assurance that the courts of Tajikistan will recognize and enforce a judgment rendered by courts of a jurisdiction with which Tajikistan has no international/bilateral agreement on the basis of the principle of reciprocity or international comity.

The Notes and the indenture governing the Notes are governed by, and construed in accordance with, the laws of the State of New York, and the Republic and the parties thereto have agreed therein that any dispute, claim, difference or controversy arising out of or in connection therewith (including any dispute relating to their existence, validity or termination, or any non-contractual obligation or other matter arising out of or in connection with them) shall be referred to and finally resolved by arbitration under the arbitration rules of the London Court of International Arbitration (“LCIA”). See “*Description of the Notes – Arbitration.*” Subject to the provisions of the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards dated June 10, 1958 (to which Tajikistan is a party) and the corresponding legislation of Tajikistan, foreign arbitral awards are generally recognized and enforceable in Tajikistan provided the conditions to enforcement are met. Despite the above, recognition and enforcement of arbitral awards in Tajikistan may still be difficult. In particular, if the enforcement of an arbitral award conflicts with the “public policy” of Tajikistan, a Tajikistan court may refuse to recognize and enforce such arbitral award.

In addition, a Tajikistan court will ignore any dispute resolution agreement of the parties if it finds that under Tajikistan legislation it has exclusive jurisdiction over such disputes. In addition, if any party were to initiate proceedings in a court of Tajikistan arising out of or in connection with the Notes, a motion to dismiss the proceedings and to refer the parties to arbitration under the Arbitration Rules of the LCIA would have to be made by the other party objecting to the jurisdiction of the court of Tajikistan prior to the first motion of such party regarding the substance of the dispute. If no such motion is made, the court of Tajikistan would proceed to review, and to pass judgment on, the merits of the dispute.

Taking into account that Tajikistan is a sovereign state, there is a risk that notwithstanding the waiver of sovereign immunity by Tajikistan in connection with the Notes, a claimant will not be able to enforce a foreign judgment or arbitral award in Tajikistan against certain assets of Tajikistan. In the absence of rules in the laws of the Republic on the issue of state immunity and immunity of state-owned assets, the Republic may rely on precedents of other sovereign issuers and refuse enforcement against property of a military character and under the control of the military authorities or defense agencies, property of the National Bank of Tajikistan, including gold and foreign

currency reserves, property located in Tajikistan and used for public or governmental purposes (as distinct from property used for commercial purposes), museum funds, state archive of Tajikistan, (including the imposition of any arrest or attachment or seizure of such assets and their subsequent sale), on the pretext that the Republic has not specifically consented to such enforcement at the time when the enforcement is sought. The enforcement in Tajikistan of any court judgment or arbitral award against any assets of the Republic which are subject to a mortgage, pledge, lien or other security interest or encumbrance granted by the Republic to a third party will also be subject to the provisions of applicable laws governing such mortgages, pledges, liens, security interests or encumbrances (including, without limitation, the order of priority for the satisfaction of claims of secured and unsecured creditors from such assets).

Although Tajikistan law recognizes choice of law principles for contractual obligations, the choice of foreign law will not exclude the application of mandatory rules of Tajikistan law which cannot be derogated from by the agreement of the parties. According to Tajikistan law, regardless of the choice of law applicable to the relations of the parties, certain mandatory rules of Tajikistan law still shall be applied, such as requirements relating to the written form of foreign trade transactions, determination of authority to act on behalf of the Republic and the procedure of approval of issue of the Notes and payments thereunder, and a Tajikistan court may apply these mandatory rules of Tajikistan law rather than the law chosen by the parties. Consequently there can be no assurance that a Tajikistan court will recognize the laws of the State of New York as the governing law of the Notes or apply only New York law to the Notes.

As a condition for admissibility in evidence of any documents in a Tajikistan court, the courts of Tajikistan will require the submission of such documents either (i) as originally executed counterparts, or (ii) as duly notarized copies. In addition, in the case of an official document issued outside Tajikistan, including arbitral awards and foreign court judgments, unless a valid international agreement of Tajikistan provides otherwise, such foreign official document will be admissible in evidence by a court of Tajikistan if the apostille is affixed to such official document by the competent authority of the country of its issuance subject to the Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated October 5, 1961 and a duly certified Tajik language translation of such official document is notarized by a Tajikistan notary.

See *“Risk Factors – Risks Relating to the Notes – Difficulty of Enforcement of Judgments or Arbitral Awards Against Tajikistan.”*

EXCHANGE RATE INFORMATION

This Luxembourg Listing Prospectus translates certain TJS amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, any such amounts have been translated at the applicable official NBT exchange rate on the date of such data or the average of such rates for the relevant period, as applicable. Currency conversions contained in this Luxembourg Listing Prospectus should not be construed as representations that somoni have been, could have been or could be converted into U.S. dollars at the indicated or any other rate of exchange. See “*Monetary and Financial System — Exchange Rates and Exchange Rate Policy.*”

The following table sets forth the high, low, average and period end TJS to U.S. dollar exchange rates for the periods indicated below.

	Exchange Rates			
	High	Low	Average	Period End
	<i>(TJS per U.S. dollar)</i>			
2012	4.7710	4.7578	4.7627	4.7644
2013	4.7747	4.7539	4.7642	4.7741
2014	5.3079	4.7741	4.9349	5.3079
2015	6.9902	5.3074	6.1645	6.9902
2016	7.8780	7.1101	7.8356	7.8762
2017 (through June 30)	8.8200	7.8762	8.2936	8.8102

Source: NBT.

On September 7, 2017, the somoni-U.S. dollar exchange rate was TJS 8.8066: US\$1.00.

SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Luxembourg Listing Prospectus.

The Republic of Tajikistan

Tajikistan is a landlocked country in Central Asia with an estimated population of 8.7 million as of January 1, 2017, and an area of 142,600 square kilometers (55,300 square miles). Tajikistan is located in the center of Central Asia bordered by Afghanistan to the south, Uzbekistan to the west, Kyrgyzstan to the north, and China to the east. Pakistan lies to the south, separated by the narrow Wakhan Corridor. Mountains cover 93% of the country, with valleys to the south and north. Tajikistan is rich in natural resources, but due to the mountainous nature of the country extracting them is difficult. Tajikistan has approximately 1,300 lakes and approximately 24,000 kilometers of rivers. Approximately 55% of the water resources in Central Asia are located in Tajikistan.

Tajikistan is a presidential republic, and its capital is Dushanbe, which is also its largest city. Emomali Rahmon has held the office of president since 1994.

Most of Tajikistan's population belongs to the Tajik ethnic group. Over the past two decades, Tajikistan has significantly reduced poverty among its population. However, it remains Central Asia's poorest nation based on the UN multi-dimensional poverty index for 2015. The literacy rate for the population over the age of 15 is estimated to be 99.8%.

Tajikistan has a diverse economy, with particular strengths in agriculture, trade, construction, transportation and manufacturing. Agriculture has traditionally been the single largest contributor to the Tajikistan economy, accounting for 23.4%, 21.9% and 20.6% of nominal GDP in 2014, 2015 and 2016, respectively. However, the share of the economy represented by industry has been increasing in recent years due to diversification efforts and investment. The manufacturing sector in Tajikistan mainly consists of the state-owned Tajik Aluminum Company ("TALCO") aluminum plant and small factories in food processing and light industry. TALCO is the largest aluminum manufacturing plant in Central Asia and is Tajikistan's largest state-owned enterprise and largest power end-user. It has a yearly capacity of 500,000 metric tons but has operated below its production capacity in recent years due to the collapse in global aluminum prices and the need for modernization.

Tajikistan has substantial hydroelectric power potential. According to the International Hydropower Association (the "IHA"), in 2015 Tajikistan's estimated hydroelectric power potential was 527,000 gigawatt-hours ("GWh") per year, which the Republic believes ranks eighth in the world after China, Russia, the United States, Brazil, Democratic Republic of Congo, India and Canada. However, less than 5% of Tajikistan's hydroelectric power potential is currently utilized. Many of the existing hydropower plants were built during the Soviet period and require rehabilitation. The Nurek Hydroelectric Power Plant (the "Nurek HPP"), which has an installed generation capacity of 3,000 MW, currently produces over 75% of Tajikistan's electricity. The Nurek HPP, which includes the world's tallest dam, was commissioned in 1979 and is in the process of being rehabilitated.

Remittances from Tajikistan citizens working abroad are an important feature of the Tajikistan economy and are used to finance a substantial share of Tajikistan's trade deficit, which for goods and services was 27.1% of GDP in 2016. In 2016, net remittance inflows amounted to US\$2.2 billion, or approximately 31.4% of GDP. Most remittances come from Russia.

Tajikistan has had real GDP growth of 6.7%, 6.0% and 6.9% in 2014, 2015 and 2016, respectively. External public debt as a percentage of GDP was 35.8% as of June 30, 2017. Gross international reserves as of June 30, 2017 were US\$763.7 million, representing 3.9 months of import coverage.

Economic Policy and Reforms

The Republic has carried out reforms of the national economy through the development and implementation of important strategic policies and programs.

In 2016 the Government adopted the National Development Strategy 2016-2030 (“NDS 2030”) and the Medium-Term Development Program for 2016-2020. In the NDS 2030, the Government set out the following four strategic objectives for the Tajikistan economy:

- energy security;
- food security;
- expanding productive employment; and
- promoting regional connectivity.

In the NDS 2030, the Government cited certain goals to be achieved in order for Tajikistan to reach a level of socio-economic development comparable to that of middle-level middle-income countries, including maintaining real GDP growth at 7-8%, increasing the country's GDP by three or more times, increasing per capita GDP by more than 2.5 times, reducing poverty by more than two times and eradicating extreme poverty.

To achieve higher growth, Tajikistan is implementing a structural reform agenda designed to: reduce the role of the state and enlarge that of the private sector in the economy through a more favorable business climate, thus increasing private investment and generating more productive jobs; modernize and improve the efficiency and social inclusiveness of basic public services; and enhance the country’s connectivity to regional and global markets and knowledge. To ensure sustainable growth in the economy, the Government seeks to improve the investment climate, encourage entrepreneurship and develop the private sector.

Rogun Hydropower Plant Project

As part of its ongoing development plans and its strategic objective of achieving energy security, Tajikistan is adding to its domestic power generation capacity through the construction of the Rogun Hydropower Plant (the “Rogun HPP”). The Rogun HPP, when completed, will surpass the Nurek HPP as Tajikistan’s largest hydropower plant and also as the world’s tallest dam. The Rogun HPP project is of high strategic importance to Tajikistan, as it is expected to provide energy security to the country and utilize Tajikistan’s substantial hydroelectric power resources and in turn generate significant revenues for the Republic from exports of electricity.

The Republic will loan the net proceeds from the offering of the Notes to 96.6% state-owned company Open Joint Stock Company Rogun HPP (“OJSC Rogun HPP”) for the purpose of financing certain amounts due under the construction contract for the Rogun hydropower project. See “*Use of Proceeds.*”

The overall contractual construction cost of the Rogun HPP project is currently estimated at US\$3.9 billion through its expected completion date in 2032. See “*Public Sector Finances – State-Owned Enterprises.*” OJSC Rogun HPP’s financing plans include an expected revenue generation at the earliest in December 2018 when the first turbine of the plant is expected to begin to generate power, with additional revenue at the earliest in April 2019 when the second turbine of the plant is expected to begin to generate power. OJSC Rogun HPP is expected to seek additional financing to complete the Rogun HPP project after the stage of early generation of power in December 2018 and April 2019. See “*Risk Factors – Risks Relating to Tajikistan – Risks Relating to Rogun Hydropower Plant Project.*”

CASA-1000 Project

CASA-1000 is an electricity transmission system being constructed to facilitate the export of electricity from Tajikistan and Kyrgyzstan to Afghanistan and Pakistan, in particular the electricity to be generated by the Rogun HPP as production comes online. The completion of the CASA-1000 project, currently estimated to occur in 2020, is vital for facilitating the export of excess power to be generated by the Rogun HPP. See “*Risk Factors – Risks Relating to Tajikistan – Risks Relating to Rogun Hydropower Plant Project.*”

Recent Developments

The slowdown in economic activity in Russia beginning in late 2014 as a result of sharply lower oil prices and geopolitical tensions and sanctions resulted in negative spillovers on CIS countries, including Tajikistan. The prolonged recession in Russia caused a sharp decline in remittances in 2016 as compared to 2015 (in U.S. dollar terms), while global prices for the mineral products and agricultural products that are Tajikistan's main exports remained low in 2016. The depreciation of the somoni which occurred largely in 2015 and early 2016, combined with declining household income and a more challenging economic environment, adversely affected the liquidity and solvency of a number of banks in Tajikistan in 2016. In December 2016, two banks, which were considered to be of systemic importance, were partially nationalized, and in February 2017 the NBT withdrew the licenses of two other banks. The Tajikistan banking system overall remains under stress.

Despite the challenges posed by adverse global economic conditions, annual real GDP growth was 6.7%, 6.0% and 6.9% in 2014, 2015 and 2016, respectively. The growth of the economy in 2015 and 2016 was driven by strong performance in the industrial sector and the construction sector. Foreign-financed investment spurred growth in the industrial and construction sectors, which expanded by 16.0% and 20.3%, respectively, in 2016 as compared to 2015. In 2016, the mining and food processing subsectors drove the increase in industrial output, while the commencement of construction of the Rogun HPP and public investment dedicated to the 25th anniversary of Tajikistan's independence spurred the construction sector.

On May 30, 2017, the IMF completed its 2017 Article IV Mission to Tajikistan. In its end-of-mission press release, the IMF mission leader stated: "The Tajikistan authorities and the IMF team held constructive discussions on Tajikistan's recent economic developments, the economic outlook, and policy actions and structural reforms needed to support an inclusive growth agenda. The team commended the authorities for reforms implemented in the past two years and stressed that deeper reforms are needed."

Statements of Uzbekistan officials made in July 2017 indicate that Uzbekistan is no longer publicly opposed to the Rogun HPP project and that it is willing to address any concerns about the project within the framework of internationally accepted rules.

Selected Economic Indicators

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
Economic Sector					
GDP at current prices (TJS billion)	36.2	40.5	45.6	48.4	54.5
GDP at current prices (US\$ billion)	7.6	8.5	9.2	7.9	6.9
Real GDP growth (%)	7.5	7.4	6.7	6.0	6.9
Consumer price index (CPI) inflation (year-on-year) (%)	6.4	3.7	7.4	5.1	6.1
<i>(Annual percentage change, unless otherwise indicated)</i>					
Monetary Sector					
Broad money	27.0	19.7	7.1	18.7	37.1
Banking system net foreign assets (“NFA”) (TJS million) ⁽¹⁾	1,494,619	471,855	(956,836)	(239,047)	1,790,874
Banking system NFA ⁽¹⁾	76.8	(68.4)	(302.8)	75.0	849.2
Private sector credit (adjusted for exchange rate changes)	2.5	54.7	33.6	12.2	(5.2)
<i>(In percent of GDP, unless otherwise indicated)</i>					
Fiscal Sector					
Revenue	25.6	28.0	29.8	30.4	28.4
Expenditure	25.2	28.6	28.9	33.1	33.3
Primary expenditure	24.3	27.7	27.9	32.5	32.6
Overall fiscal balance	0.4	(0.6)	0.8	(2.8)	(4.9)
Primary fiscal balance	1.2	0.2	1.8	(2.2)	(4.2)
Net domestic financing obtained	5.0	5.8	6.1	6.9	5.7
Net external financing obtained	1.4	1.6	1.5	1.8	2.3
Public Debt (at year end)					
Total	36.1	32.9	27.9	33.3	44.8
- Domestic	7.6	7.1	5.2	5.3	12.1
- External	28.5	25.7	22.7	27.9	32.7
External Sector					
Current account deficit	9.1	7.7	2.8	6.5	3.4
Capital and financial account deficit	5.6	0.2	1.8	4.4	4.6
Gross international reserves (US\$ million) (at year end) ⁽²⁾	699.3	477.2	510.8	494.3	652.8
- in months of imports (months) ⁽²⁾	1.4	1.1	1.6	1.8	2.7

(1) Data based on monetary survey of deposit organizations.

(2) Gross international reserves includes foreign currency reserves in convertible foreign currencies, SDRs and monetary gold. Gross international reserves as of June 30, 2017 were US\$763.7 million, representing 3.9 months of import coverage.

Sources: Ministry of Finance, Ministry of Economic Development, NBT.

THE OFFERING

Issuer	The Republic of Tajikistan, acting through the Ministry of Finance of the Republic of Tajikistan.
Issue Amount.....	US\$500,000,000 aggregate principal amount.
Issue Price.....	100% of the principal amount of the Notes, plus accrued interest, if any, from September 14, 2017.
Issue Date	September 14, 2017.
Maturity Date.....	Unless previously redeemed or purchased and cancelled, the Notes will mature on September 14, 2027, and will amortize in six equal semi-annual installments paid on March 14 and September 14 of each year commencing on March 14, 2025 (as such amounts may be decreased as a result of an optional redemption or purchase and cancellation as described in “ <i>Description of the Notes—Optional Redemption</i> ” or “ <i>Description of the Notes—Purchase and Cancellation</i> ” or increased as a result of the issuance of additional Notes as described in “ <i>Description of the Notes—Further Issues</i> ,” and as may be further adjusted to satisfy the minimum denomination requirements of the Notes).
Interest.....	The outstanding principal of the Notes will bear interest from September 14, 2017 at the rate of 7.125% per annum payable semi-annually in arrears on March 14 and September 14 of each year, commencing on March 14, 2018.
Withholding Tax; Additional Amounts	Principal of and interest on the Notes are payable by the Republic without withholding or deduction for or on account of taxes imposed by Tajikistan to the extent described herein. In the event that the Republic is required by law to deduct or withhold taxes, duties, assessments or governmental charges, the Republic will pay Additional Amounts as necessary to enable holders of Notes to receive such amounts after such deduction or withholding as they would have received absent such deduction or withholding, subject to certain exceptions. See “ <i>Description of the Notes—Additional Amounts</i> ” and “ <i>Risk Factors— Risks Relating to the Notes – Tajikistan courts may not enforce gross-up obligations.</i> ”
Ranking.....	The Notes will constitute general, direct, unconditional, unsubordinated and unsecured Indebtedness (as described herein) of the Republic and will rank <i>pari passu</i> , without any preference among themselves and equally with all other unsubordinated External Indebtedness of the Republic. The Republic has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes.
Negative Pledge and Certain Covenants.....	The Notes contain certain covenants, including a restriction on the creation or subsistence of any Lien (as defined herein) securing Public External Indebtedness. These covenants are, however, subject to significant exceptions. See “ <i>Description of the Notes.</i> ”

Use of Proceeds	The net proceeds from the issuance and sale of the Notes, after deduction of the commissions payable by the Republic to the Initial Purchasers and the net fees and expenses payable by the Republic, will be approximately US\$495.5 million. The Republic will loan the net proceeds from the offering of the Notes to OJSC Rogun HPP for the purpose of financing certain amounts due under the construction contract for the Rogun HPP. See “ <i>Description of the Notes – Certain Covenants of the Republic.</i> ”
Collective Action Clauses.....	The Notes will contain provisions, commonly known as “collective action clauses,” regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, which are described in the section entitled “ <i>Description of the Notes—Meetings, Modifications, Amendments and Waivers, Collective Action Clauses,</i> ” the Republic may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of a specified percentage of the aggregate principal amount of the outstanding Notes. Such collective active clauses include a single-limb voting aggregation feature that allows for aggregation of votes across multiple series of our outstanding debt securities if certain criteria are met.
Form of Notes.....	The Notes will be issued in the form of global notes without coupons, registered in the name of a nominee of DTC (in the case of the Restricted Global Notes) and the nominee of the common depository for Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Global Notes).
Denominations.....	Each Note will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Further Issues.....	The Republic may from time to time, without the consent of the holders of the Notes, create and issue further Notes having the same terms and conditions as the Notes in all respects, except for the issue date, the issue price and first payment of interest thereon. Additional Notes issued in this manner will be consolidated with and will form a single series with the Notes; provided that, if any additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such additional Notes shall trade separately from such previously issued Notes under a separate CUSIP number but shall otherwise be treated as a single class with all other previously issued Notes.
Listing and Trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market.
Governing Law	The Notes and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York, United States of America.
Transfer Restrictions.....	The Notes have not been registered under the Securities Act. As a result, the Notes are subject to limitations on transferability and resale. For more information, see “ <i>Transfer Restrictions.</i> ”

Trustee	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Registrar, Luxembourg Paying Agent and Luxembourg Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

Investing in the Notes involves significant risks. The Republic believes the following risks and uncertainties may adversely affect the market value of the Notes or the Republic's ability to fulfill its obligations under the Notes. Prospective investors should carefully consider the risks described below and the other information contained in this Luxembourg Listing Prospectus before making an investment decision. The risks and uncertainties described below are not the only ones facing the Republic. Additional risks and uncertainties not currently known to us or that the Republic currently does not believe are material may also adversely affect the Republic.

Risks Relating to Emerging Markets Generally

Emerging Markets Economic Risks

Investing in an emerging market country such as Tajikistan carries greater economic risks than are typical for more developed economies. These risks include many different factors that may affect Tajikistan's economic results, including the following:

- general economic and business conditions in Tajikistan and the global economy;
- changes in economic or tax policies in Tajikistan;
- the imposition of trade barriers by Tajikistan's trade partners;
- the ability of Tajikistan to implement key economic reforms;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;
- the decisions of international financial institutions regarding the terms of their financial assistance to Tajikistan;
- the imposition of wage, price or exchange controls by the Government;
- interest rates in the United States and other financial markets outside Tajikistan; and
- increased or volatile inflation rates in Tajikistan.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the liquidity of, and trading market for, the Notes.

Risks Relating to Tajikistan

Vulnerability to Global and Regional Economic Conditions and Commodities Markets

The Tajikistan economy is vulnerable to external factors. Tajikistan has a relatively small economy (nominal GDP of US\$7.0 billion in 2016), a reliance on remittances by labor migrants (31.4% of GDP in 2016) and a reliance on imports (36.7% of GDP in 2016).

Most of Tajikistan's fuel and a large share of its food are imported, making it vulnerable to changes in global food and fuel prices. Its exports, which represented 26.2% of GDP in 2016, are narrowly based and commodity-driven. Decreased demand from any of Tajikistan's major trading partners, such as Russia, China or Kazakhstan, could have a material adverse impact on Tajikistan's balance of trade and on the export-oriented sectors of Tajikistan's economy.

Tajikistan is also vulnerable to general economic downturns. Tajikistan depends on its labor exports and the resulting remittance income earned by migrant workers (mainly based in Russia), which represented 31.4% of GDP in 2016. As a result, Tajikistan is exposed to fluctuations in the external demand for its migrant labor force. Tajikistan's vulnerability to economic downturns is illustrated by the impact of Russia's economic slowdown that began in late 2014, which resulted in a sharp decline in remittances (in U.S. dollar terms) in 2016 compared to 2015, with adverse effects on Tajikistan's current account, fiscal position and banking sector. Tajikistan's economy remains vulnerable to further external shocks. Due to the strong correlation between Tajikistan's and Russia's economic performance, Tajikistan's economy is vulnerable to volatility in global oil prices, which are a key factor in Russian economic performance given the importance of the oil and gas sector in Russia. See "*—Relations with Russia*" below.

While the Republic has been taking steps to diversify and strengthen its economy with a growing industrial sector and planned increases in hydroelectric power supply, its vulnerability to the foregoing risks currently remains significant.

Political Risks Associated with a Transitional Democracy

With its independence only re-established in 1991 and with no historic tradition of democratic rule, Tajikistan remains a transitional democracy and its political institutions are still maturing.

As a transitional democracy, Tajikistan's political institutions may be less established than political institutions in mature democracies and may not carry the same institutional legitimacy as in the case of mature democracies. Tajikistan's percentile ranks in the World Bank's Worldwide Governance Indicator for Government Effectiveness and Rule of Law for 2015 were 19.7% and 14.4%, respectively. In the past, presidential and parliamentary elections have been subject to allegations of irregularities. Since the country's civil war in the 1990s, the Election Observation Mission of the Organization for Security and Cooperation in Europe (the "OSCE") and the Office for Democratic Institutions and Human Rights ("ODIHR"), the OSCE's principal institution dealing with elections, have observed six elections in Tajikistan and have noted numerous shortcomings in Tajikistan's elections compared to international standards for democratic elections. Although such has not happened in Tajikistan, other former members of the Soviet Union - such as Georgia, Kyrgyzstan and Ukraine - have had popular uprisings, the so-called "color revolutions," resulting in extra-constitutional transfers of power or contested elections being repeated. Economic hardship, higher prices for electricity, heat and transportation, increased food prices, and/or perceived governmental mismanagement could provoke social unrest. While the Government is currently pursuing a course of reforms, such policies may not continue. The pursuit of reforms and economic growth may be frustrated as a result of a change in the Government or changes affecting the stability of the Government or as a result of a rejection or reversal of governmental policies.

In addition, the incumbent President of Tajikistan, Emomali Rahmon, has held the office of president since 1994. In November 2013, President Rahmon was re-elected for another seven-year term with 84% of the vote. In May 2016, a referendum vote was passed providing for constitutional changes to exempt President Rahmon from presidential term limits. While this amendment will allow President Rahmon to seek re-election at the end of his term, there is no guarantee that he will seek or achieve re-election. President Rahmon is 64 years old. Should he leave office for any reason without a smooth transfer to a successor, Tajikistan's political situation could become unstable and the investment climate in Tajikistan could worsen, which could have a material adverse effect on Tajikistan's economy and on its ability to make payments on the Notes.

Banking Sector Weakness

In the past several years, the Tajikistan banking sector has experienced considerable asset quality deterioration caused by, among other things, a depreciation of the somoni and an insufficient amount of hard currency necessary for Tajikistan businesses to service their obligations. Non-performing loans ("NPLs") (overdue by more than 30 days) in the banking sector increased from 9.1% as of December 31, 2012 to 47.6% as at December 31, 2016 and decreased slightly to a level of 44.0% as at June 30, 2017. The total amount of NPLs among banks and microcredit deposit organizations was TJS 4.1 billion (US\$465.4 million) as at June 30, 2017.

In 2016, four Tajikistan banks experienced significant financial difficulties. In December 2016, two of these banks, which were considered by the Government to be of systemic importance, were partially nationalized, and in February 2017 the NBT withdrew the licenses of the other two banks. The Government's accumulated capital injections into the Tajikistan banking sector as at December 31, 2016 were US\$421.5 million, representing 6.1% of Tajikistan's GDP in 2016.

The Tajikistan banking system overall remains under stress. Reforms have recently been implemented in order to improve the quality of assets and the financial stability of the banking system and to reduce NPLs. However, there can be no assurance that these reforms will be successful or sufficient. There is also a high level of concentration in the banking sector, with the five largest banks currently holding more than half of all customer deposits. While measures have been taken to address and reduce systemic risk, such measures are ongoing and there remains a risk that further reforms may be required, the impact of which is not certain. There is also a risk further financial assistance to the banking sector may be needed from the Government, which it may not be willing and/or able to provide. See *"Monetary and Financial System – Banking and Financial Institutions – Recent Developments in the Banking Sector."*

Risks Relating to Rogun Hydropower Plant Project

The Republic will use the net proceeds of the offering of the Notes to make a subordinated loan to OJSC Rogun HPP for the purpose of financing the payment of certain amounts due under the construction contract for the Rogun HPP. The Rogun HPP project is of high strategic importance to Tajikistan, as it is expected to provide energy security to the country and to generate significant revenues for the Republic from exports of the generated electricity. While the Republic currently expects that the first two turbines at the dam will become operational by April 2019, with all six planned turbines expected to be operational by 2025, there can be no assurance that the Rogun HPP will be completed on time and that operational difficulties will not be encountered.

In addition, while the proceeds of the offering of the Notes will be applied toward the costs of the project, further financing will be required for later stages of the project, and there can be no assurance that such financing will be obtained on favorable terms or at all. See *"Public Sector Finances – State-Owned Enterprises – Rogun Hydropower Plant and CASA-1000 Projects."* Furthermore, the ability to export electricity from the Rogun HPP is dependent on the successful completion of transmission infrastructure and power purchase agreements with purchasers. If delays are encountered, revenues are lower than expected or unforeseen costs or other difficulties arise in the Rogun HPP project, this could have a material adverse effect on Tajikistan, including its ability to make payments on the Notes.

The Rogun HPP project will have substantial impacts on project affected persons (approximately 42,000 in the impacted zone) who need to be resettled. While the project has received expert advice on resettlement from the World Bank, which has also monitored early stages of the resettlement process, if additional resources and capacity in the Republic are not developed and dedicated to the resettlement efforts, there could be significant adverse effects on project affected populations, including impacts on livelihoods from inadequate compensation and/or inadequate employment opportunities at new settlements, access to clean water and sanitation or farm land for sustenance and income generation. A failure to plan for and mitigate these impacts of the project could lead to social discontent that could interfere with project implementation or the ability to access further financing. Furthermore, the Republic will need to continue to manage the project's potential impacts on Uzbekistan's downstream riparian rights within internationally agreed frameworks. Poor management of either of the foregoing sets of risks could cause project disruption.

Relations with Russia

Tajikistan has historically maintained good strategic relations with Russia, which is vital for Tajikistan given the role that Russia plays in Tajikistan's foreign trade, implementation of energy projects, remittances of migrant workers and military security. As Russia is Tajikistan's largest source of worker remittances and is an important trading partner, the health of the Russian economy, which is itself highly dependent on world energy and commodities prices, is of significant importance for the health of the Tajikistan economy.

Russia is also Tajikistan's principal military ally. Tajikistan is a member of the Collective Security Treaty Organization, a Russia-led military alliance established in 1992. Russia has had a continuous military presence in Tajikistan for over 50 years, and Russia maintains a base in Tajikistan, which is Russian's largest military base in Central Asia, under a bilateral treaty covering the period until 2042. Tajikistan has relied heavily on Russian assistance to counter continuing security problems, including drug trafficking from Afghanistan and Islamic militancy.

Although Russia is Tajikistan's traditional ally, any deterioration in their relations could, in light of Russia's vital economic, energy and military importance to Tajikistan, have a material adverse effect on Tajikistan's economy and security and its ability to make payments on the Notes.

Corruption

Corruption has been identified as a significant problem in Tajikistan. The Government has been taking active steps to combat corruption, including addressing recommendations issued by the OECD. As a result, Tajikistan's percentile rank in the World Bank's Worldwide Governance Indicator for Control of Corruption has improved from 8.6% in 2010 to 13.9% in 2015. However, in Transparency International's 2016 Corruption Perceptions Index survey of 176 countries, Tajikistan was ranked 151, indicating that a perception of public sector corruption occurring within the country remains widespread. Tackling corruption has been identified as a key area for reform by international organizations advising Tajikistan. As government corruption can lead to the misallocation of state funds and tax revenues or the mismanagement of state projects, corruption, and allegations of corruption, in Tajikistan may have a negative impact on Tajikistan's economy and reputation abroad, especially on its ability to attract foreign investment. The failure, or delay, in the Government's efforts to implement on-going or additional reforms or to effectively enforce such reforms could have a negative impact on the economy and/or on perceptions of the business environment in Tajikistan. In addition, any future allegations of corruption in Tajikistan could have a negative effect on the ability of the Republic to attract foreign investment, and thus have a negative effect on both the economy of Tajikistan and the ability of Tajikistan to make payments on the Notes.

Volatility and Depreciation of the Tajikistan Somoni

There has been significant volatility in the somoni-U.S. dollar exchange rate in recent years, particularly in 2015, when the somoni depreciated sharply, caused in part by weakening of the Russian and Kazakhstan currencies and declining money remittances from Tajikistan citizens working abroad. The nominal somoni-U.S. dollar exchange rate fell from TJS 5.3074: US\$1.00 on January 1, 2015 to TJS 7.8496: US\$1.00 on February 11, 2016. Between 2014 and 2015, the NBT expended significant amounts of foreign reserves to defend the somoni, which was intended to allow banks, and more specifically their customers, time to adjust to the depreciating somoni to help lessen the impact of the crisis and prevent runs on the banks by depositors. More recently, and in keeping with recommendations of the IMF, the NBT has allowed greater exchange rate flexibility. The allowance of greater exchange rate flexibility may make the somoni more vulnerable to short term swings and could increase currency volatility going forward. Any future significant currency fluctuations may negatively affect the Republic's economy in general and, as a result, have a material adverse effect on the Republic's ability to perform its obligations under the Notes.

As of June 30, 2017, 56% of Tajikistan's total external Government debt was U.S. dollar-denominated, 23% was in SDRs and the remainder was in other foreign currencies. Depreciation of the somoni against the U.S. dollar (or other foreign currencies in which Tajikistan's Government debt is denominated or payable) negatively affects Tajikistan's public sector finances because it results in an increase in the somoni amount of Tajikistan public funds required for debt servicing. Furthermore, depreciation of the somoni increases prices of imported goods. Accordingly, an abrupt and significant fall of the somoni against foreign currencies (and in particular against the U.S. dollar), as was experienced during 2015, may adversely affect the financial and economic condition of Tajikistan and its ability to make payments on the Notes.

Public Debt Burden and Ability to Service Debt

Tajikistan's total Public Debt (as such term is defined in “*Public Debt*”) has increased from US\$2.7 billion (28.5% of GDP) as of December 31, 2012 to US\$3.1 billion (44.8% of GDP) as of December 31, 2016, and as of June 30, 2017 was US\$3.0 billion, comprising \$2.3 billion of external Public Debt and US\$0.7 billion of domestic Public Debt. Tajikistan may not be able to meet future debt service obligations out of current revenues and it may have to rely in part on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Tajikistan may not be able or willing to access such markets or sources of funding, and Tajikistan’s ability to service its public debt, including the Notes, may be adversely affected.

In addition, the Government will use the net proceeds of the offering of the Notes to make a subordinated loan, in several tranches (the “*Proceeds Loan*”), to 96.6% state-owned OJSC Rogun HPP for the purpose of financing certain amounts due under the construction contract for the Rogun HPP. See “*Use of Proceeds*.” As a result of making the Proceeds Loan, the Republic’s ability to service its own debt, including the Notes, will be dependent in part on the ability of OJSC Rogun HPP to service its debt under the Proceeds Loan to the Republic. The ability of OJSC Rogun HPP to repay its debt to the Republic in turn will be dependent on various factors (including prevailing prices and the level of demand for the electricity the Rogun HPP is expected to generate), many of which are outside of the Republic’s control. See “– *Risks Relating to Rogun Hydropower Plant Project*” above. The Notes are unsecured and holders of the Notes will not have security over the assets of OJSC Rogun HPP or the Proceeds Loan. An inability by OJSC Rogun HPP to service its debt to the Republic under the Proceeds Loan could have a material adverse effect on Tajikistan’s ability to service the Notes.

Current Account Deficit

Tajikistan had current account deficits of US\$506.2 million in 2015 (6.4% of GDP) and US\$237.6 million (3.4% of GDP) in 2016; and a current account surplus of US\$80.2 million in the six months ended June 30, 2017. See “*Balance of Payments and Foreign Trade – Current Account*.” In recent years, the current account deficit has been financed, in part, by increased borrowing, especially through funding from multilateral institutions. See “*Public Debt*.” Any widening of the current account deficit that is not accompanied by a recovery in net foreign direct investment (“*FDI*”) inflows, this could result in a further increase in the levels of Government borrowing to finance the current account deficit, and it may affect the capacity of Tajikistan's economy to generate foreign currency assets sufficient to cover liabilities arising from external private debt and external Public Debt. Any of these events could have a material adverse effect on the financial and economic condition of Tajikistan and its ability to make payments on the Notes.

Inflation

Annual inflation in Tajikistan, as measured by the end-of-period Consumer Price Index (“*CPI*”), was 7.4%, 5.1% and 6.1% in 2014, 2015 and 2016, respectively. See “*Monetary and Financial System – Inflation*.” While the NBT has in recent years been able to manage supply-side driven inflation, it may not be able to do so in the future. Sustained high inflation could lead to market instability, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could have a material adverse impact on the financial and economic condition of Tajikistan and its ability to make payments on the Notes.

Vulnerability to Climate Change

According to the World Bank, Tajikistan is the country in Europe and Central Asia that is most vulnerable to the adverse impacts of climate change. Because Tajikistan suffers from low agricultural productivity and is dependent on its water resources, it is particularly vulnerable to the adverse effects of global climate change. The regions of Tajikistan with significant dependence on agriculture and low socio-economic indicators, specifically the eastern mountain regions of the Republican Subordination Region, the southern hills of the Sughd Region and the hills and lowlands of Khatlon, are especially vulnerable. Approximately two-thirds of the Tajikistan population live in rural areas and are dependent on agriculture. As a result, the adverse impacts of climate change could have a material adverse effect on Tajikistan’s economy and its ability to make payments on the Notes.

Conflict in Afghanistan

The ongoing, and significant, conflict in Afghanistan, which shares a border with the Republic, is inherently volatile and uncertain. Afghanistan is a new and important market for Tajikistan's energy resources and is a participant in the CASA-1000 electricity transmission system project. Maintaining the security of the Tajikistan-Afghanistan border is considered a priority for Tajikistan's national security. Tajikistan also faces the challenge of combatting the transit of illegal narcotics through Tajikistan from Afghanistan on their way to Russian and European markets. Resolution of Afghanistan's volatile political situation will likely not be achieved for some time, and the existing conflict could escalate. Such instability could have a material adverse effect on Tajikistan's economy and its ability to make payments on the Notes.

Statistical Information

Although a number of governmental bodies, including the Ministry of Finance, the NBT and TajStat, produce statistics relating to Tajikistan and its economy, there can be no assurance that these statistics are as accurate or reliable as those produced by the relevant bodies in more developed countries. Potential investors in the Notes should be aware that the data on Tajikistan's GDP and other data referred to in this Luxembourg Listing Prospectus may not have been prepared in accordance with international standards and/or to the same degree of accuracy as equivalent statistics produced by the relevant bodies in more developed countries.

In addition, the accuracy of statistical data can vary from one institution to another or from one period to another, due to various factors, including different methodologies having been applied. In this Luxembourg Listing Prospectus, the data presented has been provided by the relevant responsible ministry to which it relates, and there has been no attempt to reconcile this data with the data that may have been collected by other ministries or other organizations, such as the IMF or World Bank. See "*Presentation of Information.*"

The existence of a substantial unofficial or unrecorded economy may also affect the accuracy and reliability of statistical data. Potential investors should also be aware that none of the statistical data presented in this Luxembourg Listing Prospectus has been independently verified.

Risks Relating to the Notes

No Active Trading Market for the Notes

The Notes will be a new issue of securities with no established trading market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market of such exchange. No assurance, however, can be given as to the liquidity of the trading market for the Notes, should it develop. The price at which the Notes will trade in the secondary market is uncertain. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in the general economic conditions in Tajikistan and elsewhere. As a result, we cannot assure you that an active trading market will develop or be sustained for the Notes. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all.

Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. Any market for the Notes may be subject to similar disruptions. Any disruptions may affect any liquidity and trading of the Notes independently of economic conditions in Tajikistan and prospects of the Republic and may have an adverse effect on the holders of the Notes.

Amendment of Terms, Including Payment Terms, Without Consent of Holders

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to some of the Republic's outstanding Public External Indebtedness. Under these provisions, which are described in the section entitled "*Description of the Notes — Meetings, Modifications, Amendments and Waivers; Collective Action*

Clauses,” the Republic may amend or obtain waivers of the payment provisions of the Notes and certain other terms with the consent of holders of a specified percentage of the aggregate principal amount of the then outstanding Notes. These defined majorities will bind all holders, including holders who did not attend and vote at the relevant meetings and holders who voted in a manner contrary to the majority. Such collective action clauses include a single-limb voting aggregation feature that allows for aggregation of votes across multiple series of our outstanding debt securities if certain criteria are met.

Limited Transferability of Notes in the United States and Certain Other Jurisdictions

The Notes will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the Notes may also be subject to transfer restrictions in other jurisdictions. You should consult your legal advisors for advice concerning applicable transfer restrictions with respect to the Notes.

Risks Relating to Book-Entry Interests

Unless and until Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of the Notes. DTC and the common depositary for Euroclear and/or Clearstream, Luxembourg (or their nominees) will be the sole holders of the global Notes representing the Notes. After payment to DTC, Euroclear or Clearstream, Luxembourg, as applicable, the Republic will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, investors who own a book-entry interest must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg, as applicable, and if such investor is not a participant in DTC, Euroclear or Clearstream, Luxembourg, on the procedures of the participant through which such investor owns its interest, to exercise any rights and obligations of a holder under the Indenture. See “*Book-Entry Settlement and Clearance*”.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Republic’s solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, investors who own a book-entry interest will be permitted to act only to the extent they have received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg, as applicable. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable any particular investor to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, investors who own book-entry interests will be restricted to acting through DTC, Euroclear or Clearstream, Luxembourg. The Republic cannot assure investors that the procedures to be implemented through DTC, Euroclear or Clearstream, Luxembourg will be adequate to ensure the timely exercise of rights under the Notes. See “*Book-Entry Settlement and Clearance*”.

Difficulty of Enforcement of Judgments and Arbitral Awards Against Tajikistan

Tajikistan is a sovereign state. As a result, it may be difficult or impossible for investors to obtain or enforce judgments or arbitral awards against Tajikistan, whether in an investor’s own jurisdiction or elsewhere. In particular, foreign judgments, including in respect of civil liabilities predicated upon applicable securities laws, cannot be enforced in Tajikistan unless there is a bilateral or multilateral treaty in force regarding the reciprocal recognition of judgments, to the extent of any such treaty. Tajikistan currently has no such treaties except with the countries that are members of the CIS. Absent a treaty regarding reciprocal recognition of judgments, in order for a foreign judgment to be enforceable in Tajikistan, the case will need to be submitted to a Tajikistan court, which will reconsider the merits of the case. Such a submission will require, among other things, the translation into the Tajik language of all documents related to the foreign judgment. Although Tajikistan is a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards dated 10 June 1958 and has implemented corresponding legislation to make foreign arbitral awards generally recognized and enforceable in Tajikistan (subject to certain conditions to enforcement), recognition and enforcement of foreign judgments or arbitral awards in Tajikistan may still be difficult. In particular, if the enforcement of a foreign judgment or arbitral award conflicts

with the “public policy” of Tajikistan, a Tajikistan court may refuse to recognize and enforce such foreign judgment or arbitral award. The laws of Tajikistan do not provide any clear guidelines for determining what the “public policy” of Tajikistan actually is. Such ambiguity of the “public policy” concept may be used by Tajikistan courts to deny recognition and enforcement of foreign judgments and arbitral awards rendered against Tajikistan or threatening its interests. In addition, a Tajikistan court will ignore any dispute resolution agreement of the parties if it finds that under the Tajikistan legislation it has exclusive jurisdiction over such disputes. Furthermore, although Tajikistan currently has no laws exempting specified state assets from enforcement, Tajikistan courts may still exempt certain assets on the basis that the Republic has not specifically consented to enforcement against such assets. As a result, it may be difficult or impossible to obtain recognition or enforcement in Tajikistan of a foreign judgment in respect of the Notes. See “*Enforcement of Civil Liabilities and Arbitral Awards.*”

Enforceability of Gross-up Obligations

Currently Tajikistan law generally prohibits contractual provisions requiring one party to pay tax for another party from its own funds. No official interpretation or guidance exists on whether such restriction would apply to the obligations of the Republic described in “*Description of the Notes – Additional Amounts*”. In the absence of any such official interpretation or guidance regarding the validity of the tax gross-up provisions, a risk exists that such restriction may be interpreted broadly by the courts and applied to gross-up provisions notwithstanding that the Tajikistan parliament has specifically approved the gross-up provisions of the Notes. As a result, the obligations of the Republic described in “*Description of the Notes – Additional Amounts*” could be found null and void and unenforceable in Tajikistan.

Credit Ratings

Tajikistan has been assigned a long-term sovereign credit rating of “B-” (with stable outlook) S&P and a long-term foreign currency issuer default rating of “B3” (with stable outlook) by Moody’s. The Notes are expected to be assigned the same ratings. These ratings are sub-investment grade. These ratings may be lowered at any time by the relevant rating agency in its discretion. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Any adverse change in the rating of the Notes could cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

In addition, these ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget deficits and other considerations. Any adverse change in the credit ratings of the Notes, or of the Issuer, could adversely affect the trading price of the Notes.

Notes May Not Be a Suitable Investment for All Investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Luxembourg Listing Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;

- (iv) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Proposed Financial Transactions Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “Commission’s proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission’s proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Furthermore, additional EU Member States may decide to become participating Member States. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Exchange Rate Risks and Exchange Controls

The Republic will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to U.S. dollar would decrease (1) the Investor’s Currency equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Notes Where Denominations Involve Integral Multiples: Individual Certificates

The Notes have denominations consisting of a minimum denomination of US\$200,000 plus integral multiples of US\$1,000 in excess thereof, and it is possible that Notes may be traded in amounts that are not integral multiples of US\$200,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than US\$200,000 in its account with the relevant clearing system at the relevant time may not receive an individual certificate in respect of such holding (should individual certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least US\$200,000.

Legal Investment Considerations May Restrict Certain Investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Interest Rate Risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

USE OF PROCEEDS

The net proceeds from the issuance and sale of the Notes, after deduction of the commissions payable by the Republic to the Initial Purchasers and the net fees and expenses payable by the Republic, will be approximately US\$495.5 million.

The Republic will use the net proceeds from the offering of the Notes to make the Proceeds Loan to OJSC Rogun HPP for the purpose of financing certain amounts due under the construction contract for the Rogun HPP. The Proceeds Loan is expected to have the same maturity date as the Notes and an interest rate that is approximately the same as that applicable to the Notes with interest payments being made semi-annually starting in 2020 and principal repayments to be made in six semi-annual installments starting in 2025. The first disbursement of the Proceeds Loan will be made shortly after the closing date in the amount of approximately US\$250 million. Pending further disbursements of the Proceeds Loan, the remaining net proceeds will be held by the Government in an account at the NBT. The Notes are unsecured and holders of the Notes will not have security over the assets of OJSC Rogun HPP or the Proceeds Loan.

The Republic will, within 30 days after the closing date of the offering of the Notes, and on each subsequent six-month anniversary of the closing date thereafter, until the Proceeds Loan has been fully advanced, furnish the Trustee with a certificate from an authorized representative of the Ministry of Finance setting forth all disbursements made under the Proceeds Loan and attesting that the Proceeds Loan has been used exclusively for the purpose of financing certain amounts due under the construction contract for the Rogun HPP, which certificate will be delivered to any holder of the Notes by the Trustee upon written request. See “*Description of the Notes – Certain Covenants of the Republic.*”

THE REPUBLIC OF TAJIKISTAN

Territory, Population and Society

Tajikistan is a landlocked country in Central Asia with an estimated population of 8.7 million as of January 1, 2017, and an area of 142,600 square kilometers (55,300 square miles). Tajikistan is located in the center of Central Asia bordered by Afghanistan to the south, Uzbekistan to the west, Kyrgyzstan to the north, and China to the east. Pakistan lies to the south, separated by the narrow Wakhan Corridor.

Mountains cover 93% of the country, with valleys to the south and north. Tajikistan is rich in natural resources, but due to the mountainous nature of the country extracting them is difficult. Tajikistan has approximately 1,300 lakes and approximately 24,000 kilometers of rivers. Approximately 55% of the water resources in Central Asia are located in Tajikistan.

The climate is continental with significant daily and seasonal fluctuations in air temperature, a small amount of precipitation, dry air and little cloud cover. The average temperature in January fluctuates from +2 to -2°C in the valleys and the foothills of the southwest and north of the Republic to -20°C, and lower in the Pamir mountains. The average temperature in July ranges from 30°C in the lower valleys of the Southwest to 0°C and lower in the Pamir mountains.

Most of Tajikistan's population belongs to the Tajik ethnic group. Approximately 12% of the population are ethnic Uzbeks, approximately 1% are ethnic Kyrgyz and less than 1% are ethnic Russians. The Pamiris of Badakhshan (most of whom are Shia Ismaili) and a small population of Yaghnobi people are considered to belong to the larger group of Tajiks. The official and vernacular language of Tajikistan is Tajik (a dialect of Persian), although Russian is routinely used in business and communication. The majority of the population follows the Sunni Islam religion.

Over the past two decades, Tajikistan has significantly reduced poverty among its population. However, it remains Central Asia's poorest nation based on the UN's Global Multidimensional Poverty Index for 2015. The literacy rate for the population over the age of 15 is estimated to be 99.8%.

The following table sets forth selected comparative social indicators for Tajikistan and certain selected other countries for the year ended December 31, 2015.

Comparative Regional Social Indicators						
	Tajikistan	Uzbekistan	Kazakhstan	Turkmenistan	Kyrgyzstan	Russian Federation
Gross national income per capita (2011 PPP basis)	\$2,601	\$5,748	\$22,093	\$14,026	\$3,097	\$23,286
Life expectancy at birth	69.6	69.4	69.6	65.7	70.8	70.3
Adult literacy rate (%)	99.8	99.6	99.8	99.7	99.5	99.7
Mean years of schooling	10.4	12.0	11.7	9.9	10.8	12.0
Gender inequality index ⁽¹⁾	0.322	0.287	0.202	n.a.	0.394	0.271
Infant mortality rate (per 1,000 live births)	38.5	33.9	12.6	43.7	19.0	8.2

n.a. Data not available.

(1) The gender inequality index reflects women's disadvantage in three dimensions—reproductive health, empowerment, and the labor market. The index shows the loss in human development due to inequality between female and male achievements in these dimensions. 1 indicates absolute inequality, as measured by the gender inequality index, and 0 indicates perfect equality.

Source: *Human Development Report 2016, United Nations*

History

The territory that now constitutes Tajikistan was previously home to several ancient cultures, including the city of Sarazm of the Neolithic and the Bronze Age, and was later home to kingdoms ruled by people of different faiths and cultures, including the Oxus civilization, Andronovo culture, Buddhism, Nestorian Christianity, Zoroastrianism, Manichaeism and Islam. The area has been ruled by numerous empires and dynasties, including the Achaemenid Empire, Greco-Bactrian Kingdom, Sasanian Empire, Hephthalite Empire, Samanid Empire, Mongol Empire, Timurid dynasty, the Russian Empire, and subsequently the Soviet Union.

In 1924, Tajikistan became part of the Soviet Union as an autonomous republic within the structure of the Uzbek Soviet Socialist Republic. The Tajik Soviet Socialist Republic (the "TSSR") was formed in October 1929 and in December 1929 it joined the USSR with the rights of a union republic. Planned industrialization was carried out in the country during the 1930s and during the Second World War. This was accompanied by a rebuilding of the national economy and an influx of qualified labor from Russia and the other republics of the USSR. The main specialization of the economy of the TSSR was cotton. In the 1960s and 1970s, new sectors of the economy were established, including machine building, textiles, electronics, chemicals and hydropower engineering.

Tajikistan declared independence in September 1991, shortly before the formal dissolution of the USSR in December 1991. A civil war began almost immediately after independence, lasting from 1992 to 1997, between the Moscow-backed government and the Islamist-led opposition loosely organized as the United Tajik Opposition ("UTO"). Up to 50,000 people were killed and over one-tenth of the population fled the country during the civil war, which ended in 1997 with a United Nations-brokered peace agreement.

The office of president of Tajikistan was first established in 1990 but was abolished in November 1992, and then was reestablished de facto in 1994 in advance of the constitutional referendum that legally approved it. In the interim, the chairman of the Supreme Soviet of the TSSR, Emomali Rahmon (then Rahmonov), was nominal head of state. In 1994 Emomali Rahmon was elected president and in 1995 his supporters won in parliamentary elections.

By 1997, the government and the UTO successfully negotiated a power-sharing peace accord and implemented it by 2000. In 1998, President Rahmon pardoned all opposition leaders in exile and agreed to appoint one of the Islamist opposition's leaders as first deputy prime minister and several others as ministers and heads of central government committees and agencies in accordance with a quota established under the peace agreement.

In 1999, President Rahmon was re-elected for second term with 96% of the vote, and UTO armed forces were integrated into the state army. In 2000, the last meeting of the National Reconciliation Commission was held, a new bicameral parliament was established and a new national currency, the somoni, was introduced.

In 2003, a public referendum vote was passed in favor of allowing President Rahmon to run for two further consecutive seven-year terms after the end of his term in 2006. In November 2006, President Rahmon won a third seven-year term, and in November 2013, he won a fourth seven-year term with 84% of the vote. In May 2016, a public referendum vote was passed providing for constitutional changes to exempt President Rahmon from presidential term limits.

Constitution and Political System

The Republic of Tajikistan is a sovereign democratic secular unitary state based on the rule of law. The politics of Tajikistan take place in a framework of a presidential republic, whereby the president is both head of state and head of government. In Tajikistan, the people are considered the bearers of sovereignty and state power is exercised directly and through their representatives. The highest direct expressions of the power of the people are nationwide referenda and elections. State power is divided into legislative, executive and judicial branches of government. Legislative power is vested in the two chambers of parliament. Social life in Tajikistan develops on the basis of political and ideological pluralism. Public associations and political parties are created and operate in accordance with the Constitution of Tajikistan (the "Constitution") and legislation. Currently, seven political parties are registered and functioning in the country, consisting of the Agrarian Party of Tajikistan, the Democratic Party of

Tajikistan, the Communist Party of Tajikistan, the People's Democratic Party of Tajikistan, the Economic Reform Party of Tajikistan, the Socialist Party of Tajikistan and the Social Democratic Party of Tajikistan. There are also more than 3,000 public associations, which are non-commercial organizations that are registered with the Ministry of Justice.

Constitution

The Constitution, which was adopted in November 1994 and amended by referenda in September 1999, June 2003 and May 2016, is the supreme law of Tajikistan. Amendments to the Constitution in 1999 established a new bicameral parliament and extended the president's term of office from five to seven years. The Constitution declares ideological and political pluralism, ensuring human rights and social-legal guarantees.

Executive Branch

The president, who is directly elected, is both the head of state and the head of government. The president appoints the prime minister and all the members of the government, with parliamentary approval. Tajikistan is thus a presidential republic, and this form of government has been explicitly incorporated into Article 1 of the Constitution by the amendments adopted in May 2016. Emomali Rahmon has held the office of president since 1994.

The Constitution, as amended in 2003, set a limit of two seven-year terms for the president. Emomali Rahmon's election to the office of the president in 2006 counted as his first seven-year term under the Constitution, and he was re-elected for a second term in 2013 to last until 2020. However, as a result of a referendum that was held in May 2016, President Rahmon is exempt from presidential term limits and may remain as president for an unlimited term. His status as "Leader of the Nation" also grants him and his family legal immunity. Another amendment to the Constitution introduced at the same time provided for a reduction of the minimum age for presidential candidates from 35 to 30 years old, as a consequence of which President Rahmon's 29-year-old son Rustam Emomali, who currently acts as mayor of Dushanbe, could run for president in the next election in 2020.

The Presidium of Government is responsible for the day-to-day management of Government activities. The president appoints the prime minister and the other members of the Presidium of Government, subject to the nominal approval of the Parliament (as defined below).

Legislative Branch

The bicameral Supreme Assembly (*Majlisi Oli*) ("Parliament") includes the 63-seat Assembly of Representatives (*Majlisi namoyandagon*), which meets year-round (from November through end of June), and the 35-seat National Assembly (*Majlisi milli*), which meets at least twice per year. The bicameral legislature was introduced in the September 1999 amendments to the Constitution. Previously Tajikistan had a unicameral legislature.

The members of the Assembly of Representatives are chosen by direct popular election for five-year terms. Of the 63 members of the Assembly of Representatives, 41 members are directly elected in single-seat constituencies by two-round absolute majority vote and 22 members are directly elected in a single nationwide constituency by proportional representation vote for registered parties.

In the National Assembly, 25 members are indirectly elected by local representative assemblies (*majlisi*), eight are appointed by the president and one seat is reserved for the former president. Members serve five-year terms.

The most recent Parliamentary elections took place on March 1, 2015. The People's Democratic Party of Tajikistan, of which President Rahmon is the leader, won the majority of seats in the Parliament (*Majlisi Oli*). In the Assembly of Representatives, the People's Democratic Party of Tajikistan received 65.4% of the votes and 51 seats. Other parties winning seats in the Assembly of Representatives were the Agrarian Party of Tajikistan (11.7% of votes and five seats); the Party of Economic Reform of Tajikistan (7.5% and three seats); the Socialist Party of

Tajikistan (5.5% and one seat); the Communist Party of Tajikistan (2.2% and two seats); and the Democratic Party of Tajikistan (1.7% and one seat). The next Parliamentary elections are scheduled to take place in 2020.

Judicial Branch

The Constitution provides for an independent judiciary. The judicial system of Tajikistan is composed of the Constitutional Court; the Supreme Court; the Supreme Economic Court; the Military Court; the Court of the Gorno-Badakhshan Autonomous Oblast; the courts of the regions and the city of Dushanbe; the Economic Court of the Gorno-Badakhshan Autonomous Oblast; and the economic courts of the regions and the city of Dushanbe.

The Constitutional Court consists of seven judges, one of which is a representative of the Gorno-Badakhshan Autonomous Region. The Supreme Court consists of the chairman, the first deputy and vice-chairmen, judges and people's assessors who are elected by the Parliament on the proposal of the President. The Supreme Economic Court is the highest judicial body for the resolution of economic disputes, other cases related to business and other economic activities, as well as other cases considered by the lower economic courts, and it exercises judicial supervision over the activities of lower economic courts. The Supreme Economic Court consists of 14 judicial positions.

The President appoints the judges of the Constitutional Court, the Supreme Court and the Supreme Economic Court, with the approval of the Parliament. The judges of all courts are appointed to 10-year terms with no term limits, but the last appointment must occur before the age of 65.

Provincial and Local Government

Tajikistan is comprised of two regions (the Sughd region and the Khatlon region), one autonomous region (the Gorno-Badakhshan Autonomous Region) and 13 "Regions of Republican Subordination", which are located in the central part of the country. The capital city of Dushanbe has a special status. Each region is divided into districts, which in their turn are divided into *jamoats* (formerly village soviets), and further into *dekha* (villages). As of June 1, 2017, there were 51 districts and 450 *jamoats* and urban-type settlements in Tajikistan. In addition, sub-regional units included 17 towns.

Local government is divided into representative and executive branches. The representative branch in regions, districts and towns is the assembly (*majlis*) of people's deputies, who are elected locally for five-year terms. The executive power in regions, districts and towns is vested in the head of local administration, who is directly appointed by the President, with the approval of the local assembly, of which he or she is also the presiding member.

International Relations

Tajikistan has established bilateral and diplomatic relations with 144 countries and has 40 diplomatic missions, including 29 embassies, seven general consulates and three consulates abroad. Tajikistan hosts 23 diplomatic and consular missions and six missions of international organizations. Tajikistan is a member of a number of international and regional organizations, including the UN, the IMF, the World Bank, the European Bank for Reconstruction and Development ("EBRD"), the World Trade Organization (the "WTO"), the CIS, the Collective Security Treaty Organization (the "CSTO") and the OSCE.

Commonwealth of Independent States (CIS)

On December 21, 1991, Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan signed the Alma-Ata Protocol and established the CIS. Georgia joined the CIS in 1993, then withdrew in 2009; and Turkmenistan withdrew and became an associate member in 2005. The CIS works to promote coordination in areas of trade, finance, law-making and security, and to support cooperation on democratisation and cross-border crime prevention across the former Soviet republics. Tajikistan is an active participant in the development and implementation of cooperation programmes within the CIS.

Collective Security Treaty Organization (CSTO)

The Collective Security Treaty Organization is a regional collective security organisation founded by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. The CSTO's goals are to support international and regional security and to collectively protect the independence, territorial integrity and the sovereignty of each of its members through the coordination of military and political efforts. Additionally, the members of the CSTO have undertaken not to participate in any military union, group of nations or take actions that are directed against any other member of the CSTO (which has been viewed as ruling out NATO membership for any member of the CSTO). The member states of the CSTO have conducted joint military exercises in the past. Tajikistan remains an active member in the CSTO.

United Nations (UN)

A relationship between Tajikistan and the UN was established soon after the collapse of the Soviet Union and the restoration of Tajikistan's independence. Tajikistan was admitted to the UN in March 1992 and the Permanent Mission of the Republic of Tajikistan to the UN was opened in New York in 1992.

European Union (EU)

The basis for EU-Tajikistan relations is the Partnership and Cooperation Agreement (the "PCA") signed in 2004. EU-Tajikistan relations today are conducted within the framework of the EU Central Asia Strategy 2014-2020. Cooperation under the PCA is comprehensive and includes the facilitation of economic transition for Tajikistan, and the promotion of inclusive, sustainable human and economic development. The EU is assisting the Government with its structural reform process, notably through providing around one third of its assistance through budget support. The EU is also enhancing the capacity of civil society in Tajikistan, and does so in partnership with local and international non-governmental organizations. For the period 2014-2020, the EU has allocated development support towards Tajikistan concentrating on the sectors of health (€62 million), education (€75 million) and rural development (€110 million).

Bilateral Relations

Russia

Russia has traditionally been an important strategic ally of Tajikistan. Tajikistan's strategic partnership and alliance with Russia is a priority of its foreign policy. Tajikistan and Russia work constructively in regional multilateral institutions such as the CIS and the CSTO. Key areas of Tajikistan-Russia cooperation are military cooperation, security in the region, expansion of trade and economic ties, hydropower and non-ferrous metallurgy, gas production, oil and minerals extraction and labor migration. Maintaining good relations with Russia is vital for Tajikistan given the role that Russia plays in Tajikistan's trade and investment, workers' remittances, and military security. See "*Risk Factors – Risks Relating to Tajikistan – Relations with Russia.*"

Russia has had a continuous military presence in Tajikistan for over 50 years, and the most recent military agreement between the two countries, signed in October 2012, prolongs Russia's military presence in Tajikistan until 2042. Russia's largest military base in Central Asia is located in Tajikistan, near Dushanbe. Tajikistan has relied heavily on Russian assistance to counter continuing security problems, including illegal drug trafficking from Afghanistan and Islamic militancy.

For many years, Russia has accounted for a substantial part of Tajikistan's foreign trade and foreign investment. In 2016, trade turnover with Russia accounted for approximately 30% of Tajikistan's total trade turnover. Russia's largest investment project in Tajikistan is the Sangtuda-1 hydroelectric power plant (the Sangtuda-1 HPP), in which Russia has invested approximately US\$600 million. In addition, Russian state-owned company Gazpromneft has invested more than US\$40 million in Tajikistan and currently supplies more than 60% of the total volume of oil products imported to Tajikistan.

China

Tajikistan's economic ties with neighbouring China are extensive and have been increasing. China accounts for a substantial part of Tajikistan's foreign investment and foreign trade. China has extended loans and has helped to build roads, tunnels and power infrastructure in Tajikistan. For example, a 500 kilovolt Dushanbe-Khujand power transmission line connecting the north and the south of Tajikistan was completed in 2009 with financial support from the Chinese government, and in August 2017 China agreed to grant Tajikistan a US\$230 million loan to finance the building of a new parliament building. As of March 31, 2017, approximately 53% of Tajikistan's total external Public Debt was owed to China. China is an important source of investments in Tajikistan, with Chinese firms investing in various sectors of the economy including manufacturing, oil and gas exploration and gold mining. In 2016, trade turnover with China accounted for 21.2% of Tajikistan's total trade turnover. Imports from China in 2016 were US\$645.8 million, or 25.2% of Tajikistan's total imports in 2016.

Tajikistan is part of an anti-terrorism alliance with China, together with Pakistan and Afghanistan. The Government has recently approved a draft agreement with China which provides for China to build four border checkpoints and a new military training center along the Tajikistan-Afghanistan border.

Uzbekistan

Due to its economic development, geographical and geopolitical location, as well as to community roots and historical ties between the two neighboring countries, Tajikistan seeks to develop and deepen mutually beneficial cooperation with Uzbekistan. In the years since Tajikistan's independence, bilateral relations between Tajikistan and Uzbekistan have been subject to tensions and a number of disputes. For example, tensions have existed relating to Uzbekistan's supply of natural gas to Tajikistan, and there were no commercial flights between the two countries from 1992 until a commercial flight route was opened in April 2017. In recent years, these tensions have been primarily focused on access to water resources. In particular, Uzbekistan has expressed strong opposition to the Rogun HPP project, construction on which began in October 2016.

However, following the election of a new government of Uzbekistan in December 2016, relations with Uzbekistan have improved. Foreign trade turnover between Tajikistan and Uzbekistan in 2016 increased by six times compared to 2015. In 2017, commercial air traffic between Tajikistan and Uzbekistan was restored, cultural events between Uzbekistan and Tajikistan have been held, and new business relationships have been established. In June 2017, the "Uzbekistan-Tajikistan" Business Forum was held in the city of Dushanbe, with a focus on deepening of bilateral trade and economic cooperation between the two countries. During the forum, entrepreneurs of Tajikistan and Uzbekistan signed 20 contracts with a collective value of over US\$35 million. Several intergovernmental commissions have also recently been held, where a number of mutually beneficial treaties and legal acts in various spheres were signed for the benefit of both countries. In addition, statements of Uzbekistan officials made in July 2017 indicate that Uzbekistan is no longer publicly opposed to the Rogun HPP project and that it is willing to address any concerns about the project within the framework of internationally accepted rules.

Kazakhstan

Tajikistan-Kazakhstan relations have traditionally been built on the basis of mutually beneficial cooperation in the political, trade-economic, scientific, technical, cultural and other spheres. Taking into account the common roots and historically established ties between the peoples of the two neighbouring countries, as well as the prospects for economic development, Tajikistan places a priority on the further development and deepening of mutually beneficial cooperation with Kazakhstan.

Tajikistan and Kazakhstan cooperate closely within various international and regional organizations. Kazakhstan is one of the major trade partners of Tajikistan and is considered a strategic partner. In September 2015, Kazakhstan and Tajikistan signed a strategic partnership agreement providing for cooperation in military and military-technical spheres, in the sphere of civil defence, as well as the promotion of cooperation in science and technology, health, education, culture, tourism and sport. Between 2007 and 2014, Kazakhstan invested

approximately US\$523 million in the economy of Tajikistan, of which approximately US\$105 million was direct investments. The two countries also cooperate in the joint use of the region's water resources.

Kyrgyzstan

Tajikistan-Kyrgyzstan relations are based on traditional political and economic ties and are developing along the lines of traditional friendship and mutually beneficial cooperation. Tajikistan and Kyrgyzstan cooperate pursuant to the Interstate Coordination Council of the Republic of Tajikistan and the Kyrgyz Republic and within various international and regional organizations. Tajikistan's trade and economic relations with Kyrgyzstan have recently been developing in the areas of transportation, mining, hydropower, and the mutual supply of consumer goods. As priorities for long-term cooperation, Tajikistan and Kyrgyzstan have highlighted power engineering, rational and efficient use of water resources, joint exploration and production of mineral resources, improvement of transportation infrastructure, implementation of joint transportation policy, creation of joint enterprises, development of cooperative deliveries and expanding commodity exports and imports.

Afghanistan

Diplomatic relations between Tajikistan and Afghanistan were established in 1992. The two countries have signed more than 70 agreements, which have created a solid basis for cooperation. Tajikistan is an active participant in international and regional conferences and bodies aimed at maintaining peace, security and social and economic development in Afghanistan. Tajikistan and Afghanistan also closely cooperate in the culture, education and humanitarian areas. Afghanistan is a new and important market for Tajikistan's energy resources and is a participant in the CASA-1000 electricity transmission system project.

Maintaining the security of the Tajikistan-Afghanistan border is considered a priority for Tajikistan's national security, particularly in light of uncertainties stemming from the withdrawal of most international forces from Afghanistan by the end of 2014. Tajikistan also faces the challenge of combatting the transit of illegal narcotics through Tajikistan from Afghanistan on their way to Russian and European markets. See "*—Anti-Drug Trafficking*" below. Tajikistan is engaged in a number of projects aimed at managing and safeguarding the border with northern Afghanistan, working together with technical and strategic assistance from a number of other countries and international bodies including among others Russia, the United States, the EU, the UN and the OSCE.

United States

Diplomatic relations between Tajikistan and the United States were established in 1992. Tajikistan and the United States have a broad-based relationship, cooperating in such areas as counter-narcotics, counterterrorism, non-proliferation, trade, culture, education, public health services and regional growth and stability. In 2010, Tajikistan and the United States launched an annual bilateral consultation process to enhance cooperation. Tajikistan has partnered with the United States and international forces in efforts to bring security and peace to Afghanistan, playing an important role in supply and transit routes. Tajikistan and the United States also cooperate pursuant to the C5+1 platform, which was formed in 2015 and brings together the five states of Central Asia and the United States to discuss and work on issues of common concern, including among other issues security, economic connectivity and the impacts of climate change.

Anti-Drug Trafficking

Tajikistan is located on what has traditionally been one of the highest volume illegal drug trafficking routes in the world, between Afghanistan's opium growing region and the illegal drug markets in Russia and, to a lesser extent, Eastern Europe. However, with the increasing assistance from international organizations, such as the United Nations Office on Drugs and Crime (the "UNODC"), and co-operation with the US, Russian, EU and Afghanistan authorities, significant progress on the fight against illegal drug-trafficking has been achieved. In 1999, the UNODC helped to establish the Tajikistan Drug Control Agency. As part of the National Strategy 2013, since 2013 the Republic has been aggressively combatting drug trafficking and regular reports are made to Parliament in this regard. The efforts of the Drug Control Agency of Tajikistan have been supported by funds received from the United States and the UN. Tajikistan has a bilateral agreement with the United States regarding anti-drug trafficking.

THE TAJIKISTAN ECONOMY

Overview

Tajikistan's transition to a market economy after independence in 1991 was set back by the civil war in Tajikistan from 1992 to 1997, which damaged an already weak economic infrastructure and caused a sharp decline in industrial and agricultural production. The economy contracted by an average of 17.1% per year from 1991 to 1996 before peace was restored in 1997. While robust growth began to be registered in 1997, it started from a low base and only from 2012 onward did rates comparable to pre-independence levels for per capita GDP resume.

During the 1997-2004 post-war recovery phase, GDP growth averaged 7.7% per year, with agriculture, industry and services each making significant contributions to GDP growth over this period. Tajikistan's economy was adversely affected by the global economic crisis which began in 2008-2009, but the economy recovered quickly and GDP growth averaged 7% annually during the period from 2010 to 2016.

Tajikistan has traditionally had an economy focused on agriculture. In 2016, agriculture accounted for 20.6% of nominal GDP; manufacturing and mining on a combined basis accounted for 11.8% of GDP; construction, accounted for 11.2% of GDP; wholesale and retail trade accounted for 11.1% of GDP; and transportation, storage and communications accounted for 11.5% of GDP. The share of the economy represented by industry has been increasing in recent years. Real GDP attributable to mining increased by 16.0% year-on-year in 2015 and by 18.0% year-on-year in 2016; and real GDP attributable to manufacturing increased by 15.9% year-on-year in 2015 and 14.8% year-on-year in 2016.

Tajikistan has substantial hydroelectric power potential, and nearly 100% of its current electricity generation is based on hydroelectric power. The Government has focused on attracting investment for projects for internal use and electricity exports; however, much of Tajikistan's potential in the hydropower sector has still not been fully realized.

Remittances are an important feature of the Tajikistan economy and are used to finance a substantial share of Tajikistan's trade deficit, which for goods and services was 27.1% of GDP in 2016. In 2016, net remittance inflows amounted to US\$2.2 billion, or approximately 31.4% of GDP. Most remittances come from Russia.

Recent Developments in the Economy

The slowdown in economic activity in Russia beginning in late 2014 as a result of sharply lower oil prices and geopolitical tensions and sanctions resulted in negative spillovers on CIS countries, including Tajikistan. The prolonged recession in Russia caused a sharp decline in remittances in 2016 as compared to 2015 (in U.S. dollar terms), while global prices for the mineral products and agricultural products that are Tajikistan's main exports remained low in 2016.

Annual real GDP growth was 6.7%, 6.0% and 6.9% in 2014, 2015 and 2016, respectively. The growth of the economy in 2015 and 2016 was driven by strong performance in the industrial sector and the construction sector, despite the challenges posed by adverse global economic conditions. Foreign-financed investment spurred growth in the industrial and construction sectors, which expanded by 16.0% and 20.3%, respectively, in 2016 as compared to 2015. In 2016, the mining and food processing subsectors drove the increase in industrial output, while the commencement of construction of the Rogun HPP and public investment dedicated to the 25th anniversary of Tajikistan's independence spurred the construction sector. Agricultural output grew by 5.2% from 2015 to 2016, driven by efficiency gains and favorable weather conditions. Low external trade activity slowed the growth of the services sector, while currency depreciation, coupled with a further decrease in real remittances, caused private consumption to contract. However, the robust growth of fixed investment and an improved net export position more than compensated for a decline in private consumption. Factors causing the decline in real GDP growth from 2014 to 2015 included a decrease in remittance inflows, a decrease in domestic demand and a slowdown in growth in Tajikistan's main trading partner countries.

Declines in remittances and consumption adversely impacted the banking sector in 2016. NPLs (overdue by more than 30 days) in the banking sector were 47.6% as at December 31, 2016. In 2016, four Tajikistan banks experienced significant financial difficulties. In December 2016, two of these banks, which were considered by the Government to be of systemic importance, were partially nationalized, and in February 2017 the NBT withdrew the licenses of the other two of these banks. See “*Monetary and Financial System – Banking and Financial Institutions – Recent Developments in the Banking Sector.*” The Tajikistan banking system overall remains under stress.

The inflation rate for 2015 and 2016 was 5.1% and 6.1%, respectively. The inflation rate for the six months ended June 30, 2017 (on an annualized basis) was 9.0%. The depreciation of the somoni in 2015 and early 2016 and the increase in electricity tariffs in the last quarter of 2016 (which was made pursuant to a presidential decree) put upward pressure on prices, but low prices for imported oil and food offset this effect.

The exchange rate regime came under increased pressure in 2015 and 2016 following further deterioration in the external current account, declining remittances and the effects of the weakening of the Russian and Kazakhstan currencies. The nominal somoni-U.S. dollar exchange rate fell from TJS 5.3074: US\$1.00 on January 1, 2015 to TJS 7.8496: US\$1.00 on February 11, 2016. In order to ensure the stability of the somoni and prevent speculation in the foreign exchange market, the NBT took steps to address these developments, including closing all private currency exchange offices and establishing a new procedure for conducting currency exchange operations within the core banking system; abolishing multiple-exchange rate practices and re-unifying the official and market exchange rates; and replacing over-the-counter interbank currency trading with a modern electronic trading platform.

In 2015 and 2016, Tajikistan recorded current account deficits of 6.4% of GDP and 3.4% of GDP, respectively. The current account was adversely affected by low global commodity prices over this period and the slowdown in the Russian economy. Trade volumes with Russia decreased slightly from US\$1.1 billion in 2015 to US\$1.0 billion in 2016, primarily due to the slowdown in the Russian economy which began in late 2014. The improvement in the external position in 2016 as compared to 2015 was attributable to the effects of the depreciation of the somoni, which led to a decline in imports and modest export growth in 2016 as compared to 2015, despite reduced remittances. Remittances were 42.6% of GDP in 2014, 33.5% in 2015 and 31.4% in 2016.

The national poverty rate decreased from 36.4% in 2012 to 30.3% in 2016. Extreme poverty declined from 18.2% in 2013 to 14.0% in 2016. Wage income growth continues to drive poverty trends, but declining remittances from 2014 to 2016 have slowed the pace of poverty reduction.

According to the State Budget (as defined in “*Public Sector Finances*”) for 2017, real GDP growth for 2017 is forecasted to be 7%. The World Bank has forecasted Tajikistan’s real GDP growth in 2017 to be 5.5%.

Economic Policy and Reforms

The Government has implemented various reforms for private sector development since the end of the civil war in 1997. These include establishing a new production sector structure, developing the services sector, attracting investments, creating jobs and establishing a properly functioning financial services sector and banking system.

In the initial years following independence, the Republic carried out reforms and implemented measures for transforming the national economy from a planned economy to a market economy. Following the end of the civil war, the pace of economic reforms was accelerated. A number of laws and regulations defining and regulating economic relations in all branches of the national economy were adopted. Steps taken during this period included the introduction of various forms of private ownership, the organization of different forms of economic management, the privatization of state property, the introduction of the national currency in 2000, the liberalization of prices, the establishment of joint ventures, the organization of free foreign trade and the resolution of priority social issues.

In more recent years, economic reforms have been focused on ensuring sustainable annual economic development. Remittances have historically been and continue to be an important feature of the Tajikistan economy. However, due to Government policies aimed at diversifying Tajikistan’s economy following the onset of the global economic crisis in 2008-2009, the economy’s dependence on money remittances has been reduced and

there has been gradual reorientation of factors of economic growth to other sources. In particular, in 2015, with a decrease in remittances of more than 30% (in U.S. dollar terms) compared to 2014, the economy grew by 6%, and in 2016 the volume of remittances decreased by another 16% (in U.S. dollar terms) compared to 2015, while GDP growth increased to 6.9%. Economic growth from 2015 to 2016 was achieved due to significant growth in industry (by 16%) and investment activities in the production sector (by 20%).

The Republic has carried out reforms of the national economy through the development and implementation of important strategic policies and programs, including the National Development Strategy for the period through 2015 (dated 2007), medium-term strategies for poverty reduction and improving the welfare of the population of Tajikistan, the Food Security Program Tajikistan for the period through 2015, the Medium-Term Development Program for 2016-2020 and the NDS 2030, as well as numerous programs focused on specific economic sectors and plans for social and economic development of the cities and districts of the Republic.

The NDS 2030, which was adopted by the Government in 2016, envisages Tajikistan transforming from a primarily agriculture-based economy to a primarily industrial-based economy. In the NDS 2030, the Government set out the following four strategic objectives for the Tajikistan economy:

- *Energy security.* The Government has placed a priority on meeting internal and external energy demand, because it expects internal and external demand for energy to increase from current levels. Measures taken include, among other things, diversification of energy generation sources; development of hydropower resources; creation of opportunities for the use of other non-traditional (renewable) sources of energy (solar, wind, biological and geothermal); development of existing capacity in the oil and gas and coal industries; development of new locations for the production of organic fuels; modernization of existing and construction of new hydropower plants and thermal power plants; modernization and technical re-equipment of the oil and gas industry; and development of new oil and gas fields.
- *Food security.* Measures to achieve food security include, among other things, supporting the production and import of staple foods; organizing a monitoring system for nutrition; increasing agricultural production by providing incentives for the use of new agricultural methods and technologies; ensuring the economic and physical accessibility of food; and replacing hazardous chemical fertilizers with alternatives.
- *Expanding productive employment.* Measures to expand productive employment include, among other things, supporting small and medium-sized enterprises in cities and villages; expanding state support for the system of environmental entrepreneurship and the market for environmental services; promoting farming and small business in the agricultural sector; developing an educational network for obtaining professional skills, retraining and advanced training; and increasing employment opportunities for migrants returning to Tajikistan.
- *Promoting regional connectivity.* Measures to promote regional connectivity include, among other things, construction and modernization of transportation infrastructure; creation of transit transportation corridors; development of transportation support for industrial zones of economic growth, including through investment projects of national importance; minimization of the negative impact of the transportation infrastructure on the environment and human health; formation of a low-cost policy and reliable access to the network of telecommunications services; and increasing the coverage of telecommunication services; and strengthening the competitiveness of the domestic telecommunications market.

In the NDS 2030, the Government cited certain goals to be achieved in order for Tajikistan to reach a level of socio-economic development comparable to that of middle-level middle-income countries, including maintaining real GDP growth at 7-8%, increasing the country's GDP by three or more times, increasing per capita GDP by more than 2.5 times, reducing poverty by more than two times and eradicating extreme poverty.

To achieve higher growth, Tajikistan is implementing a structural reform agenda designed to: reduce the role of the state and enlarge that of the private sector in the economy through a more favorable business climate, thus increasing private investment and generating more productive jobs; modernize and improve the efficiency and social inclusiveness of basic public services; and enhance the country's connectivity to regional and global markets. To ensure sustainable growth in the economy, the Government seeks to improve the investment climate, encourage entrepreneurship and develop the private sector. See “*Balance of Payments and Foreign Trade – Investment Promotion and Protection Laws*” and “*Public Sector Finances – Tax Reforms.*”

Gross Domestic Product

The following table sets forth certain information regarding Tajikistan's GDP for the periods indicated, calculated in accordance with the System of National Accounts (SNA) 1993 and the IMF's Quarterly System of National Accounts paragraph 9.21 recommendation.

	Gross Domestic Product Indicators					For the Six Months	
	For the Year Ended December 31,					Ended June 30,	
	2012	2013	2014	2015	2016	2016	2017
Nominal GDP (TJS million)	36,161.1	40,524.5	45,602.2	48,401.6	54,471.1	21,979.3	24,023.8
Nominal GDP (US\$ million)	7,593.0	8,506.0	9,241.6	7,853.6	6,951.7	2,818.3	2,897.5
Real GDP growth (period-on-period) (%) ⁽¹⁾	7.5	7.4	6.7	6.0	6.9	6.5	6.0
GDP deflator (period-on-period) (%)	11.8	4.3	5.5	0.2	5.2	2.5	3.1
Nominal GDP per capita (TJS) ⁽²⁾	4,579.2	5,019.1	5,523.7	5,727.0	6,271.1	n.a.	n.a.
Nominal GDP per capita (US\$) ⁽²⁾	961.5	1,053.5	1,119.3	929.0	803.0	n.a.	n.a.
Real GDP per capita (US\$) ⁽²⁾	859.8	1,009.9	1,061.1	927.6	763.9	n.a.	n.a.
Real GDP per capita growth (period-on-period) (%) ⁽²⁾	n.a.	17.5	5.1	(12.6)	(17.6)	n.a.	n.a.

n.a. Data not available.

(1) According to the State Budget for 2017, real GDP growth for 2017 is forecasted to be 7%.

(2) Per capita figures based on the preliminary results of the 2017 census.

Source: Ministry of Economic Development and TajStat.

As has typically been the case with other transition economies, a certain portion of Tajikistan's economy is comprised of an informal, or shadow, economy. By its nature, it is not possible to accurately measure, but the Government estimates it to be approximately 35% of GDP. The informal economy is not taken into account in the GDP data presented in this document and is not fully taxed, resulting in reduced State Budget revenue. The Government is taking steps to address the informal economy by streamlining various regulations on non-cash transactions, amending tax laws to improve compliance and tax collection.

Principal Sectors of the Economy

Tajikistan has a diverse economy, with particular strengths in agriculture, trade, construction, transportation and manufacturing. Agriculture has traditionally been the single largest contributor to the Tajikistan economy, accounting for 23.4%, 21.9% and 20.6% of nominal GDP in 2014, 2015 and 2016, respectively. Tajikistan's main agricultural products include wheat, cotton, potatoes, tomatoes, onions, watermelons, milk, beef, mutton and eggs, with cotton being the main agricultural export. Trade (both retail and wholesale) consistently accounts for a significant share of the Tajikistan economy, representing 11.1% of nominal GDP in 2016, compared to 11.4% in 2015 and 10.3% in 2014. As a share of nominal GDP, construction has remained stable in recent years, notwithstanding the effects of the global financial crisis, and has increased from 8.4% of GDP in 2012 to 11.2% of GDP in 2016. Tajikistan has also developed a strong manufacturing sector, ranging from the processing of aluminum to the processing of food. In 2016, manufacturing represented 9.1% of Tajikistan's nominal GDP,

compared to 8.7% in 2015 and 7.6% in 2014. The NDS 2030 envisages Tajikistan transforming from a primarily agriculture based economy to a primarily industry based economy.

The following tables set out Tajikistan's nominal GDP by economic sector in TJS million and as a percentage of GDP for the years presented.

Nominal GDP by Economic Sector

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(TJS million)</i>				
Agriculture, Hunting and Forestry	8,420.6	8,256.0	10,664.5	10,586.2	11,275.5
Fishery	15.1	23.9	28.1	31.2	30.3
Mining and Quarrying	689.8	736.2	718.2	826.5	1,469.9
Manufacturing ⁽¹⁾	3,425.0	3,525.8	3,476.1	4,210.7	4,937.1
Electricity, Gas and Water Supply	833.0	841.1	1,316.5	1,389.4	1,821.7
Construction	3,023.5	4,200.8	4,660.0	5,380.4	6,091.7
Wholesale and Retail Trade	3,681.9	4,582.1	4,710.6	5,520.7	6,042.8
Hotels and Restaurants	1,350.8	1,241.2	1,709.0	1,671.2	1,574.5
Transportation, Storage and Communication	5,535.2	6,172.2	6,523.8	6,026.1	6,248.1
Financial Intermediation	511.1	659.6	668.5	813.7	350.3
Real Estate, Renting and Business Activities	73.1	79.8	63.5	103.8	75.6
Education	1,449.6	1,819.3	1,878.4	1,965.5	2,550.8
Health and Social Services	727.6	897.9	883.7	936.1	1,040.3
Other Community, Social and Personal Services	1,385.1	1,740.3	1,370.2	1,943.0	1,878.9
Public Administration	1,023.3	1,096.8	1,180.3	1,575.1	2,975.3
FISIM Adjustment ⁽²⁾	(437.4)	(507.1)	(606.4)	(700.2)	-
Nominal GDP at basic prices	31,707.3	35,365.9	39,245.0	42,279.4	48,315.5
Taxes less subsidies on production	4,455.8	5,159.5	6,361.6	6,129.3	6,155.6
Nominal GDP at market prices	36,161.1	40,524.5	45,602.2	48,401.6	54,471.1

(1) Includes processing of aluminum by TALCO.

(2) Financial Intermediation Services Indirectly Measures ("FISIM") refers to the total property income receivable by financial intermediaries minus total interest payable, excluding the value of any property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(in percentage of GDP)</i>				
Agriculture, Hunting and Forestry	23.3	20.4	23.4	21.9	20.6
Fishery	0.0	0.1	0.1	0.1	0.1
Mining and Quarrying	1.9	1.8	1.6	1.7	2.7
Manufacturing ⁽¹⁾	9.5	8.7	7.6	8.7	9.1
Electricity, Gas and Water Supply	2.3	2.1	2.8	2.9	3.3
Construction	8.4	10.4	10.2	11.1	11.2
Wholesale and Retail Trade	10.2	11.3	10.3	11.4	11.1
Hotels and Restaurants	3.7	3.1	3.7	3.5	2.9
Transportation, Storage and Communication	15.3	15.2	14.3	12.4	11.5
Financial Intermediation	1.4	1.6	1.5	1.7	0.6
Real Estate, Renting and Business Activities	0.2	0.2	0.1	0.2	0.1
Education	4.0	4.5	4.1	4.1	4.7
Health and Social Services	2.0	2.2	1.9	1.9	1.9
Other Community, Social and Personal Services	3.8	4.3	3.1	3.9	3.4
Public Administration	2.8	2.7	2.6	3.3	5.5
FISIM Adjustment ⁽²⁾	(1.2)	(1.3)	(1.3)	(1.4)	-

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(in percentage of GDP)</i>				
Nominal GDP at basic prices	87.6	87.3	86.0	87.4	88.7
Indirect taxes minus subsidies	12.4	12.7	14.0	12.6	11.3
Nominal GDP at market prices	100.0	100.0	100.0	100.0	100.0

(1) Includes processing of aluminum by TALCO.

(2) Financial Intermediation Services Indirectly Measures ("FISIM") refers to the total property income receivable by financial intermediaries minus total interest payable, excluding the value of any property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.

Source: Ministry of Economic Development and TajStat.

The following table sets out Tajikistan's real GDP growth by economic sector for the years presented, calculated in accordance with the System of National Accounts (SNA) 1993 and the IMF's Quarterly System of National Accounts paragraph 9.21 recommendation.

Real GDP Growth by Economic Sector

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(percentage change, year-on-year)</i>				
Agriculture, Hunting and Forestry	10.4	7.6	4.5	3.2	5.2
Fishery	32.2	54.3	9.4	5.8	0.6
Mining and Quarrying	21.3	35.0	(3.2)	16.0	18.0
Manufacturing ⁽¹⁾	10.2	(1.0)	(1.1)	15.9	14.8
Electricity, Gas and Water Supply	6.4	5.2	47.7	0.3	58.4
Construction	(24.4)	17.2	24.9	21.2	20.3
Wholesale and Retail Trade	16.9	19.8	6.6	5.5	6.7
Hotels and Restaurants	0.9	35.8	4.7	(2.1)	7.5
Transportation, Storage and Communication	12.7	(9.4)	1.1	(3.8)	2.1
Financial Intermediation	9.4	21.0	16.8	6.6	(11.5)
Real Estate, Renting and Business Activities	(3.1)	7.9	18.5	(6.1)	4.7
Education	3.2	3.4	1.3	3.4	5.6
Health and Social Services	4.1	2.6	3.8	3.6	6.7
Other Community, Social and Personal Services	32.7	20.6	(22.5)	15.2	(7.7)
Public Administration	(1.1)	0.6	7.6	3.2	6.9
Real GDP at basic prices⁽²⁾	7.5	7.4	6.7	6.0	6.9

(1) Includes processing of aluminum by TALCO.

(2) According to the State Budget for 2017, real GDP growth for 2017 is forecasted to be 7%.

Source: Ministry of Economic Development.

Agriculture, Hunting and Forestry

Tajikistan has traditionally had an economy focused on agriculture. Tajikistan's main agricultural products include wheat, cotton, potatoes, tomatoes, onions, watermelons, milk, beef, mutton and eggs, with cotton being the main agricultural export. Currently, fruits and vegetables are mainly produced and sold either fresh or dried, but the processing of fruits and vegetables in value-added operations are expected to increase as a percentage of agriculture production going forward.

Agriculture, hunting and forestry accounted for 20.6% of Tajikistan's GDP in 2016, as compared to 21.9% in 2015 and 23.4% in 2014. Agricultural output grew by 5.2% year-on-year from 2015 to 2016, driven by efficiency gains and favorable weather conditions.

The following table sets forth the structure of Tajikistan's gross agricultural output (including intermediate inputs) by sub-sector for the periods indicated:

	For the Year Ended December 31,									
	2012		2013		2014		2015		2016	
	<i>TJS</i> million	% change	<i>TJS</i> million	% change	<i>TJS</i> million	% change	<i>TJS</i> million	% change	<i>TJS</i> million	% change
Crop production	11,841	10.6	14,403	7.6	14,533	0.9	14,624	1.4	15,067	5.1
Grains and legumes	2,696	10.8	2,088	13.2	2,371	(4.2)	2,510	5.8	2,658	3.1
Cotton	1,107	0.3	1,327	(6.4)	1,109	(7.3)	807	(26.5)	909	5.5
Vegetables	4,960	21.8	4,618	23.4	5,851	(18.6)	6,062	9.1	5,982	7.7
Fruits	1,713	24.6	2,002	12.6	2,870	18.3	2,737	(3.9)	3,323	19.4
Other crops	1,365	n.a.	4,368	220.0	2,332	(46.6)	2,508	7.5	2,195	(12.4)
Livestock	4,641	9.7	5,714	7.5	6,489	12.5	6,954	7.2	7,176	5.5
Meat in live weight	2,197	2.5	2,457	6.9	3,454	16.6	3,820	10.5	4,028	7.6
Milk	2,039	2.3	2,288	6.6	2,433	4.1	2,514	3.3	2,529	3.4
Eggs	189	0.2	210	116.0	223	1.3	227	1.9	218	(3.7)
Other	216	n.a.	759	251.4	379	(50.1)	393	3.7	401	2.0
Gross agriculture output⁽¹⁾	16,482	10.4	20,117	7.6	21,022	4.5	21,578	3.2	22,234	5.2

n.a. Data not available.

(1) Gross output includes both value added and intermediate input and therefore differs from GDP by industry, which only includes value added.

Source: *TajStat*.

The Government's key objectives in the agricultural sphere are improving the country's food security, implementation of reforms in line with national policies and programs and providing the rural population with permanent jobs. Measures to achieve food security include, among other things, supporting the production and import of staple foods; organizing a monitoring system for nutrition; increasing agricultural production by providing incentives for the use of new agricultural methods and technologies; ensuring the economic and physical accessibility of food; and replacing hazardous chemical fertilizers with alternatives. The Government is carrying out a range of programs designed to support the agricultural sector, including programs for: the development of silkworm breeding and processing of silkworm cocoons; the development of livestock biotechnology; the development of new irrigated lands and restoration of agricultural lands left for agricultural use; the provision and refurbishment of refrigerators and cold rooms for storage of agricultural products; the development of pastures; the development of pedigree and purebred animals; the development of horticulture and viticulture; and the development of the seed industry.

Transportation, Storage and Communications

In 2016, transportation, storage and communications accounted for 11.5% of Tajikistan's GDP, compared to 12.4% in 2015 and 14.3% in 2014. In the three months ended March 31, 2017, transportation, storage and communications accounted for 15.1% of Tajikistan's GDP. Real GDP attributable to the transportation, storage and communications sector grew by 2.1% from 2015 to 2016.

Tajikistan is strategically located in the center of Central Asia with several large markets surrounding it, including China to the east, India and Pakistan to the south and Russia to the north. Consequently, transit is a key feature of the economy of Tajikistan. However, the country's competitiveness is constrained by the high cost of transportation logistics as reflected in its ranking of 153 out of 160 countries in the World Bank's 2016 Logistics Performance Index. Investment in Tajikistan's transportation infrastructure, particularly construction of roads, has been and continues to be a key priority of the Government. Loans and grants from international organizations have

been a significant source of funding for infrastructure projects, and funds from the State Budget are also allocated to such projects.

Promoting regional connectivity is one of the strategic objectives of NDS 2030. Measures to be taken pursuant to NDS 2030 to promote regional connectivity include, among other things, construction and modernization of transportation infrastructure; creation of transit transportation corridors; development of transportation support for industrial zones of economic growth, including through investment projects of national importance; minimization of the negative impact of the transportation infrastructure on the environment and human health; formation of a low-cost policy and reliable access to the network of telecommunications services; and increasing the coverage of telecommunication services; and strengthening the competitiveness of the domestic telecommunications market.

Road Transportation

As of December 31, 2016, the Tajikistan road network was comprised of 27,800 km of roads. In 2016, 70.6 million tons of cargo and 575.8 million passengers were carried on Tajikistan's roads by all types of transportation. Motor vehicles remain the most popular form of transportation in Tajikistan, accounting for 92% of total cargo volumes and 97% of total passenger carriage for all types of transportation in 2016.

Because Tajikistan is a landlocked country, the development and maintenance of its road network is critical to the country's sustainable development. Many highway and tunnel construction projects are underway or recently completed. Major projects include rehabilitation of the Dushanbe – Chanak (Uzbek border), Dushanbe – Kulma (Chinese border), Kurgan-Tube – Nizhny Pyanj (Afghan border) highways and construction of tunnels under the mountain passes of Anzob, Shakhristan, Shar-Shar and Chormazak. These projects are supported by international donor countries. China has provided substantial financial investments in infrastructure improvements in Tajikistan, including the rebuilding, widening and improvement of the road between Dushanbe and Khujand which was completed using equipment, labor, and oversight from China. The Pakistan-Afghanistan-Tajikistan Highway, a 1,300 kilometers (810 miles) long road passing through the Gorno-Badakhshan Autonomous Province and Dushanbe, was completed in 2013.

The following table sets forth information on Tajikistan's transported goods and passengers carried by road transportation for the periods indicated:

	For the Year Ended December 31,									
	2012		2013		2014		2015		2016	
	<i>Amount</i>	<i>% change</i>	<i>Amount</i>	<i>% change</i>	<i>Amount</i>	<i>% change</i>	<i>Amount</i>	<i>% change</i>	<i>Amount</i>	<i>% change</i>
Transported goods (million tons)	68.4	11.0	72.2	5.6	74.3	2.9	74.4	0.1	70.6	(5.1)
Passengers carried (million passengers)	520.7	(4.0)	545.0	4.7	556.9	2.2	569.0	2.2	575.8	1.2

Source: Ministry of Economic Development and TajStat.

Civil Aviation

Tajikistan currently has four airports with regularly-scheduled commercial service. The country's main airport is Dushanbe International Airport which as of June 2017 has regularly scheduled flights to such major cities as Almaty, Baku, Bishkek, Delhi, Dubai, Frankfurt, Istanbul, Kabul, Moscow, Saint Petersburg, Sharjah, Tehran, and Ürümqi amongst others. In 2016, traffic at Dushanbe International Airport was approximately 1.2 million passengers and freight turnover was 2,216 tons. The next largest airports after Dushanbe are at Khujand International Airport and Kulob Airport.

In 2014, construction of an extension project at Dushanbe International Airport was completed, in order to bring the Dushanbe airport up to international air traffic standards and to raise the overall space of the international terminal to 11,000 square meters with a capacity of 5,000 passengers per hour. The new terminal has the capacity to serve 1.5 million passengers per year.

Tajikistan has two domestic airlines (Tajik Air and Somon Air) and is also serviced by several foreign airlines.

Railways

The Tajikistan railway system runs on 1,260 km of track (as of December 31, 2016), all of which is broad gauge, and is used mainly for cargo transportation. In 2016, 5.4 million tons of freight were shipped by rail, and freight turnover amounted to 228.3 million tons-km. The main types of cargo shipped by rail are passengers, fruit and vegetables and construction materials. In 2016, approximately 450,000 passengers traveled by rail, representing 0.1% of total passenger volumes by type of transportation. The principal segments of the rail network are in the southwestern region and connect the capital city of Dushanbe with the industrial areas of the Gissar and Vakhsh valleys and with Uzbekistan, Turkmenistan, Kazakhstan and Russia. A memorandum on the construction of the Turkmenistan-Afghanistan-Tajikistan railway was signed on March 20, 2013 at a tripartite meeting of the presidents of the three countries in Turkmenistan. This railway, when completed, would provide a rail connection between Tajikistan and Turkmenistan through the territory of Afghanistan, which would provide Tajikistan important access to the CIS rail network and the Caspian Sea and potentially the Persian Gulf in the long term. Turkmenistan opened its railway link with Afghanistan in November 2016. However, work has not yet begun on the Tajikistan or Afghanistan sections of the railway.

Pipelines

Currently, Tajikistan's main gas pipeline is the "Yug" pipeline, which runs from the north to the south of the country and is 421 km in length. In September 2013, the governments of Tajikistan and China signed an agreement on the construction of Line D of the Central Asia-China pipeline project. The Central Asia-China pipeline starts on the border between Turkmenistan and Uzbekistan and passes through Uzbekistan, Tajikistan, Kyrgyzstan, and China. Part of this project is the Tajikistan-China gas pipeline. The projected total length of Line D is 974 km, with 391 km in Tajikistan. The opening ceremony for the Tajikistan section of the pipeline was held in September 2014 and construction began on that section of the pipeline. The Central Asia-China pipeline project represents China's largest investment in Tajikistan to date. In March 2017 it was announced that construction of Line D had been suspended indefinitely. However, Tajikistan expects that construction will resume later in 2017 following discussions that are planned to take place between senior officials of Tajikistan and China in the near future.

Communications

As of December 31, 2016, there were approximately 272,400 fixed telephone line subscribers in Tajikistan, as compared to approximately 268,000 as of December 31, 2015. According to TajStat, as of December 31, 2016 there were approximately 5.2 million active mobile phone subscribers, compared to approximately 5.9 million subscribers as of December 31, 2015. There are five major operators in the market: Tcell, Babilon Mobile, MegaFon, Tacom / Beeline and TK Mobile. 4G/LTE services were recently launched in the market.

According to TajStat, as of December 31, 2016 there were approximately 2.4 million internet subscribers in Tajikistan, compared with approximately 2.9 million subscribers as of December 31, 2015. Internet services in Tajikistan are provided through a range of fixed line networks, wireless fixed networks and various mobile communications networks.

Construction

Construction accounted for 8.4%, 10.4%, 10.2%, 11.1% and 11.2% of Tajikistan's GDP in 2012, 2013, 2014, 2015 and 2016, respectively. In the three months ended March 31, 2017, construction accounted for 8.5% of Tajikistan's GDP, compared to 8.1% in the three months ended March 31, 2016.

As a share of nominal GDP, construction has remained stable in recent years, notwithstanding the effects of the global financial crisis and the slowdown in the Russian economy that began in late 2014. In 2016, foreign-financed investment spurred growth in the construction sector, which expanded by 20.3% as compared to 2015. In 2016, the commencement of construction of the Rogun HPP and public investment dedicated to the 25th anniversary of independence spurred the construction sector.

Prior to the commencement of construction of the Rogun HPP, the largest public construction projects undertaken in recent years include the Sangtuda-1 HPP and the Sangtuda-2 hydroelectric power plant (the “Sangtuda-2 HPP”). See “—Energy – Electricity.”

Wholesale and Retail Trade

Wholesale and retail trade accounted for 10.2%, 11.3%, 10.3%, 11.4% and 11.1% of Tajikistan’s GDP in 2012, 2013, 2014, 2015 and 2016, respectively. In the three months ended March 31, 2017, wholesale and retail trade accounted for 21.4% of Tajikistan’s GDP, compared to 22.0% in the three months ended March 31, 2016. Substantially all of Tajikistan’s trade is retail trade, which accounted for 97.5% of overall trade turnover in 2016. Food products account for the majority of retail trade turnover by volume. From 2015 and 2016, retail trade turnover increased in nominal terms by 12.5%.

Manufacturing

Manufacturing accounted for 9.5%, 8.7%, 7.6%, 8.7% and 9.1% of Tajikistan’s GDP in 2012, 2013, 2014, 2015 and 2016, respectively. The manufacturing sector has expanded significantly in recent years, growing by 15.9% year-on-year in 2015 and by 14.8% year-on-year in 2016.

The manufacturing sector in Tajikistan mainly consists of the TALCO aluminum plant and small factories in food processing and light industry. Non-metallic minerals manufactured in Tajikistan include concrete, cement and other building materials.

Manufacturing of aluminum is a significant contributor to Tajikistan’s economy. TALCO, which is 100%-owned by the Republic, is Tajikistan’s largest state-owned enterprise and is the largest aluminum manufacturing plant in Central Asia. TALCO produces aluminum under a tolling scheme predominantly for foreign markets. In addition it has undertaken some production for its own account and has produced consumer goods utilizing its own aluminum. The TALCO plant began operations in 1975. It has a yearly production capacity of 500,000 metric tons but has operated below its capacity in recent years due to the collapse in global aluminum prices and the need for modernization. Aluminum production decreased from 400,000 tons per year in 2008 to 129,300 tons per year in 2016, and the company is currently loss-making. Tajikistan has no native aluminum ore, and the raw material for the TALCO plant is imported and is processed in Tajikistan under tolling arrangements. In 2016, TALCO accounted for 0.4% of Tajikistan’s GDP and approximately 8,000 jobs. Its exports, which are recorded as exports of services, were US\$55.4 million in 2016 (representing 23.9% of exports of services, and 6.2% of total exports, in 2016). TALCO currently uses approximately 40% of the electricity generated by Tajikistan. See “*Public Sector Finances – State-Owned Enterprises.*”

Industrial growth in 2016 was fueled by the establishment of a significant number of newly established manufacturing plants across a range of industrial sub-sectors. In particular, a plant for the production of cryolite, aluminum fluoride and sulfuric acid in the Yavan district was launched in 2016. While currently TALCO still imports the raw materials for its plant, it is expected that the operations of this plant in the future will enable TALCO to produce import-substituting raw materials in Tajikistan.

Tajikistan has 13 cement plants with an aggregate production capacity of 4.7 metric tons per year. Cement production in 2016 increased to 2 million tons as compared to 1.2 million tons in 2015, according to TajStat. Three Tajik-Chinese joint ventures for cement production collectively accounted for approximately 81% of cement production in the first quarter of 2017. Approximately one-third of the country’s cement production in the first quarter of 2017 was exported, mainly to Afghanistan, Kyrgyzstan and Uzbekistan.

Mining and Quarrying

Mining and quarrying accounted for 1.9%, 1.8%, 1.6%, 1.7% and 2.7% of Tajikistan's nominal GDP in 2012, 2013, 2014, 2015 and 2016, respectively. Tajikistan's natural resources include petroleum, gold, uranium, silver, tungsten, zinc, lead and copper. The country also has natural gas, oil and coal reserves and more than 400 mineral deposits. The largest silver deposits are in Sughd Province, where Tajikistan's largest gold mining operation also is located. A large new silver deposit at Bolshoy Kanimansur, in the north of Tajikistan, is believed to be the second largest silver deposit in the world. Gold production has been increasing. In 2016, gold production was 5 tons, an increase of 11% as compared to 2015. Coal production increased from 873,233 tons per year in 2015 to 1.3 million tons per year in 2016. While Tajikistan has some native aluminum ore, currently the raw material for the TALCO plant is entirely imported. In each of 2014, 2015 and 2016, mineral products were Tajikistan's main export product. See "*Balance of Payments and Foreign Trade – Exports*". For a discussion of Tajikistan's oil and gas resources, see "*—Energy*".

Hotels and Restaurants

Hotels and restaurants accounted for 3.7%, 3.1%, 3.7%, 3.5% and 2.9% of Tajikistan's GDP in 2012, 2013, 2014, 2015 and 2016, respectively. The tourism sector is considered to have significant growth potential due to Tajikistan's mountainous landscapes and many lakes. The Government is committed to increasing tourism in Tajikistan and is actively encouraging investment in the sector, conducting an aggressive advertising and marketing campaign aimed at increasing Tajikistan's worldwide exposure.

Energy

Energy security has been identified as a key strategic objective for Tajikistan in the NDS 2030, which provides for increasing the installed generation capacity up to 10 Gigawatts ("GW"), reducing the technical and business losses of networks by up to 10%, increasing electricity exports to 10,000 GWh per year, diversification of generation sources by 10% and adding production of more than 500 GWh per year through renewable energy sources and the use of energy-efficient technologies.

Electricity, gas and water supply accounted for 2.3%, 2.1%, 2.8%, 2.9% and 3.3% of Tajikistan's nominal GDP in 2012, 2013, 2014, 2015 and 2016, respectively. The Ministry of Electricity and Water oversees the energy sector in Tajikistan and is responsible for the implementation of national energy policy regulations and licensing of generation and supply. The share of GDP accounted for by the electricity, gas and water supply sector is expected to increase significantly following the commencement of electricity production at the Rogun HPP, which is planned to occur in early 2019.

Electricity

Tajikistan has substantial hydroelectric power potential. According to the International Hydropower Association (the "IHA"), in 2015 Tajikistan's estimated hydroelectric power potential was 527,000 gigawatt-hours ("GWh") per year, which the Republic believes ranks eighth in the world after China, Russia, the United States, Brazil, Democratic Republic of Congo, India and Canada. However, less than 5% of Tajikistan's hydroelectric power potential is currently utilized. Many of the existing hydropower plants were built during the Soviet period and require rehabilitation. According to the Eurasian Development Bank (the "EDB") (reported in 2013), the amount of Tajikistan's hydropower potential that is commercially available and economically viable for development is estimated to be approximately 317,000 GWh per year.

Many of the existing hydropower plants in Tajikistan were built during the Soviet period and require rehabilitation. Once they become operational, the Rogun HPP and the CASA-1000 transmission system are expected to significantly increase Tajikistan's electricity production and distribution, respectively. See "*—Rogun Hydropower Plant Project*" and "*— CASA-1000 Project*" below.

Vertically integrated electricity monopoly Open Joint-Stock Holding Company Barki Tojik ("Barki Tojik"), which is 100%-owned by the Government, distributes electricity to approximately 99% of grid-connected customers in the country. The total installed capacity of Barki Tojik is 5,676 MW. Of this total capacity, 4,960 MW

(87%) is the capacity of hydropower plants, and the remainder is attributable to three combined heat and energy plants (“CHPs”): Dushanbe CHPP-1, Yavanskaya CHPP and Dushanbe CHPP-2. Pursuant to a governmental decree dated August 30, 2011, Barki Tojik is planned to be divided into three separate independent departments (generation, transmission and distribution). See “*Public Sector Finances – State-Owned Entities.*”

Barki Tojik is the operator of the Nurek HPP, which has an installed generation capacity of 3,000 MW and currently produces over 75% of Tajikistan’s electricity. The Nurek HPP, which includes the world’s tallest dam, was commissioned in 1979 and is in the process of being rehabilitated. Production of electricity in 2016 at the Nurek HPP was approximately 10,100 GWh. The Rogun HPP, when completed, will surpass the Nurek HPP as Tajikistan’s largest hydropower plant and also as the world’s tallest dam. See “—*Rogun Hydropower Plant Project*” below.

In addition to Barki Tojik, there are a number of other power producers in Tajikistan, including Open Joint Stock Company Sangtudinskaya HPP-1, a company controlled by Russian energy company Inter RAO UES, which operates the Sangtuda-1 HPP (670 MW); Iranian company Sangob, which operates the Sangtuda HPP-2 (220 MW); and Pamir Energy Company (“Pamir Energy”). The Sangtuda-1 HPP is a joint venture between the governments of Tajikistan and Russia, established in 2005 with the goal of completing the construction and further operation of the Sangtuda-1 HPP on the Vakhsh river. Russia’s share in the joint venture is 75% minus 1 share, with Tajikistan’s share being 25% plus 1 share. The plant began operations in 2008. The plant currently provides approximately 10% of the total power generation in Tajikistan.

Construction on the Sangtuda-2 HPP began in 2006. Iranian company Sangob allocated US\$318.9 million of financing for the construction, with Tajikistan providing financing in the amount of US\$40 million. The plant was launched in September 2014. The Sangtuda-2 HPP is capable of generating up to 1,000 GWh of electricity per year. For the first 14 years after the launch date (i.e., until 2028), the Sangtuda-2 HPP is considered the property of Sangob, after which time it will become the property of Tajikistan.

Pamir Energy was established in 2002 by the Aga Khan Fund for Economic Development (“AKFED”), in partnership with IFC. Pamir Energy is a public-private partnership between the Government, the World Bank Group, and AKFED. The total cost of the project is approximately US\$26.5 million, including the Government’s contribution of US\$10 million. Pamir Energy has a 25-year concession on the assets formerly under the management on Barki Tojik in the Gorno-Badakhshan Autonomous Region. In exchange for this concession, Pamir Energy has invested in the construction of a hydropower plant and the rehabilitation of power generation, transmission and distribution assets in the region.

In 2016, Tajikistan's electricity output was 17,200 GWh, of which 16,400 GWh (96.5%) was attributable to hydropower plants. Although Tajikistan has policies supporting the development of renewable energy production, renewable sources other than hydroelectric generation do not currently contribute a material amount of Tajikistan’s generation capacity.

Electricity Generation and Consumption in Tajikistan

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(Thousands of GWh unless otherwise stated)</i>				
Electricity generation	16.3	16.9	16.2	16.9	17.2
- Hydropower	16.2	16.8	16.1	16.6	16.4
- Combined heat and energy (CHP)	0.05	0.04	0.16	0.33	0.80
Export-import balance	0.39	0.07	1.33	1.35	1.34
- Export	0.74	0.11	1.38	1.41	1.43
- Import	0.35	0.04	0.05	0.06	0.09
Consumption per capita (kilowatt hours) (kWh)	20,878	21,159	19,850	20,234	20,114

Source: Ministry of Energy.

Tajikistan's reliance on hydropower results in a power surplus during the summers and power deficits in the winters, due to restricted water flow in winter. Summer surpluses of electricity are currently mainly exported to Afghanistan. Electricity exports to Afghanistan from the summer surplus amounted to US\$28.4 million, US\$34.4 million, US\$43.8 million and US\$51.1 million in 2013, 2014, 2015 and 2016, respectively. The total volume of electricity exported abroad was 1,430 GWh in 2016, of which 1,147 GWh were to Afghanistan, with Kyrgyzstan and Pakistan being the next two largest export markets. Domestic electricity shortages in the winter affect electricity availability outside Dushanbe and other cities. In 2015, the winter energy shortage was estimated at 1,800 GWh, representing approximately 9% of annual consumption.

The Antimonopoly Service of Tajikistan is responsible for price regulation and tariff methodology in the electricity markets, as well as prices (tariffs), service fees and collections to which state price regulation applies. It is funded by the State Budget and its chairman is appointed by the Government. Energy prices are highly subsidized, although they have recently been increased by the Government in accordance with World Bank guidelines. On November 1, 2016, electricity tariffs were increased pursuant to a presidential decree, which provided for new tariffs for electricity for all categories of consumers, with the exception of TALCO. Electricity tariffs had previously been increased on July 1, 2014.

Rogun Hydropower Plant Project

As part of its ongoing development plans and its strategic objective of achieving energy security, Tajikistan is adding to its domestic power generation capacity. As a result, the construction of the Rogun HPP is considered critical for the country's energy security. See "*Economic Policy and Reforms.*" The Rogun HPP embankment dam, when completed, will be 335 meters (1,099 feet) high and will surpass the Nurek HPP dam as the highest dam in the world. The plant is planned to have six turbines with total capacity of 3.6 GW. When all six turbines are operational, the plant is expected to produce 13,149 GWh of additional electrical power per year, which will result in Tajikistan having a surplus of electricity in the summer and in the winter, and will enable the export of electricity throughout the year. The Rogun HPP, when completed, will be able to supply electricity for the entire country as well as exports to parts of Afghanistan and Pakistan.

Background, consultations and feasibility study. The Rogun HPP is a hydropower plant under construction on the Vakhsh River in southern Tajikistan. The plant project was first proposed in 1959 and a technical scheme was developed by 1965. Construction began in 1976, but work on the project stopped after the collapse of the Soviet Union in 1990. In 2008, construction resumed, but it was suspended in 2012 pending a World Bank assessment, which was conducted in response to a request from bordering countries, in particular Uzbekistan, which raised concerns about the impact the dam would have on its cotton crops. Within four years, five consultations were held with the assistance of the World Bank, involving an information sharing and consultation process with representatives of the governments and civil societies of Afghanistan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, the international development and diplomatic communities, as well as numerous written submissions. The consultations were completed in 2014. The overall conclusion was that construction of the dam is feasible and that the environmental and social impacts of the dam could be satisfactorily mitigated. In 2016, the construction of Rogun HPP was officially re-launched.

A feasibility study for the Rogun HPP project was carried out by Coyne et Bellier and ELC Electroconsult Consortium and IPAEnergy + WaterEconomics (UK), and an Environmental and Social Impact Assessment was carried out by Pöyry Switzerland Ltd. Throughout the process, the World Bank technical team participated in the analysis of the reports prepared by the consultants.

Project ownership. The Rogun HPP project is being developed by OJSC Rogun HPP, which is 96.6%-owned by the Government. The remaining 3.4% of the company's equity is owned by approximately 21,800 different Tajikistan citizens and legal entities (the largest individual shareholding percentage among which is 0.3125%) who acquired shares in OJSC Rogun HPP in a domestic public offering that was held in January 2010.

Contractors and international organizations. A consortium of Tractebel Engineering France (Coyne et Bellier) and ELC Electroconsult Italy is providing technical assistance to OJSC Rogun HPP, and Italian company Salini Impregilo ("Salini"), which was selected following an international tender, is serving as engineering, procurement and construction contractor for lot 2 of the project (dam construction), with an agreement in principle

having been entered into providing that Salini will also be selected for the remaining phases of the project. Salini is an industrial group operating in over 50 countries with 35,000 employees and is one of the leading global infrastructure companies in the water segment. In addition to Salini, there are approximately 90 contractors and sub-contractors involved in the project. Various international organizations are involved in the project, including the World Bank regarding flood prevention, resettlement and environmental factors.

Construction timetable. On October 29, 2016, the river diversion for the project began, and in June 2017 the cofferdam height reached 1,050 meters above sea level, which is considered a key milestone in the project. The first of the six turbines is currently expected to come online in December 2018, and the second turbine is currently planned to come online in April 2019.

Tajikistan currently has unmet winter electricity demand (the amount of which was approximately 1,800 GWh in 2015) and it currently produces a surplus of electricity in the summer. After commissioning the first two turbines, the plant is expected to produce 2,392 GWh of electricity per year, which would enable satisfaction of domestic winter demand and the exporting of electricity in the summer period following the commissioning of the first two turbines. The remaining four turbines are currently expected to begin to generate power at stages beginning in April 2024, with all six turbines expected to be operational from April 2025. The project is planned to be fully completed in 2032.

See “*Public Sector Finances – State-Owned Enterprises*” for a discussion of the finances of the Rogun HPP project.

CASA-1000 Project

CASA-1000 is an electricity transmission system being constructed to enable Tajikistan and Kyrgyzstan to export electricity to Afghanistan and Pakistan, in particular the electricity to be generated by the Rogun HPP as production comes online. Tajikistan and Kyrgyzstan both have abundant hydropower resources and currently have a surplus of electricity in the summer. Nearby countries Afghanistan and Pakistan suffer from chronic electricity shortages and high demand. CASA-1000 is planned to connect all four countries to make the most efficient use of clean hydropower resources. Pakistan is expected to be the main importer of energy under the CASA-1000 project.

While a transmission line from Tajikistan to Afghanistan already exists, it is not sufficient to support the levels of transmission planned following the launch of Rogun HPP and it is not capable of supporting ongoing transmission to Pakistan.

The CASA-1000 project will include a 500 kilovolt AC line from Kyrgyzstan to Tajikistan; a 1,300 megawatt AC-DC converter station in Tajikistan; a 750 kilometer high voltage DC line from Tajikistan to Afghanistan and Pakistan; and a 1,300 megawatt DC-AC converter station in Pakistan. The project began in 2008 with the signing of an intergovernmental memorandum of understanding by the four participating countries. A feasibility study commissioned by the World Bank and conducted by engineering and construction consultant SNC-Lavalin of Canada was completed in 2011. The feasibility study confirmed both the soundness of the considerations that led to the development of the initiative and the economic viability of the project.

The CASA-1000 transmission system is being constructed by the four participating countries, with each country bearing the cost of the facilities in its own country. Barki Tojik is the implementing agency in Tajikistan for the project. CASA-1000 has received financial support from the World Bank Group, Islamic Development Bank, the U.S. Agency for International Development (“USAID”), the UK Department for International Development (DFID) the Australian Agency for International Development (AusAID) and other donor communities. See “*Public Sector Finances – State-Owned Enterprises*” for a discussion of the finances of the CASA-1000 project.

In July 2017, a tender for construction of the Tajikistan and Kyrgyzstan parts of the project was launched. Completion of the project is currently targeted for 2020.

Petroleum Products and Natural Gas

While Tajikistan has significant oil and gas resources, the oil and gas sector is underdeveloped and production from oil and gas fields requires considerable expenditure. Most of the petroleum products consumed in Tajikistan are imported from Russia, Kazakhstan and Turkmenistan. Russian state-owned company Gazpromneft currently supplies more than 60% of the total volume of petroleum products imported to Tajikistan. Natural gas is not a significant energy source in Tajikistan. Prior to 2012, Tajikistan imported natural gas, approximately 95% of which was from neighboring Uzbekistan. Starting from 2012, Tajikistan no longer imports natural gas and it instead imports liquefied petroleum gas (LPG), mainly from Kazakhstan and Russia.

According to the Main Department of Geology under the Government, the aggregate resources of the oil and gas bearing regions of Tajikistan amounts to approximately 1 trillion tons of reference fuel. Tajikistan has proven reserves of 5.7 bcm of natural gas. Tajikistan has estimated proven reserves of 12 million barrels of oil, most of which are located in the northern part of the country in the Leninobod Soghd Region. At the same time, production work at oil and gas fields requires considerable expenditure, since hydrocarbon deposits exist at depths ranging from 6.5 to 8 kilometers. The national oil company is Tajikneftegaz, which handles oil exploration, drilling, and production.

The Bokhtar Production Sharing Contract (the “Bokhtar PSC”) area covers an area of 36,000 square kilometers at the northern end of the prolific Afghan-Tajik basin west of the Pamir mountains. A number of large gas discoveries have been made in the adjacent Amu Darya basin’s Jurassic carbonate reservoirs. In 2013, a subsidiary of Total (one of the largest integrated oil and gas companies in the world) and a subsidiary of China National Petroleum Corporation each acquired a one-third interest in the Bokhtar PSC with Tajikistan private company Kulob Petroleum Limited also having a one-third stake, under a profit sharing agreement with the Government. The Bokhtar PSC area is 300 kilometers from the border with China and is therefore strategically positioned to supply China and other high-demand markets.

A new oil refinery in the Danghara free economic zone has recently been constructed by China’s Dong Dong Ying Heli Investment. The refinery began production at the end of August 2017. In the first stage of the refinery’s operations, which is expected to last through the end of 2018, the refinery’s capacity is expected to be 500,000 tons of crude oil per year and in 2019 it is expected to reach 1.2 million tons per year. The refinery is projected to generate approximately TJS 73 million of revenues to the State Budget annually.

Employment and Wages

The following table sets forth key employment and labor statistics for the periods indicated.

Employment and Labor

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
Economically active population (in thousands) (year-end)	2,347	2,362	2,382	2,437	2,290
Total employment (in thousands) (year-end)	2,291	2,307	2,325	2,380	2,385
Unemployment (in thousands) ⁽¹⁾	56	54	56	57	54
Unemployment rate (official) (%) (year-end) ⁽¹⁾	2.4	2.3	2.4	2.3	2.4
Unemployment rate (International Labor Organization methodology) (%) (year-end) ⁽²⁾	10.9	10.9	10.7	10.8	10.8
Monthly salary per employee (nominal) (Average) (TJS)	555.3	694.9	816.3	878.9	960.2
Real growth rate of average monthly salary per employee (%)	18.7	19.1	10.7	1.8	3.1

(1) Official unemployment refers to the population at or above the minimum working age who are not employed and who are actively seeking work through employment services of the Ministry of Labor, Migration and Employment. Data does not include persons who are not employed but who have not registered with the Ministry of Labor, Migration and Employment.

(2) World Bank data. Defined as the number of unemployed people as a percentage of the labor force. Unemployed means those who do not have a job but are actively looking for one. The labor force does not include people who are not looking for work, children and the retired.

Source: Ministry of Labor, Migration and Employment.

The following tables show the number of people employed in various economic sectors in the years presented.

Employment by Sector

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(Thousand people) (Average)</i>				
Total Employed	2,291.5	2,307.3	2,325.4	2,379.7	2,385.3
Real Sector	1,685.0	1,682.7	1,682.6	1,704.0	1,694.8
Agriculture, Hunting and Forestry	1,520.3	1,526.2	1,524.2	1,545.2	1,538.6
Fishery	0.2	0.2	0.2	0.4	0.4
Mining and Quarrying	11.2	12.0	10.6	12.5	11.4
Manufacturing	64.2	65.7	65.6	60.1	59.5
Electricity, Gas and Water Supply	19.5	19.5	20.1	19.3	17.8
Construction	69.6	59.1	61.9	66.5	67.1
Services Sector	606.5	624.6	642.8	675.7	689.6
Wholesale and Retail Trade	137.5	135.7	138.4	149.3	147.9
Hotels and Restaurants	4.5	7.4	7.9	9.8	9.6
Transportation, Storage and Communication	53.6	55.0	55.0	56.8	56.0
Financial Intermediation	17.8	20.8	24.3	25.0	23.0
Real Estate, Renting and Business Activities	16.1	18.5	20.9	22.3	21.4
Public administration and defense, compulsory social insurance	35.9	32.9	35.4	36.3	36.5
Education	193.0	201.3	203.9	209.3	220.5
Health and Social Services	88.6	90.6	94.0	98.3	104.7
Other Community, Social and Personal Services	56.7	59.9	62.0	66.6	69.6
Other organizations of services sector	2.8	2.4	1.0	1.0	1.0

Source: Ministry of Labor, Migration and Employment.

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(in percentage) (Average)</i>				
Total Employed	100.0	100.0	100.0	100.0	100.0
Real Sector	73.5	72.9	72.4	71.6	71.0
Agriculture, Hunting and Forestry	66.3	66.1	65.5	64.9	64.5
Fishery	0.01	0.01	0.01	0.0	0.0
Mining and Quarrying	0.5	0.5	0.5	0.5	0.4
Manufacturing	2.8	2.8	2.8	2.5	2.5
Electricity, Gas and Water Supply	0.9	0.8	0.9	0.8	0.7
Construction	3.0	2.3	2.7	2.8	2.8
Services Sector	26.5	27.1	27.7	28.4	28.9
Wholesale and Retail Trade	6.0	5.9	6.0	6.3	6.2
Hotels and Restaurants	0.2	0.3	0.3	0.4	0.7
Transportation, Storage and Communication	2.3	2.4	2.4	2.4	2.3
Financial Intermediation	0.8	0.9	1.0	1.1	0.9
Real Estate, Renting and Business Activities	0.7	0.8	0.9	0.9	0.9
Public administration and defense, compulsory social insurance	1.6	1.4	1.6	1.5	1.5

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(in percentage) (Average)</i>				
Education	8.4	8.7	8.8	8.8	9.2
Health and Social Services	3.9	3.9	4.0	4.1	4.4
Other Community, Social and Personal Services	2.5	2.6	2.7	2.8	2.9
Other organizations of services sector	0.1	0.1	0.04	0.04	0,04

Source: Ministry of Labor, Migration and Employment.

The agriculture sector is the leading source of employment in Tajikistan. Between 2012 and 2016, the agriculture sector employed an average of 1.5 million people. The share of agriculture in Tajikistan's total employment was 64.5% in 2016. While the contribution of industry, construction and the services sector has expanded in recent years, employment in Tajikistan remains predominantly agriculture-based.

Average monthly real wages increased by 18.7%, 19.1%, 10.7%, 1.8% and 3.1% in 2012, 2013, 2014, 2015 and 2016, respectively. Overall, average monthly real wages grew by 10.7% between 2012 and 2016. In nominal terms, Tajikistan recorded wage growth in both the public and private sectors. In 2016, nominal wages increased by 9%, and real wages increased by 3.1%. In the first half of 2016, nominal wages decreased but they increased in the second half of the year due to an increase in the minimum wage in July, as well as an increase in the wages of government employees.

The minimum monthly wage in Tajikistan remains low compared to the level of average monthly wages. In 2012, the minimum wage equaled TJS 200, or 36% of average nominal wages. In 2013, 2014 and 2015, the minimum wage was TJS 250, or 36%, 30.6% and 28.4%, respectively, of average nominal wages. In 2016, the minimum wage was TJS 400, or 41.7%, of average nominal wages. In July 2016 the minimum wage was increased to TJS 400.

One of the strategic objectives of the NDS 2030 is expanding productive employment. Measures to be taken to expand productive employment include, among other things, supporting small and medium-sized enterprises in cities and villages; expanding state support for the system of environmental entrepreneurship and the market for environmental services; promoting farming and small business in the agricultural sector; developing an educational network for obtaining professional skills, retraining and advanced training; and increasing employment opportunities for migrants returning to Tajikistan.

Poverty

Since its independence, Tajikistan has significantly reduced poverty. However, it remains Central Asia's poorest nation, with 7.9% of the population living in multi-dimensional poverty as of December 31, 2015 based on the UN's multi-dimensional poverty index.

Between 2000 and early 2015, poverty decreased from approximately 83% to approximately 31%, based on the living standards measurement survey method (used through 2009) and the national household budget survey method (used since 2010) administered by TajStat with the support of international organizations including the World Bank. Sustained growth rates enabled Tajikistan to lower-middle-income status with gross national income (GNI) per capita of \$1,240 for 2015, based on the Atlas method as of July 2016. Tajikistan's pace of poverty reduction over the past 15 years has been among the top 10% in the world. However, progress has been slower in reducing non-monetary poverty. Recently available micro-data suggests that limited or no access to education (secondary and tertiary), heating, and sanitation are the main contributors to non-monetary poverty.

Tajikistan relies on both an income and consumption approach for assessing poverty levels. A consumption aggregate comprised of both food and non-food baskets as well as an estimated rental value of durables is an important tool for measuring poverty because the Government believes consumption is more likely to be accurately declared and less sensitive to changes than income. Based on the consumption approach, Tajikistan has established three poverty lines: an upper poverty line, a lower poverty line and an extreme (or food) poverty line. Those whose

monthly consumption is below the upper poverty line are deemed “poor,” those whose consumption is below the lower poverty line are deemed “very poor” and those whose monthly consumption levels are below the food poverty line are classified as “extremely poor.” With assistance from the World Bank, Tajikistan has taken steps to improve the ways in which it collects statistical information and over time has expanded the sample size of its surveys. Since 1999, the surveys have been administered on an annual basis.

The table below sets forth certain information about Tajikistan’s poverty levels based on household budget survey (HBS) methodology:

Poverty Indicators

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
Poverty rate (in percentage)	36.4	34.3	32.0	31.3	30.3
Extreme poverty rate (in percentage)	19.4	18.2	16.8	15.7	14.0

Source: *TajStat*.

The national poverty rate decreased from 36.4% in 2012 to 30.3% in 2016. Extreme poverty declined from 18.2% in 2013 to 14% in 2016. Wage income continues to drive poverty trends, but the decrease in remittances from 2014 to 2016 slowed the pace of poverty reduction.

The Law of the Republic of Tajikistan “On Targeted Social Assistance” dated February 24, 2017 (the “Law on Social Assistance”) and the nationwide expansion of the Government’s Targeted Social Assistance Program (the “TSA”) are expected to further reduce extreme poverty in Tajikistan. The Law on Social Assistance determines the legal, financial and organizational basis for providing targeted social assistance to poor citizens of the Republic of Tajikistan and is aimed at improving their social status. The TSA was introduced by the Government in 2011 with support from the European Union and the World Bank. The TSA consolidated the two largest social assistance programs into a single benefit and aims to improve the living conditions of the most vulnerable part of the population through a better mechanism for identifying and targeting the poorest 15% of the population. The TSA currently covers 40 cities and districts of Tajikistan and TJS 41.4 million has been allocated for this purpose in the State Budget for 2017. According to preliminary plans, the implementation of this program at the national level, i.e. in all 68 cities and districts, is planned starting from the fourth quarter of 2017. According to preliminary calculations, approximately TJS 86.6 million is needed for the program for 2018. See also “*Public Sector Finances – Sovereign Welfare Fund*.”

Social Security, Healthcare and Education

In accordance with Tajikistan law, employers withhold an amount of pension contributions from employee salaries and transfer them to the state pension fund. The existing pension system provides for the calculation of current payments by the employer as a percentage of current gross salary payments. At retirement, all pension payments are made by the state pension fund. The basic eligibility criteria for state pensions are as follows: (i) reaching the retirement age (63 years for men and 58 years for women); (ii) disability; or (iii) the death of a household's primary provider.

The size of a citizen's pension depends on factors such as length of service and the total amount credited. In the beginning of 2017, Tajikistan abolished the upper limit on the size of pensions, which had been TJS 748 per month. In 2016, the size of the average monthly pension payment increased by 18.2% as compared to 2015, amounting to TJS 272. The average monthly labor pension reached TJS 274, the insurance pension was TJS 284, and the social pension was TJS 144.

In 2016, there were 642,927 pensioners in Tajikistan, an increase of 2.8% compared to 2015. Of this number, 144,622 people received a disability pension. During 2016, pensions were paid in Tajikistan in a total amount of TJS 2.19 billion, an increase of 11.6% compared to 2015. There is no debt in respect of the pension payments.

A European Union-funded project entitled “Technical Assistance to Support Pension Reform in Tajikistan” was launched in May 2017. The project will run over three years and will provide support to the Agency for Social Insurance and Pensions (“ASIP”) in the areas of information and communications technology, legal reform, actuarial projections, and training and capacity building for ASIP staff. The overall objective of the assistance is to sustain poverty alleviation and inclusive growth in Tajikistan through the provision of support for the development of a social protection system geared towards equity, efficiency and improved quality, in line with the country's sector strategies. The project will strive to enhance the capacity of the ASIP to establish and manage a sustainable universal pension system, effectively meeting the needs of target beneficiaries. The project is an integral part of the Human Development Support Program II signed by the EU and the Government in October 2014. German consulting group ICON Institut is heading a consortium from the United Kingdom and France implementing the project in partnership with ASIP.

Free healthcare services are provided to certain categories of persons. The Law of the Republic of Tajikistan "On Medical Insurance" regulates health insurance policy, the rights and obligations of payments, the activities of health care participants and other important health care issues. The Ministry of Public Health and Social Protection oversees Tajikistan's health insurance system. Mandatory health insurance does not exist, and private health insurance does not play a significant role. However, the introduction of mandatory health insurance has been envisaged for several years. In 2013–2014, the Ministry of Health and Social Protection conducted consultations and policy dialogues with other ministries and agencies, the Government, the Parliament and certain international development agencies regarding the possibility of implementing mandatory health insurance in Tajikistan, using the results of a feasibility study undertaken in 2013. In January 2014, Parliament approved the decision of the Government to postpone the introduction of mandatory health insurance until 2017, while the country tries to put in place the preconditions set out in the feasibility study. This process is currently ongoing.

Education in Tajikistan consists of four years of primary school followed by two stages of secondary school (lasting five and two years, respectively). Attendance at school is mandatory from age seven to 17. Tajik is the main language of instruction through secondary school, but in 2003 Russian was restored as a mandatory second language. The literacy rate for the population over the age of 15 is estimated to be 99.8%. The country's higher education system includes 38 universities, two main teacher training colleges (with branches in most regions), one higher professional institute (the Academy of Sciences of Tajikistan), and a number of research bodies. Tajik National University, which was founded in 1947 and is located in Dushanbe, is the largest and most prestigious university in Tajikistan with a total of 23,000 students trained per year. Other universities include Khujand State University, which was established in 1932. There are also 24 research institutes with a wide range of fields. The Ministry of Education and Science develops and implements student support programs utilizing the resources of the State Budget, the Presidential Fund and the Center for International Relations.

Environmental Matters

Tajikistan's natural resources include its land, forests, water and subsoil resources. Tajikistan occupies approximately 142,600 square kilometers of land, of which approximately 6.9 million hectares are agricultural land and 410,000 hectares are forested land. Tajikistan currently operates one national park and four nature reserves and 13 forest reserves. In total, specially protected areas cover 22% of Tajikistan's total territory. Approximately 55% of the water resources in Central Asia are located in Tajikistan. The Committee on Environment Protection of the Government, which has primary responsibility for environmental protection in Tajikistan, collaborates with other governmental ministries handling environmental issues and maintains close relationships with environmental protection agencies worldwide. The Government receives assistance within the framework of multilateral and bilateral cooperation and from private donors for the implementation of projects designed to remediate, protect and make sustainable use of Tajikistan's natural resources.

Tajikistan is a party to 10 international environmental conventions on the environment, as of March 31, 2017. Tajikistan ratified the UN Framework Convention on Climate Change (the “UNFCCC”) in 1998 and the Kyoto Protocol to the UNFCCC in 2009. Tajikistan is associated with the Copenhagen Accord, which the Conference of Parties to the UNFCCC took note of in 2009. Tajikistan joined the Kyoto Protocol as a “Non-Annex 1” party, which means that Tajikistan, while committed to reducing emissions, is not subject to binding emissions targets. Tajikistan endorses the continuation of the Kyoto Protocol. Tajikistan signed the Paris Agreement on Climate Change in April 2016. In the Environmental Performance Index (EPI) for 2016, Tajikistan was ranked 72 out of 180 countries.

Consultations regarding the Rogun HPP project which were completed in 2014 considered the environmental impact of the planned project, with a conclusion that the environmental impact of the dam could be satisfactorily mitigated. See “– *Energy – Electricity – Rogun Hydropower Plant Project.*”

Environmental protection in Tajikistan is mainly financed out of the State Budget. There are various ongoing environmental projects in Tajikistan that are being financed by international organizations, donors and governments, including projects related to renewable energy, reforestation, biodiversity protection, water and waste management and energy conservation. Since 2013, the international community has disbursed approximately US\$14.6 million in funds for projects related to the environment in Tajikistan. In 2016, an estimated US\$2.0 million of funds from the State Budget were spent on environmental protection measures.

Anti-Corruption

Corruption has been identified as a significant problem in Tajikistan. In Transparency International's 2016 Corruption Perceptions Index survey of 176 countries, Tajikistan was ranked 151, indicating that a perception of public sector corruption occurring within the country remains widespread. Tackling corruption has been identified as a key area for reform by international organizations advising Tajikistan. The OECD has issued recommendations to Tajikistan for tackling corruption in the country. Tajikistan reports to the OECD two times per year on addressing their recommendations. The Republic believes that it has adopted approximately 80% of the OECD’s anti-corruption recommendations so far, and those that remain outstanding are measures requiring parliamentary approval, which the Republic is in the process of obtaining.

Coordination of the activities of anti-corruption bodies in Tajikistan is dealt with by the Agency for State Financial Control and the Fight against Corruption, whose purpose is to increase the effectiveness of prevention, detection and suppression of corruption offenses and the disclosure of, inquiry into and preliminary investigation of corruption, corruption-related economic crimes and tax-related crimes. Anti-corruption activities are conducted pursuant to the Law “On Combating Corruption” and the Strategy of fighting corruption in the Republic of Tajikistan for 2013-2020. In 2006, Tajikistan acceded to the United Nations Convention Against Corruption.

Privatization and Management of State Property

Privatization of state property is considered by the Republic to be an integral part of the state policy towards economic reform, which is aimed at changing the form of ownership, the structure of economic relations and the formation of a competitive economic environment. Privatization in Tajikistan is regulated by the Law “On Privatization of State Property in the Republic of Tajikistan”, dated May 16, 1997 (the “Privatization Law”).

Privatization of state property in the Republic has been carried out in two main stages. In the first stage, which lasted until 2012, the focus was on privatization of small enterprises in the trade, general food, consumer services and vehicles sectors. In the second stage, the main form of privatization was the transformation of state businesses into open joint-stock companies and the subsequent sale of their shares to one or more investors.

In the period from 1991 through June 30, 2017, 12,980 small, medium and large facilities were privatized in Tajikistan.

In accordance with Article 11 of the Privatization Law, privatization may take the form of either a sale at an auction or tender or an individual privatization project on a competitive basis. Sales at auctions and tenders are

carried out in accordance with the Regulation on the procedure for the sale of state property at tenders and auctions, which was approved by the Government decree in 2004. In accordance with Article 13 of the Privatization Law, objects considered to be of particular importance (which are specified on a list approved by the Government) are privatized on an individual project basis.

The program of privatization of state property in Tajikistan for the period 2014-2016 was approved in December 2013, and this program was extended to 2017 in a Government decree issued in January 2017. The main objective of the program is the continuation of the formation of a mixed economy through the development of market relations, the creation of conditions for private sector development, attracting a high level of foreign investment, formation of modern forms of management, organization of new jobs and more effectively utilizing core funds and state assets. During the implementation of this program, sales of state-owned shares of 13 joint-stock companies have been carried out at auctions, five joint-stock companies at investment tenders and two joint stock companies under individual privatization projects. Individual restructuring plans for the potential privatization of natural monopoly entities and particularly large enterprises developed pursuant to this program and on the basis of Article 13 of the Privatization Law include plans for OJSC Tajiktelecom, OJSC Teleradiocom, OJSC Tajikhhimprom, OAO Tajiktransgaz, SUE Tajik Railways, Barki Tojik and TALCO.

There are currently 141 joint-stock companies in which the Republic has an ownership interest. There are 116 joint-stock companies where the state share is 100%; seven joint-stock companies where the state share is from 50-99%; five joint-stock companies where the state share is from 25-49%; and 13 joint-stock companies where the state share is less than 25%. Entities that have been identified for second stage privatizations involving the sale of shares to one or more investors include, among others: Gas supply system companies (including Tajiktransgaz, Dushanbegaz, Isfaragaz, Tursunzodagaz, Kofarnihongaz, Kulobgaz, Lenonobodgaz, Somoniyongaz Furuzon-Gaz, Istaravshangaz, "Zafarobodgaz", "Konibodomgaz", "Yovongaz", "Hisorgas", "Kairokkumgaz", "Panchakentgaz" and others); energy system companies to be privatized within the framework of the restructuring plan for Barki Tojik; and civil aviation companies (including Tajik Air, Dushanbe International Airport, Khujand International Airport, Kurgan-Tube International Airport and Kulob International Airport).

The aggregate revenues to the State Budget through privatization and the use of state property from 2007 to 2016 amounted to TJS 490.2 million. From 2014 to 2016, an aggregate of TJS 75 million was transferred to the State Budget as net profit of state enterprises and joint-stock companies in which more than 50% of shares are owned by the state. In 2016, proceeds to the State Budget from privatizations of state property were TJS 27.1 million. In 2017-2018, the winners of competitive tenders are expected to invest TJS 20 million in privatized assets.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

Balance of payments data reflects the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of three account groups:

- the current account, which is comprised of exports and imports of goods and services, and credits and debits of income payments and current transfers;
- the capital account, which comprises the inflows and outflows of capital transfers; and
- the financial account, which comprises the financial inflows and outflows.

The following table sets forth Tajikistan's balance of payments for the periods indicated.

	Balance of Payments ⁽¹⁾					For the Six Months Ended June 30,
	For the Year Ended December 31,					
	2012	2013	2014	2015	2016	
	<i>(US\$ million)</i>					
Current account	(698.7)	(659.2)	(261.2)	(506.2)	(237.6)	80.2
Goods and services	(3,680.2)	(4,183.8)	(3,307.0)	(2,529.3)	(2,023.3)	(687.2)
- Goods	(3,469.6)	(3,904.6)	(3,001.1)	(2,287.9)	(1,885.7)	(532.6)
- Exports ⁽²⁾	824.2	573.3	526.8	572.0	667.7	526.1
- Imports	(4,282.2)	(4,474.0)	(3,527.9)	(2,859.9)	(2,553.4)	(1,058.7)
- Services	(222.2)	(283.2)	(305.8)	(241.4)	(137.6)	(154.6)
- Credit	487.6	363.4	309.5	252.4	231.8	103.8
<i>of which: TALCO exports</i>	149.3	70.6	41.4	67.6	55.5	10.1
- Debit	(709.9)	(646.6)	(615.4)	(493.8)	(369.5)	(260.5)
Primary income	2,111.6	2,664.4	2,183.8	1,526.2	1,213.6	513.9
- Credit	2,216.6	2,796.4	2,349.9	1,739.3	1,351.0	692.6
<i>of which: Compensation of employees</i>	2,188.4	2,735.3	2,301.4	1,642.4	1,316.0	665.5
- Debit	(105.0)	(132.0)	(166.1)	(213.1)	(137.4)	(178.7)
Secondary income	881.6	864.2	862.0	496.9	572.2	253.5
- Receipts	1,146.5	1,098.3	1,157.8	670.2	675.8	319.8
<i>of which: Remittances of individuals</i>	784.5	741.3	791.5	464.0	473.1	234.4
- Payments	(264.9)	(234.1)	(295.8)	(173.3)	(103.6)	(66.4)
Capital account	71.1	134.2	124.0	144.0	143.9	65.2
Financial account	(495.3)	(147.9)	(294.4)	(493.0)	(466.1)	(63.9)
- Direct investment ⁽³⁾	(239.4)	(125.5)	(309.3)	(426.2)	(344.2)	(57.2)
- Portfolio investment	0.1	1.2	(1.8)	(0.1)	0.0	0.1
- Other investment	(256.0)	(23.6)	16.7	(66.7)	(122.0)	(2.3)
- Assets	85.2	248.2	(94.1)	155.1	(37.1)	98.2
- Liabilities	(341.2)	(271.8)	(110.8)	(221.7)	(84.9)	(100.5)
Errors and omissions⁽⁴⁾	254.2	333.6	(246.2)	(111.7)	(298.8)	(209.3)
Change in reserves	121.9	(43.6)	(88.9)	19.0	46.5	(4.5)

	For the Year Ended December 31,					For the Six Months Ended June 30,
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
International reserves (at period end)	699.3	477.2	510.8	494.3	652.8	763.7
Import cover ratio (months)	1.4	1.1	1.6	1.8	2.7	3.9

(1) Figures in this table are presented in accordance with the IMF's Balance of Payments and International Investment Position Manual-6th Edition and are current as of June 30, 2017. For those transactions denominated in currencies other than the dollar, conversions into dollars are made using period-average exchange rates for the remaining balance of payments accounts using the actual exchange rate on the day of operations.

(2) In Freight on Board (FOB) prices.

(3) All in Tajikistan.

(4) Errors and omissions reflect the net imbalances resulting from imperfections in source data and compilation of the balance of payments accounts.

Source: NBT.

Current Account

From 2012 to 2016, Tajikistan recorded substantial current account deficits, driven largely by high trade deficits caused by the value of imports outpacing the value of exports. The current account deficit as a percentage of GDP was 9.2%, 7.7%, 2.8%, 6.4% and 3.4% in 2012, 2013, 2014, 2015 and 2016, respectively.

The decreases in primary income and secondary income from 2014 to 2016 to a large extent reflect lower remittances (in U.S. dollar terms) from Tajikistan citizens working abroad, particularly in Russia, following the slowdown in the Russian economy beginning in late 2014 as a result of sharply lower oil prices and geopolitical tensions and sanctions. Also contributing to the decrease in remittances over this period were a tightening in 2013-2014 of Russian immigration rules applicable to labor migrants and the effects of depreciation of the somoni relative to the U.S. dollar over this period. See “—Remittances.” The decrease in remittances over that period also contributed to the decrease in imports of goods and services over those years.

The trade deficit increased by 12.5% in 2013 compared to 2012, mainly due to a decrease of exports by 30.4% and an increase in imports by 4.5%. Despite the increase in the trade deficit, the current account deficit decreased by 4.6% in 2013 compared to 2012, as primary income in this period increased by 26.2%, which was mainly attributable to an increase employment income within primary income.

The trade deficit decreased by 21% in 2014 compared to 2013, mainly due to a decrease in imports of goods of 21.1%. The current account deficit decreased by 60.6% from 2013 to 2014. As a percentage of GDP, the current account deficit decreased from 7.7% in 2013 to 2.8% in 2014, mainly due to a decrease in imports of goods by 21.1% from 2013 to 2014. Primary income decreased from US\$2.7 billion in 2013 to US\$2.2 billion in 2014 largely due to lower remittances (in U.S. dollar terms) from Tajikistan citizens working abroad, particularly in Russia. The decrease in remittances from 2013 to 2014 in U.S. dollar terms was attributable to tightening of Russian immigration laws applicable to migrant workers and due to depreciation of the Russian rouble and the somoni relative to the U.S. dollar from 2013 to the end of 2014.

The trade deficit decreased by 23.8% in 2015 compared to 2014, despite significant foreign exchange rate fluctuations and weaker foreign and domestic demand. This decrease was due to an increase in exports by 8.6% (in particular, increases in exports of mineral products by 1.6%, precious stones and metals by approximately 240%, gold by 20.0% and raw cotton by 9.4%) and a significant decrease in imports. Imports of oil products and vehicles, which are among the largest groups of imported commodities, decreased by 31.9% and 54.2% respectively, from 2014 to 2015. However, the current account deficit increased by 96% from 2014 to 2015 due to a 30.1% decrease in primary income, which was attributable to a decrease in the amount of wages, and due to a 42.3% decrease in secondary income, which was largely attributable to a decrease in remittances of individuals.

The trade deficit decreased by 17.6% in 2016 compared to 2015, and the current account deficit decreased by 53.1% in 2016 compared to 2015. As a percentage of GDP, the current account deficit decreased from 6.4% in 2015 to 3.4% in 2016, mainly due to decreases in the trade balance, balance of services and primary income. The depreciation of the somoni in 2016 led to a decline in imports and modest export growth, improving the external position despite reduced remittances. Exports of goods increased to US\$667.7 million (9.6% of GDP) in 2016, an increase of 20.8% compared to 2015. The growth in exports was due to increases in exports of mineral products, non-monetary gold (i.e., gold not held as reserve assets), electricity, textile products and other goods.

The trade deficit decreased by 43.2% in the six months ended June 30, 2017, as compared to the six months ended June 30, 2016. The current account had a surplus of US\$80.2 million in the six months ended June 30, 2017.

Capital and Financial Account

The current account deficit is financed mainly by FDI inflows and external borrowing. See “—*Current Account.*”

From 2012 to 2013, Tajikistan recorded a decrease in net direct investment by 69.9%, due to a decrease in inflows of investments into the communications, manufacturing and mining sectors. The decrease in net other investment was due to a significant decrease in loans received from abroad of approximately 210%, a decrease in trade credits and advances by 24.7%, an increase in assets in cash and deposits of approximately 310% and a sharp increase in the requirements for trade credits and advances of approximately 640%.

From 2013 to 2014, net direct investment increased by approximately 250% due to an increase in inflows of investments into the agriculture, manufacturing, mining, energy and communications sectors. The decrease in net other investment from 2013 to 2014 was due to a decrease in loans received from abroad, a decrease in obligations on trade credits and advances and a decrease in the rate of inflow of deposits.

From 2014 to 2015, net direct investment increased by 37.8% due to increased investment in the agriculture and manufacturing sectors in 2015 as compared to 2014. Net other investments increased from 2014 to 2015 due to an increase in loans received from abroad by approximately 240%, mainly in the public administration sector, which increased by approximately 240%, while they increased in the private sector by 48.2%.

From 2015 to 2016, net direct investment decreased by 19.2% due to a decrease in the inflow of investments into the manufacturing, construction and trade sectors. Net other investment increased from US\$285.2 million in 2015 to US\$35.5 million in 2016 due to a decrease in loans from abroad. The high level of loans received in 2015 was attributable to the starting of certain large infrastructure projects in that year.

Remittances

The following table sets forth the amount of net inflows of remittances into Tajikistan as a percentage of GDP for the periods indicated.

	Net Remittance Inflows ⁽¹⁾						
	For the Year Ended December 31,					For the Six Months Ended June 30,	
	2012	2013	2014	2015	2016	2016 ⁽¹⁾	2017 ⁽¹⁾
Net remittances ⁽²⁾ /GDP (%)	49.6	50.5	42.6	33.5	31.4	32.6	41.2

(1) The figures in this table reflect net inflows of non-commercial money transfers of individuals via the banking system. These transfers include (i) financial resources received from or sent abroad on behalf of individuals to meet certain needs, such as financial aid, donations, allowances and pensions; (ii) compensation of employees who work in an economy where they are not resident and who receive their income via bank transfers; and (iii) compensation of resident employees of foreign organizations that is received from abroad as a direct transfer.

(2) Calculated as a percentage of Tajikistan's nominal GDP in dollars, using the average TJS/US\$ exchange rates for the relevant period.

Source: NBT.

Remittances from citizens of Tajikistan working abroad, mainly in the Russian Federation, have historically been a key feature of Tajikistan's balance of payments. Remittances are recorded in the balance of payments under primary income, secondary income and goods and services, depending on the nature of the remittance. Remittances finance a substantial share of Tajikistan's trade deficit and are an important feature of the Tajikistan economy, representing 49.6% of GDP in 2012, 50.5% of GDP in 2013, 42.6% of GDP in 2014, 33.5% of GDP in 2015 and 31.4% of GDP in 2016.

Remittances have played an important role as one of the drivers of Tajikistan's robust economic growth during the past several years by supporting consumption, increasing incomes, and as a result helping significantly reduce poverty. Since the size of average remittance amounts has been relatively small, limited portions of inflows have been channeled to productive sectors and much of has been used for private consumption. The relative importance of remittances in Tajikistan's economy is expected to decrease over time as the economy becomes more diversified and more competitive in line with the goals set out in the NDS 2030 and the Medium-Term Development Program for 2016-2020.

Net remittance inflows to Tajikistan have generally fluctuated in line with the state of the global economy, and, in particular, the Russian economy, which is where most remittances to Tajikistan originate. Remittances from Russia have accounted for the highest proportion of net remittance inflows into Tajikistan from 2012 through 2016 and in the first six months of 2017. The slowdown in economic activity in Russia beginning in late 2014 as a result of sharply lower oil prices and geopolitical tensions and sanctions had negative effects on CIS countries, including Tajikistan.

Remittance levels in U.S. dollar terms have been significantly affected by fluctuations in currency exchange rates. In 2013, remittances were US\$4.0 billion and in 2016, after the significant depreciation of the rouble as compared to the U.S. dollar, remittances were US\$2.2 billion. In particular, remittances increased in rouble terms but decreased in U.S. dollar terms by more than 30% from 2014 to 2015. From 2015 to 2016, remittances increased by approximately 82% in rouble terms but decreased by approximately another 16% (in U.S. dollar terms). As a result of the stabilization of the rouble over the course of 2016, remittances increased in U.S. dollar terms in the first half of 2017 by 32.8% as compared to the first half of 2016.

Foreign Trade

Tajikistan is an open economy, and the value of foreign trade in goods and services represented approximately 47.4% of GDP in 2016, as compared to 43.7% of GDP in 2015. Tajikistan became a member of the WTO in March 2013.

Foreign trade in 2016 amounted to US\$3.2 billion, a decrease of 6.1% or US\$210.7 million from 2015. Exports were US\$667.7 million in 2016, an increase by 16.7% or US\$95.8 million from 2015. The volume of trade in U.S. dollar terms was negatively impacted by the depreciation of the somoni relative to the U.S. dollar in 2016 as compared to 2015.

China, Russia and Kazakhstan are the main trading partners of Tajikistan, collectively accounting for more than 49.8% of Tajikistan's foreign trade turnover in 2016. In 2016, trade turnover with China accounted for approximately 21.2% of Tajikistan's total trade turnover. Imports from China in 2016 were US\$645.8 million, or 25.2% of Tajikistan's total imports in 2016. In 2016, the volume of trade between Tajikistan and Russia amounted to US\$1.0 billion, including exports of US\$50.6 million and imports of US\$985.4 million. Trade turnover with Russia decreased by 6.3% in 2016 compared to 2015, primarily due to the impact of the slowdown in the Russian economy which began in 2014. In 2016, trade turnover with Kazakhstan accounted for approximately 12.8% of Tajikistan's total trade turnover. Imports from Kazakhstan in 2016 were US\$277.5 million, or 10.9% of Tajikistan's total imports in 2016, and exports to Kazakhstan in 2016 were US\$135.9 million, or 20.0% of Tajikistan's total exports in 2016. Foreign trade turnover between Tajikistan and Uzbekistan in 2016 increased by six times compared to 2015, and amounted to US\$70 million, of which exports were US\$35.6 million and imports were US\$33.6 million. For the six months ended June 30, 2017, trade turnover with Uzbekistan amounted to US\$58.0 million.

Tajikistan has no native aluminum ore, and the TALCO plant imports raw materials and processes them under tolling arrangements. For this reason, the balance of payments reflects only the amount of services provided by TALCO for the processing of aluminum, rather than imports of raw materials or exports of processed aluminum. In 2016 a plant for the production of cryolite, aluminum fluoride and sulfuric acid used in the production of aluminum was established in Tajikistan, which in the future will be able to supply TALCO with import-substituting raw materials. However, currently TALCO still imports the raw materials for its plant.

Exports

Tajikistan's traditional export products are raw cotton, gold bars and mineral products, which together accounted for 71.3% of total exports in 2016, as compared to 70.3% in 2015. Gold bars are produced by Zarafshon JV LLC, a Tajikistan-China gold mining joint venture, which began operations in 2007. Mineral products that are exported include lead, zinc and copper mineral sands. Tajikistan has substantial hydropower resources, but these resources are not yet sufficiently developed. In 2016, exports of energy were 1,430 GWh, or US\$51.7 million. Total exports of goods in 2016 were US\$667.7 million, an increase of 16.7% as compared to 2015. Exports of goods represented 26.2% of Tajikistan's GDP in 2016.

Exports of services were US\$487.6 million, US\$363.4 million, US\$309.5 million, US\$252.4 million and US\$231.8 million in 2012, 2013, 2014, 2015 and 2016, respectively. The main exported service is transportation which represented 69.5% of exported services in 2016. Aluminum processed by TALCO under tolling arrangements is recorded as exported services and represented 23.9% of exported services in 2016.

The following table sets forth Tajikistan's exports of goods by product category for the periods indicated.

Exports of Goods by Product Category

	For the Year Ended December 31,				For the Six Months Ended June 30,	
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
Gold ⁽¹⁾	88.9	75.6	85.0	102.0	98.0	159.3
Cotton	223.9	189.2	132.1	144.5	122.6	31.8
Energy	21.1	33.3	43.7	48.4	51.7	25.5
Vehicles	73.3	25.7	15.4	14.6	18.4	20.9
Vegetables	45.8	53.2	40.4	39.5	28.3	12.3
Textiles	41.5	38.0	34.0	26.5	30.5	35.0
Precious stones and metals	1.8	1.1	1.4	3.4	1.3	0.8
Mineral products ⁽²⁾	283.7	102.9	153.3	155.7	255.5	208.9
Other goods	44.2	54.3	21.4	37.4	61.4	31.6
Total exports of goods	824.2	573.3	526.7	572.0	667.7	526.1
	<i>(as a percentage of total)</i>					
Gold ⁽¹⁾	10.8	13.2	16.1	17.8	14.7	30.3
Cotton	27.2	33.0	25.1	25.2	18.4	6.0
Energy	2.6	5.8	8.3	8.5	7.7	4.8
Vehicles	8.9	4.5	2.9	2.6	2.8	4.0
Vegetables	5.6	9.3	7.7	6.9	4.2	2.3
Textiles	5.0	6.6	6.5	4.6	4.6	6.7
Precious stones and metals	0.2	0.2	0.3	0.6	0.2	0.2
Mineral products ⁽²⁾	34.4	17.9	29.1	27.2	38.3	39.7
Other goods	5.4	9.5	4.1	6.5	9.2	6.0
Total exports of goods	100.0	100.0	100.0	100.0	100.0	100.0

(1) Consists of gold bars.

(2) Mineral products that are exported include lead, zinc and copper mineral sands.

Source: NBT and TajStat.

The following table set forth the value of Tajikistan's exports of services for the periods presented.

	Exports of Services (BoP)					For the Six Months Ended June 30,
	For the Year Ended December 31,					2017
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
Manufacturing services on physical inputs owned by others	149.3	70.6	41.4	67.6	55.5	19.4
Transportation	324.9	273.1	247.9	164.7	161.1	77.1
Travel	1.6	1.3	1.2	1.0	3.6	3.1
Financial services	1.5	1.4	1.9	3.1	0.9	0.2
Telecommunications, computer and information services	10.1	15.0	15.2	12.8	10.2	1.2
Other business services	0.2	1.9	1.4	2.2	0.6	0.4
Personal, cultural and recreational services	0.0	0.0	0.6	1.0	-	0.2
Government goods and services n.i.e.	-	-	-	-	-	2.2
Total exports of services	487.6	363.4	309.5	252.4	231.8	103.8
	<i>(as a percentage of total)</i>					
Manufacturing services on physical inputs owned by others	30.6	19.4	13.4	26.8	23.9	18.7
Transportation	66.6	75.2	80.1	65.3	69.5	74.3
Travel	0.3	0.4	0.4	0.4	1.6	3.0
Financial services	0.3	0.4	0.6	1.2	0.4	0.2
Telecommunications, computer and information services	2.1	4.1	4.9	5.1	4.4	1.2
Other business services	0.0	0.5	0.5	0.9	0.3	0.4
Personal, cultural and recreational services	0.0	0.0	0.2	0.4	-	0.2
Government goods and services n.i.e.	-	-	-	-	-	2.1
Total exports of services	100.0	100.0	100.0	100.0	100.0	100.0

The following table set forth the value of Tajikistan's exports by country of destination for the periods presented.

Exports of Goods by Country of Destination

	For the Year Ended December 31,					For the Six Months Ended June 30,
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
Kazakhstan	101.7	85.5	177.7	146.4	135.9	154.0
Afghanistan	192.2	100.9	57.6	56.0	62.8	50.4
Russia	107.2	65.3	41.6	56.9	22.3	6.7
China	56.2	71.9	31.9	29.1	36.6	17.7
Turkey	103.5	136.1	64.2	59.0	26.3	38.7
Switzerland	88.3	5.0	45.5	103.5	99.3	35.8
Pakistan	26.5	14.6	19.1	23.2	63.6	6.8
United Arab Emirates	14.3	4.3	2.6	1.6	15.6	13.1
Uzbekistan	4.0	1.6	3.3	4.2	35.4	24.0
Iran	47.8	66.9	33.8	41.9	12.4	9.7
Italy	13.4	16.0	16.2	10.5	8.9	7.6
Netherlands	0.0	0.2	6.5	8.9	16.6	9.6
Latvia	20.3	3.9	2.8	3.6	2.0	1.1
Lithuania	8.0	1.1	0.8	0.2	1.0	0.4
Belarus	6.3	3.1	3.2	2.8	2.2	1.3
Kyrgyzstan	7.1	7.2	7.6	9.4	9.0	4.7
Moldova	6.6	3.0	1.3	0.3	0.3	0.2
Other countries	20.7	13.2	10.9	14.4	80.9	144.3 ⁽¹⁾
Total	824.2	573.3	526.7	572.0	667.7	526.1

(1) Includes US\$124.3 million of exports of goods (principally monetary gold) to Luxembourg.
Source: NBT and TajStat.

Imports

Tajikistan's imports of goods are primarily comprised of energy (oil and petroleum products), consumer and capital goods, grain and flour.

Tajikistan is highly dependent on oil and liquefied petroleum gas (LPG) imports from Kazakhstan and Russia. Russian state-owned company Gazpromneft currently supplies more than 60% of the total volume of oil products imported to Tajikistan. See "*The Tajikistan Economy – Principal Sectors of the Economy – Energy.*"

Total imports of goods in 2016 were US\$2.6 billion, a decrease by US\$306.5 million or 10.7% compared to 2015. Imports of services were US\$709.8 million, US\$646.6 million, US\$615.3 million, US\$493.8 million and US\$369.5 million in 2012, 2013, 2014, 2015 and 2016, respectively. The main imported service is transportation, which accounted for US\$286.2 million or 77.5% of imported services in 2016. Imports of goods and services represented 36.7% of Tajikistan's GDP in 2016.

The following table sets forth Tajikistan's imports of goods by category for the periods indicated.

Imports of Goods by Product Category (FOB)

	For the Year Ended December 31,					For the Six Months Ended June 30,
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
Equipment	396.1	467.5	432.7	523.4	468.4	132.5
Non-precious metals	239.2	315.7	338.9	333.5	347.2	119.6
Chemicals	225.4	240.4	250.8	193.6	201.6	100.8
Vegetables	392.8	384.9	408.5	383.2	318.3	129.6
Mineral products	348.7	341.7	331.3	219.4	148.2	27.4
Foodstuffs	234.0	258.2	291.8	243.2	190.5	103.1
Transportation facilities	608.8	691.2	488.0	223.7	162.9	64.2
Oil and petroleum products	415.4	394.0	507.7	351.6	412.1	193.4
Wood	202.9	229.2	290.8	205.2	131.0	59.7
Textiles	35.4	46.2	58.3	57.0	70.7	31.0
Stone products	78.0	96.9	120.7	83.9	102.6	36.9
Other goods	1,117.2	1,012.1	8.4	42.2	0.0	60.5
Total imports	4,293.9	4,478.0	3,527.9	2,859.9	2,553.4	1,058.7
	<i>(as a percentage of total imports)</i>					
Equipment	9.2	10.4	12.3	18.3	18.3	12.5
Non-precious metals	5.6	7.1	9.6	11.7	13.6	11.3
Chemicals	5.2	5.4	7.1	6.8	7.9	9.5
Vegetables	9.1	8.6	11.6	13.4	12.5	12.2
Mineral products	8.1	7.6	9.4	7.7	5.8	2.6
Foodstuffs	5.4	5.8	8.3	8.5	7.5	9.7
Transportation facilities	14.2	15.4	13.8	5.7	6.4	6.1
Oil and petroleum products	9.7	8.8	14.4	12.3	16.1	18.3
Wood	4.7	5.1	8.2	7.2	5.1	5.6
Textiles	0.8	1.0	1.7	2.0	2.8	2.9
Stone products	1.8	2.2	3.4	2.9	4.0	3.5
Other goods	26.0	22.6	0.2	1.5	0.0	5.7
Total imports	100.0	100.0	100.0	100.0	100.0	100.0

Source: NBT and TajStat.

The following table set forth the value of Tajikistan's imports by country of origin for the periods presented.

Imports of Goods by Country of Origin

	For the Year Ended December 31,					For the Six Months Ended June 30,
	2012	2013	2014	2015	2016	2017
	<i>(US\$ millions)</i>					
Russia	1,208.3	1,364.6	1,090.8	844.7	708.6	344.1
China	605.9	639.9	647.05	750.3	823.2	218.6
Kazakhstan	604.3	625.8	607.5	479.5	416.4	205.5
Turkey	168.8	246.7	129.9	115.8	99.5	42.2
Uzbekistan	58.0	7.5	8.4	5.9	33.6	34.0
Azerbaijan	9.8	9.6	11.7	6.6	13.4	0.9
Turkmenistan	154.9	114.8	98.7	91.8	92.1	21.4
Ukraine	89.8	94.8	79.3	33.2	23.7	13.9
Iran	151.9	173.8	132.1	84.7	49.3	16.4
United Arab Emirates	129.3	85.0	78.8	38.2	19.2	9.6
Germany	12.7	52.5	34.8	38.9	50.5	32.3
Italy	20.8	12.4	14.9	17.7	11.1	5.1
Belarus	69.0	38.6	30.3	25.7	18.9	13.7
Latvia	170.7	59.2	32.8	13.9	1.0	0.5
Lithuania	178.7	229.9	181.0	70.0	7.0	3.0
United States	239.9	165.2	41.9	32.6	21.4	8.7
Pakistan	52.3	68.2	61.8	35.5	21.7	8.3
Afghanistan	39.8	73.4	46.1	38.0	0.3	0.5
Kyrgyzstan	73.0	179.3	30.2	25.2	18.5	8.3
India	33.5	28.0	18.8	14.7	21.0	9.3
France	4.4	13.1	6.9	8.3	10.9	1.9
Austria	5.2	4.4	5.0	4.1	6.6	1.2
Georgia	3.1	5.1	8.2	4.6	2.6	1.0
Poland	4.3	3.7	3.8	3.8	5.5	2.5
Japan	6.5	2.1	7.0	6.5	10.0	9.5
Ecuador	0.4	0.8	1.7	3.7	5.6	3.1
Belgium	13.9	15.1	10.4	1.5	3.7	1.8
United Kingdom	24.8	12.3	9.4	6.3	2.7	1.6
Republic of Korea	59.1	47.8	46.4	16.5	8.0	6.1
Moldova	1.8	2.8	2.3	0.9	0.6	0.3
SAR Hong Kong	17.8	13.5	1.2	1.9	0.3	0.2
Switzerland	5.1	6.2	4.0	5.2	7.6	2.5
Virgin Islands	60.0	1.5	0.4	0.2	0.2	0.0
Netherlands	13.0	74.9	11.2	7.7	3.7	2.2
Other countries	3.5	5.5	33.2	25.9	34.9	28.5
Total	4,293.9	4,478.0	3,527.9	2,859.9	2,553.4	1,058.7

Source: NBT and TajStat.

International Trade Agreements

Tajikistan has signed a number of multilateral and bilateral economic cooperation agreements. Since 1991, Tajikistan has been a member of the CIS, and, since March 2013, a member of the WTO. Upon signing the Protocol on Accession to the Marrakesh Agreement (the “Marrakesh Protocol”) establishing the WTO, Tajikistan joined several WTO agreements and made commitments under the annexes to the Marrakesh Protocol. Tajikistan is accordingly bound by WTO maximum customs tariff rates allowed on imports, and it is currently compliant with WTO tariff rules. Since accession, Tajikistan has been improving its customs and tariff practices and replacing ad valorem customs fees with goods-specific duties. The average tariff of imports to Tajikistan for most-favored-nations is 8.1%, one of the lowest rates among WTO member countries. Tajikistan has most-favored-nation trading relationships with all WTO members.

Trade and economic relations between the EU and Tajikistan are governed by Tajikistan's WTO membership and by the PCA. The PCA provides for a non-preferential agreement under which the parties grant each other “most-favored nation” treatment.

Tajikistan signed and ratified the following bilateral free trade treaties and conventions:

- Commonwealth of Independent States Free Trade Zone Agreement;
- World Trade Organization Trade Facilitation Agreement;
- Economic Cooperation Organization Free Trade Agreement;
- Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques; and
- Convention Concerning the Protection of the World Cultural and Natural Heritage.

Tajikistan has no current plans to join the Eurasian Economic Union (the “EEU”), of which Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia are members. However, Tajikistan is studying and following developments in the EEU and is seeking to develop its foreign trade relationships with the individual member states on a bilateral basis.

Foreign Direct Investment

Net FDI in Tajikistan has been supported by the full convertibility of the somoni and is an important source of financing for the Tajikistan economy. FDI as a percentage of GDP was 3.5%, 2.0%, 4.7%, 6.9% and 6.3% in 2012, 2013, 2014, 2015 and 2016, respectively. The following table sets forth the value of FDI into Tajikistan for the periods indicated:

Value of FDI Inflows to Tajikistan by Type of Investor

	For the Year Ended December 31,					For the Six Months Ended June 30,	
	2012	2013	2014	2015	2016	2016	2017
	<i>(US\$ million, except percentages)</i>						
Banks	3.4	1.2	61.1	80.2	47.7	8.0	22.7
Parent or subsidiary company	183.4	83.0	187.5	143.0	183.6	101.8	88.8
Other financial corporations	19.3	5.4	6.4	22.4	12.7	0.3	4.1
Official or international organizations	0.9	1.7	0.9	22.8	28.1	17.3	9.4
Manufacturing company	43.6	60.5	96.0	84.2	77.8	44.1	5.2
Others	9.8	11.7	77.6	191.4	85.8	59.6	2.5
Exporters and other private lenders	1.3	6.7	1.7	1.4	0.5	0.0	-
Total	261.6	170.2	431.3	545.2	436.2	231.1	132.7
FDI inflows/GDP (%)	3.5	2.0	4.7	6.9	6.3	8.2	4.6

Source: NBT Statistics and Balance of Payments Department.

Value of FDI Inflows to Tajikistan by Economic Sector

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	<i>(US\$ million)</i>				
Agriculture, hunting and forestry	-	-	3.1	38.8	42.9
Manufacturing	26.9	7.1	47.2	241.4	126.7
Mining and quarrying	94.6	82.4	212.1	170.6	189.8
Electric power, gas and water supply	-	-	-	0.4	0.1
Construction	18.9	26.3	100.3	33.1	6.4
Wholesale and retail trade ⁽¹⁾	0.3	0.3	2.6	6.4	4.9
Transport, warehousing and communication	81.9	15.7	34.5	29.3	36.1
Financial intermediation	35.8	27.7	6.2	1.5	2.3
Education	-	-	-	22.6	24.5
Other municipal, social and personal services	3.2	10.7	25.3	1.1	2.5
Total	261.6	170.2	431.3	545.2	436.2

(1) Includes car maintenance, retail of fuel for transport with internal combustion engines.

Source: NBT Statistics and Balance of Payments Department.

Value of FDI Inflows to Tajikistan by Country of Origin

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2012	2013	2014	2015	2016	2016		2017
	<i>(US\$ million)</i>							
Belarus	-	-	-	0.0	0.0	0.0	0.0	
Kazakhstan	6.3	0.4	11.5	3.8	6.5	3.9	1.7	
Kyrgyzstan	0.0	-	-	0.2	0.1	0.1	0.3	
Russia	71.7	14.8	46.9	34.5	35.0	35.0	43.4	
Austria	-	0.1	-	-	-	-	-	
Afghanistan	-	-	1.3	0.6	0.6	0.4	0.05	
United Kingdom	18.5	18.1	87.0	62.7	22.6	14.4	2.2	
Germany	0.1	3.2	1.2	0.1	-	-	-	
India	-	0.0	5.5	1.1	-	-	-	
Iran	5.5	3.6	77.2	4.3	0.1	0.8	1.4	
Italy	-	-	-	0.0	-	-	-	
Canada	-	-	-	-	0.5	0.5	-	
Qatar	14.7	23.8	16.9	5.7	0.5	-	-	
Cyprus	2.3	1.1	3.7	0.2	-	-	2.0	
China	106.4	74.0	131.7	326.0	321.8	146.0	59.8	
Latvia	-	-	1.0	-	-	-	-	
Luxembourg	0.3	-	2.4	0.7	0.2	0.2	0.2	
Netherlands	0.2	2.9	-	0.4	1.3	1.3	1.7	
United Arab Emirates	0.1	-	2.1	-	-	-	0.0	
Pakistan	-	1.9	1.6	0.5	0.0	0.0	0.0	
United States	5.1	4.9	2.0	-	0.2	0.2	3.9	
Singapore	-	-	-	1.2	-	-	0.7	
Hong Kong	-	-	-	4.2	3.7	1.0	3.8	
Turkey	20.1	16.8	27.2	31.5	6.4	2.3	-	
France	-	1.9	8.6	36.7	10.7	9.2	2.1	
Czech Republic	-	0.1	0.0	0.0	-	-	-	
Switzerland	10.1	1.7	3.6	23.2	26.8	15.9	9.4	
Japan	0.2	0.0	-	-	0.0	0.0	-	
Total	261.6	170.2	431.3	545.2	436.2	231.1	132.7	

Source: NBT Statistics and Balance of Payments Department.

The largest source of FDI into Tajikistan in 2016 was China, which accounted for 74.1% or US\$321.8 million of FDI. China invests in industries such as manufacturing, metals and mining, construction, high technology and agriculture. Over the past five years, China has made direct investments in Tajikistan totaling more than US\$959.9 million.

The second and third largest sources of FDI in 2016 were the Russian Federation, accounting for 8.1% or US\$35 million, and Switzerland, accounting for 6.2% or US\$26.8 million. Russia's largest investment project in Tajikistan is the Sangtuda-1 HPP, in which Russia has invested approximately US\$600 million since 2005. In addition, Russian state-owned company Gazpromneft has invested more than US\$40 million in Tajikistan since 2012.

Investment Promotion and Protection Laws

To achieve higher growth, Tajikistan is implementing a structural reform agenda designed to, among other things, enlarge that of the private sector in the economy through a more favorable business climate, thus increasing private investment. See *“The Tajikistan Economy – Economic Policy and Reforms.”* A key step in the implementation of this reform agenda was the adoption in March 2013 of the Law “On Investment Agreements” (the “Investment Agreement Law”). The Investment Agreement Law regulates relations with foreign investors at all stages of preparation, execution, entry into force and implementation of investment agreements for all investment projects, and it allows for investment agreements between the Government and foreign investors in relation to investment projects in strategic and priority sectors of the economy. The Investment Agreement Law provides for foreign investors and companies to have the same rights and preferences as domestic and investors and companies and provides for a variety of forms of investment cooperation, including public-private partnerships, production sharing agreements, investment agreements and concession agreements. It does not limit the repatriation of profits and permits investors to export their capital outside the country, and it provides for guarantees of investors’ rights in the event of expropriation and requisition. The property of investors is not subject to nationalization and the expropriation of investments, and both indirect expropriation and the adoption of measures equivalent to the expropriation of investments are prohibited.

In order to ensure a favorable investment climate and development of entrepreneurship in the country, reforms have been carried out to simplify the procedure for state registration of legal entities and individual entrepreneurs, the licensing system, customs procedures and other procedures. Over the past few years, the Government has taken a number of measures to strengthen the legal foundations of investment activities, remove administrative barriers to simplify entrepreneurial and investment activities, which have had a significant impact on business performance. Pursuant to the Law "On State Registration of Legal Entities and Individual Entrepreneurs", the state registration of legal entities and individual entrepreneurs has been simplified such that the number of registration structures was reduced from four to one and the registration period was reduced from 49 days to 3-5 days.

With a view to improving and strengthening the tax system, a new version of the Tax Code was introduced effective from January 1, 2013, taking into account local and international experience with the involvement of experts, representatives of ministries and departments and representatives from the business community, with the participation of international financial organizations. The new Tax Code provides for the simplification and transparency of taxation and reporting procedures, in order to increase the efficiency and fairness of taxes and ease the burden on taxpayers. In the new Tax Code, the number of taxes was rationalized from 21 to 13. In addition, the quantity of tax code provisions was reduced and the code simplified. The new Tax Code is tailored to the current socio-economic conditions of the country, and it is intended to create a strong regulatory and legal framework for the development of Tajikistan’s economy and attraction of investments. Since the adoption of the new Tax Code, a number of further changes and additions have been made that have positively affected the development of the economy of the Republic. See *“Public Finance – Tax Reforms.”*

Currently, there are four free economic zones in Tajikistan, in Sughd, Panj, Danghara, and Ishkoshim, respectively, which provide preferential terms for economic, financial, trade, information, and other activities for investors. The free economic zones offer incentives to investors, including preferences on taxation and customs procedures.

In 2013, Tajikistan became a member of the WTO, and became a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Hague Convention on the Abolition of Legalization of Official Foreign Documents. Tajikistan is ranked 128 out of 190 countries in the World Bank’s 2017 Doing Business report, as compared to a ranking of 147 out of 183 countries in the 2012 Doing Business report.

MONETARY AND FINANCIAL SYSTEM

The National Bank of Tajikistan

The NBT is the central bank of the Republic of Tajikistan. It is an independent public entity governed by the Law “On the National Bank of Tajikistan”, which was adopted on June 28, 2011 (the “NBT Law”). The NBT Law sets out the principles of the NBT’s structure, its main tasks and functions, its relationship with government authorities, its main instruments of monetary policy, the principles and means of banking regulation and control, the procedures for reorganization and liquidation of credit institutions, guidance for the organization of money circulation and settlements and other functions and authorities of the NBT.

The main objective of the NBT is maintenance of long-term domestic price stability in Tajikistan. Supplemental goals of the NBT are maintenance of the stability of the state banking system and providing assistance to the efficient and uninterrupted operation of the country’s payment systems. The NBT Law sets out further responsibilities of the NBT, including:

- developing and implementing the monetary policy of Tajikistan;
- conducting economic and monetary analysis, submission of proposals to the Government and making public notifications in connection with such analysis;
- issuing licenses to lending institutions for carrying out their activities, and regulating and supervising their activities;
- issuing licenses to credit bureaus for carrying out their activities, and regulation and supervision of their activities;
- implementing of payment, clearing and settlement systems and monetary services systems, and regulating and supervising their activities;
- exercising the exclusive right to print national currency notes, to organize their circulation and to withdraw them from circulation;
- holding and managing international reserves;
- performing banking transactions;
- ensuring favorable conditions for protecting the rights of consumers of banking services;
- undertaking obligations on behalf of the Republic in connection with the participation of the Republic in transactions involving international financial institutions; and
- preparing the balance of payments of the Republic.

Pursuant to the NBT Law, the NBT is independent of the Government and Parliament.

The NBT consists of a central office in Dushanbe and five regional branches, which function in the cities of Khujand, Qurghon-teppa, Kulob and Khorog and in Gharm, which has the status of an urban-type settlement. In May 2015, a new management team was appointed to the NBT. The current Chairman of the NBT is Jamshed Nurmahmadzoda. The new management team developed a strategic plan for restructuring the NBT’s activities for the years 2015-2019 and appointed a working group responsible for implementing reforms in the banking sector, covering such areas as monetary and currency exchange rate policy, banking system stability and improvement of the quality of assets of the banking system through improved risk monitoring, corporate governance and bank liquidity. In addition, the NBT has adopted a strategy for monetary and currency policy for 2016-2019 in order to provide mechanisms for reforming monetary and currency policies, strengthening the financial and banking systems

and transitioning to a new inflation targeting regime for the implementation of monetary policy in Tajikistan. Monetary policy decision-making is made by the NBT's Monetary Policy Committee (the "MPC").

Monetary Policy

Overview

The NBT is responsible for the formulation and implementation of monetary policy. Monetary policy includes a process of controlling money supply in the economy, the liquidity level of the banking system and the short-term interbank market interest rates by means of monetary policy tools directed primarily towards achievement of price stability and promotion of the real growth of the economy.

The NBT, with the aim of improving its efficiency, in particular to achieve the main objective of maintaining a low and stable level of prices, has introduced modern mechanisms of formulation and implementation of monetary policy based on international best practices through the Monetary and Exchange Rate Policy Strategy of the Republic of Tajikistan for 2016-2020. Pursuant to this policy, the NBT developed a plan for the creation of favorable monetary conditions and a credible framework for the gradual transition from a reserve money targeting regime to a new regime of inflation targeting. To this end, the NBT is taking the necessary measures for development of institutional reforms for transition to an inflation targeting regime including:

- strengthening monetary policy tools and increasing their efficiency, initially on short-term interbank market interest rates and macroeconomic indicators;
- improving forecasting capability for macroeconomic indicators and on that basis improving effectiveness of monetary policy decision-making;
- developing and implementing a communication strategy for the maintenance of transparency and credibility; and
- strengthening institutional, financial and operational independence.

Tajikistan adopted a flexible exchange rate policy under its 2009-2012 IMF Extended Credit Facility (ECF) program. Currently, the NBT's monetary policy framework is based on a monetary targeting regime and its ultimate goal of price stability is achieved through the control of the money supply or reserve money. Within the limits of this operational target, in order to maintain stability of the monetary indicators and of the price level, the NBT each year sets a quantity target indicator on reserve money growth. In certain cases, such as in the case of external shocks, quantity target indicators are amended. For execution of its tasks and achievement of the main objective of price stability, the NBT, through the use of monetary policy instruments, regularly adjusts the operational targets and the level of banking system liquidity.

Following the IMF's Article IV mission to Tajikistan in May 2017, the IMF stated that it welcomed the recent efforts to unify the official and market exchange rates and noted that a flexible exchange rate policy and supporting monetary policy, with greater sales of NBT notes, would control inflation, restore confidence in the somoni, and help rebuild the reserves buffer.

Instruments of Monetary Policy

In order to effectively implement its monetary policy, including controlling its operational targets, maintaining liquidity in the banking system and influencing short-term interbank market rates, the NBT uses the following monetary policy operational instruments:

- open market operations;
- standing facilities;
- minimum reserve requirements; and
- foreign exchange operations.

Open Market Operations

Open market operations are considered to be an active and efficient monetary policy tool, either as liquidity absorbing operations and/or liquidity providing operations to the banking system through auctions. The NBT's open market operations can be divided into the following two general groups:

- *Certificates of deposit ("CD") auctions.* The issue of CDs is an indirect tool of monetary policy which allows the NBT to absorb excess liquidity in the banking system on an auction basis and to regulate market conditions. CD auctions are held regularly according to a schedule in real-time where credit institutions submit bids to purchase CDs issued by the NBT. Currently, the maximum bid rate for an NBT CD is set at the level of the refinancing rate and the maturities of CDs are 7, 14, 28 and 91 days. However, with a view toward ensuring monetary policy efficiency, the NBT is able to issue CDs for sale with other terms.
- *Credit auctions.* The NBT may issue short-term liquidity loans, which provide access to short-term liquidity, by means of auctions. The NBT conducts credit auctions on a regular basis every week according to a schedule, with maturities of 14 and 28 days. Currently, the minimum interest rate for a credit institution's bid is set at the level of the refinancing rate. Government issued securities, NBT CDs, foreign currency and somoni funds held in the NBT can be used as collateral to obtain loans from the NBT.

Standing Facilities

Standing facilities are intended to absorb or inject liquidity overnight to achieve monetary policy objectives, to develop the money market, to influence short-term interbank market rates, to provide access to short-term liquidity from the NBT and to enhance the effective and regular functioning of payment systems. The NBT offers the following two types of standing facilities operations to credit institutions:

- Overnight loans, which give credit institutions access to the NBT's liquidity for one day in case of a temporary shortage of liquidity while carrying out settlements, at an interest rate set by the NBT (currently the refinancing rate plus 2%) and secured by eligible collateral. This tool is equivalent to the "discount window" in the U.S. system and the "marginal lending facility" in the European system.
- Overnight deposits, which are offered by the NBT for the purpose of temporarily withdrawing excess liquidity from the banking system. A credit institution, by carrying out an overnight deposit operation, can deposit excess money resources with the NBT for one day at an interest rate set by the NBT.

The overnight credit and deposit operations are conducted on the basis of inquiries made by banks during business days. The interest rates on the given operations are set by the MPC.

Within the limits of the mechanism, the credit institution has the initiative because it makes a decision on obtaining or depositing of liquidity at the fixed interest rates.

Minimum Reserve Requirements

In order to meet minimum reserve requirements, credit institutions attracting deposits and other similar obligations must deposit a certain amount of their liabilities in correspondent accounts opened with the NBT. The NBT sets a ratio for calculation of reserve requirements. The NBT uses different reserve requirements for deposits in somoni and deposits in foreign currency. At present, the minimum reserve requirements ratio is 3.0% for deposits in somoni and 9.0% for deposits in foreign currency.

Foreign Exchange Operations

Foreign exchange operations include the purchase and sale of currencies in foreign exchange markets. Operations in the foreign exchange markets are conducted within the limits of the exchange rate policy of the NBT and have two main objectives:

- to stabilize excessive exchange rate fluctuations of the somoni and the foreign exchange market; and
- to increase the Republic's international reserves in order to bring their level up to international standards of international reserves stability.

Operations with foreign currency in the interbank foreign exchange market are conducted through foreign exchange auctions, spot transactions and swap/forward operations by means of an electronic trading system.

Money Supply

The most important components of the money supply are M1 and M2, which are comprised of:

- M1: paper money and coins held by the public (M0) plus on-demand deposits in local currency; and
- M2: M1 plus other deposits, including savings and time deposits, in local currency.

The NBT has the exclusive right to issue bank notes and coins in Tajikistan. The NBT is responsible for the printing of bank notes and the minting of coins, the security and safekeeping of bank notes and coins intended for circulation and the custody and destruction of bank notes and coins withdrawn from circulation.

The following table set out certain statistics relating to monetary aggregates as at the dates presented. Data is presented in accordance with the IMF's "Monetary and Financial Statistics Manual."

Broad Money

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30, 2017
	<i>(TJS million)</i>					
Broad Money (M4)	7,092.7	8,491.9	9,092.0	10,789.7	14,788.2	15,871.8
Currency outside depository corporations	3,406.2	4,143.6	4,053.8	4,590.8	7,587.7	8,975.2
Issued by the NBT	3,695.8	4,522.5	4,807.2	5,305.5	8,390.4	9,894.7
Transferable deposits	1,103.1	1,160.7	1,446.0	1,956.3	2,245.1	2,550.5
<i>of which: in foreign currency</i>	417.5	530.1	681.1	1,317.2	1,297.0	1,898.5
Other deposits	52.0	29.7	84.1	193.1	222.2	144.3
Savings deposits	382.5	471.2	623.0	876.8	1,990.3	1,268.9
<i>of which: in foreign currency</i>	188.3	221.2	294.8	420.0	1,345.9	711.4
Time deposits ≤ 1 year	1,064.5	1,368.4	1,604.8	1,869.0	1,635.9	1,904.7
<i>of which: in foreign currency</i>	849.3	1,029.1	1,213.1	1,415.1	1,125.3	1,366.37
Time deposits > 1 year	1,084.5	1,318.3	1,280.3	1,303.7	1,107.0	1,028.2
<i>of which: in foreign currency</i>	894.4	1,083.7	1,076.8	1,101.8	781.4	712.8
Securities other than shares (gold certificates)	0	0	0	0	0	0
Memorandum items:						
M1	4,093.0	4,788.7	4,884.9	5,403.3	8,728.1	9,754.6
Currency outside depository corporations	3,406.2	4,143.6	4,053.8	4,590.8	7,587.7	8,975.2
Transferable deposits	686.9	645.1	831.1	812.5	1,140.4	779.4
M2	4,743.2	5,627.1	5,825.7	6,534.9	10,237.9	11,170.5
M1	4,093.0	4,788.7	4,884.9	5,403.3	8,728.1	9,754.6
Other deposits	650.1	838.4	940.8	1,131.6	1,509.8	1,415.9
Securities other than shares	0	0	0	0	0	0
Transferable and other deposits in foreign currency	2,349.5	2,864.8	3,266.3	4,254.8	4,550.3	4,701.4

Source: NBT.

Monetization of the Tajikistan economy, expressed as the ratio of broad money (M4) to nominal GDP, was 19.6% in 2012, 21.0% in 2013, 19.9% in 2014, 22.3% in 2015 and 27.2% in 2016 and is forecasted to be approximately 30% in 2017. Broad money growth was 7.1%, 18.7% and 37.1% in 2014, 2015 and 2016, respectively.

Tajikistan is a highly dollarized economy. As of March 31, 2017, foreign currency deposits accounted for 64.5% of all deposits and foreign currency loans accounted for 57% of all loans. Prior to the global financial crisis, which began in 2008-2009, dollarization was 82% and 76% for bank loans and deposits, respectively, before tapering off slightly. From early 2011, both indicators of dollarization have again been increasing. The overwhelming majority of private enterprises that borrow in foreign currency earn income in somoni and thus are not hedged against depreciation. The NBT has taken various measures to decrease the level of dollarization in the Tajikistan economy, including by establishing stricter requirements on banks for mandatory reserves for deposits in foreign currency and restrictive terms and conditions for transfers and deposits in foreign currencies.

Measures recently taken by the NBT in order to decrease the high level of dollarization in the economy contributed to an increase in the level of monetization in the economy and to higher demand for local currency. Broad Money (M4) increased from TJS 10.8 billion as of December 31, 2015 to TJS 14.8 billion as of December 31, 2016. In addition, developments in the foreign exchange market and the impact of liquidity injections into the banking system for the recapitalization of distressed banks drove growth in money supply (M2) and broad money (M4). Deposit growth both in somoni and foreign currencies is the result of increased incomes, attractiveness of interest rates offered by banks, increased funds transferred from abroad and increased economic activity.

Inflation

The consumer price index (“CPI”) is used as a broad measure of inflation in Tajikistan. CPI statistics cover 546 types of goods and services and are published by TajStat in the middle of each month. The NBT uses the consolidated data to monitor both headline inflation and core inflation. Core inflation is that part of headline inflation which is net of supply-side shocks, such as abrupt or short-term price fluctuations resulting, for example, from one-off increases in public utility fees or adverse weather conditions of a temporary nature. The NBT places primary emphasis on 12-month end-of-period inflation indicators. For information on the NBT’s inflation targeting policy, see “—*Monetary Policy*.”

The NBT is focused on achieving price stability. Policies to maintain inflation at single digit levels have contributed to inflation being at healthy levels over the past five years. In order to mitigate the impact of future external shocks and to keep inflation within the band of forecasts (7% \pm 3% per annum), the NBT increased the refinancing rate from 8% to 11% in 2016, and from 12.5% to 16% in the first quarter of 2017. At the same time, the reserve rate was increased to 3% for somoni and 9% for foreign currencies. The volume of sterilization operations (undertaken in order to limit the effect of inflows and outflows of capital on the money supply) was also significantly enhanced. Since 2015, the NBT has increased the volume of sales of CDs by more than four times.

The following table sets forth the 12-month end-of period CPI in the Republic as at the dates indicated.

Inflation Rate (CPI)

	As of December 31,					As of June 30,
	2012	2013	2014	2015	2016	2017
CPI	6.4	3.7	7.4	5.1	6.1	5.9

Source: NBT.

From 2012 to 2016, CPI in Tajikistan has been maintained at a stable average level of 5.7% per annum. The decrease in inflation from 2014 to 2015 was mainly caused by decreases in the prices of food and petroleum products in the global markets as well as currency interventions on the part of the NBT. Foreign exchange rate fluctuations and growing devaluation expectations resulted in higher price growth and increased deposit dollarization at commercial banks. As a result, commercial banks curtailed lending in both somoni and foreign currencies. Low fuel and food prices, accounting for a quarter of total imports, kept inflation at single-digit levels in 2015. Interest rates increased from 9% to 11% in July 2016. More expensive imported products resulting from the depreciation of the somoni against the U.S. dollar in early 2016 and the increase in electricity tariffs in the fourth quarter of 2016 (which was made pursuant to a presidential decree) put upward pressure on prices in 2016, but low imported oil and food prices offset this effect. Because the consumer basket is more than 60% imported goods, the further depreciation of the somoni led to an increase in prices in the first quarter of 2017.

Exchange Rates and Exchange Rate Policy

Tajikistan's national currency, the somoni, was introduced in 2000. Tajikistan adopted a flexible exchange rate policy under the 2009-2012 IMF Extended Credit Facility (ECF) program. Consistent with its policy of inflation targeting, the NBT oversees a freely floating exchange rate regime. The exchange rate of the somoni against the U.S. dollar is published on each business day for the next business day on the website of the NBT as the weighted average rate of the buying and selling exchange rates of the dollar for transactions carried out by commercial banks, credit organizations and investment companies. Exchange rates of other currencies are calculated using their cross rates against the dollar, which are obtained from Thomson Reuters information systems.

The nominal TJS: US\$ exchange rate was relatively stable in 2012-2013. The weakening of both the Russian and Kazakhstan currencies in 2014 and 2015 exerted pressure on the somoni. Declining money remittances also exerted pressure on the exchange rate in 2015. The somoni depreciated by 31.7% against the U.S. dollar in 2015 (and by a further 12.7% in 2016) and by 16.1% against the Russian rouble in 2015 (and by a further 17.5% in 2016). Following the sharp depreciation of the somoni, the NBT intervened to support the somoni and stabilize the exchange rate and to decrease the level of dollarization in the economy. Measures taken to reduce dollarization included: requiring that payments be made only in somoni; requiring the use of somoni for small and large purchases within Tajikistan; and adjusting the reserve requirement ratio and deposit insurance rates to promote somoni deposits. In terms of exchange rate measures, the NBT abolished multiple-exchange rate practices and re-unified the official and market exchange rates; it replaced over-the-counter interbank trading with a modern electronic trading platform, which stimulated financial intermediation in the market; it activated open market operations in response to increased inflationary and depreciation pressures; it absorbed the increase in reserve money growth; it issued treasury bills ("T-bills"); and it revised and approved the MPC regulation, delegating monetary policy decision-making to the MPC.

Between January 1, 2017 and June 30, 2017, the somoni depreciated by approximately 12% relative to the U.S. dollar. The main reason for this decline was an increase in demand for foreign currency related to external and internal factors. External factors included continuation of the trade deficit, strengthening of the U.S. dollar against foreign currencies generally as a result of U.S. monetary policies, increased difficulty in attracting foreign capital from all sources, unfavorable economic conditions in trading partner countries and decreased export earnings due to decreases in world prices of main exported goods. Internal factors included a significant increase in the money supply as a result of an increase in budget expenditures and the use of NBT funds to finance significant government programs, support distressed banks and make domestic gold purchases; increased production, commercial activities and trade, and growth of the purchasing power of the population, driven mainly by an increase in the volume of remittances in Russian roubles; seasonal need to replenish stocks of imported goods and raw materials; a decrease in the inflow of foreign currency; and increased demand of credit institutions for U.S. dollars for the purpose of returning deposits to depositors.

See “Exchange Rate Information.”

International Reserves

The following table sets forth information on Tajikistan’s international reserves and foreign currency position as of the dates indicated.

	Official Reserve Assets and Other Foreign Currency Assets					As of
	As of December 31,					June 30,
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
A. Official reserve assets⁽¹⁾	699.3	477.2	510.7	494.4	652.8	763.7
(1) Foreign currency reserves (in convertible foreign currencies)	261.4	169.6	76.4	33.7	77.5	74.1
(2) IMF reserve position	--	--	--	--	--	--
(3) SDRs	107.2	107.4	101.0	30.8	29.8	30.6
(4) Gold (including gold deposits) ⁽¹⁾	330.7	200.2	333.3	429.9	545.5	658.9
B. Other foreign currency assets (specify)	226.5	206.1	49.2	38.0	106.9	53.9
- deposits not included in official reserve assets ⁽²⁾	43.5	48.1	0.1	0.1	0.1	5.4
- non-monetary gold not included in official reserve assets	183.0	158.0	49.1	37.9	106.8	48.5

(1) Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate and for other related purposes (such as maintaining confidence in the currency and the economy and serving as a basis for foreign borrowing). Monetary gold is included in official reserve assets. Gold bullion included in monetary gold is considered to be a financial asset because of its special role in the international financial system as a means of international payments and a store of value for use in reserve assets.

(2) Includes non-reserve currencies such as the Russian rouble and Norwegian krone.

Source: NBT.

As of June 30, 2017, the official reserve assets of Tajikistan were US\$763.7 million, of which US\$658.9 million was gold, US\$30.6 million was SDRs and US\$74.1 million was foreign currency assets. Official reserve assets as at December 31, 2016 represented 2.7 months of import coverage. Official reserve assets as at June 30, 2017 represented 3.9 months of import coverage.

Historically, the NBT has retained most of its reserve assets in the form of gold, but currently the NBT is pursuing a more active and diversified strategic annual asset allocation model. In 2016, the NBT changed from a passive and concentrated model of management of assets to a more active and diversified strategic asset allocation model and became a member of the World Bank’s Advisory and Management Program (RAMP).

The significant decrease in official reserve assets from December 31, 2012 to December 31, 2013 was mainly attributable to the decrease of global gold prices which occurred during the course of 2013. In 2014, approximately US\$108.9 million in gold assets was reclassified from other foreign currency assets to official reserve assets, as a result of the conversion of non-monetary gold to monetary gold (London Bullion Market Association standard bars), resulting in official reserve assets increasing to US\$510.7 million as of December 31, 2014 as compared to US\$477.2 million as of December 31, 2013.

Supervision of the Financial System

The NBT Law provides that the NBT is the sole regulator and supervisor of the financial services sector in Tajikistan, including in respect of banks, credit organizations, currency exchange bureaus and money remittance service providers. By a presidential decree dated March 13, 2017, the NBT is also charged with supervision of insurance companies, which was previously performed by the Ministry of Finance. Securities market participants are regulated and supervised by the Ministry of Finance. The NBT is authorized to issue and revoke licenses, carry out on- and off-site inspections and impose restrictions and sanctions. The NBT is also authorized to place banks and insurance companies into temporary administration, liquidation or insolvency regimes, as the case may be.

While the NBT Law lays the legal foundation for supervision of the financial system, the Law on Banking Activities (“LBA”), which was revised in 2009, provides greater detail on the way the NBT exercises supervision. Based on the LBA, new regulations have been introduced. Specifically, they relate to banks’ capital adequacy and liquidity regimes and other basic prudential indicators, risk management and internal control in banks, and loan classification and provisioning. Several other new or revised regulations have been drafted in collaboration with international consultants within a broader World Bank project but have not yet been finalized. These include regulations regarding disclosure by banks and bank licensing and supervision of noncompliant banks and unsafe and unsound banking practices. These measures are expected to be gradually implemented during 2017-2018. The microfinance sector is regulated pursuant to a separate Law on Microfinance Organizations, dated April 16, 2012.

The NBT inspects banks on a yearly basis and microfinance institutions on a bi-annual basis, using the 2014 Instruction on the Conduct of Inspections and the 2010 Inspection Manual. Inspections cover on average approximately 60% of a bank’s assets and are concluded with a meeting between the NBT team and the relevant bank’s management. Annually, a meeting is held with the relevant bank’s external auditor. Off-site analysis is conducted on the basis of the bank’s periodic reports to the NBT.

The Law on Credit History, which provides a legal framework for organization, keeping, and disclosure of credit information and determines the pattern of formation, reorganization and liquidation of the credit history bureau, was adopted in 2009. The Law on Deposit Insurance of Individual Savings was adopted in 2011. Each credit institution licensed by the NBT to take deposits from individuals is required to be a member of the Fund of Insurance of Individuals’ Deposits, which operates under the Law on Insurance of Deposits of Individuals. Under such law, the liabilities of a credit institution for the return of individuals’ savings in somoni and foreign currencies must be insured. If an insurance event occurs, the fund reimburses the depositor for the amount of insured savings, subject to a cap. The cap on the amount of compensation for insured savings was TJS 14,000 through December 31, 2016 and was increased to TJS 17,500 as from January 1, 2017.

In its Financial System Stability Assessment for Tajikistan dated February 2016, the IMF noted that financial sector regulation in Tajikistan had been improved in line with IMF recommendations but that there were deficiencies in supervision and enforcement as well as remaining structural weaknesses. In particular, the IMF noted that in the banking sector, the surveillance framework for monitoring the build-up of credit risk was strengthened and a wide range of corrective measures were introduced, that governance and autonomy of the NBT were enhanced and that certain funds were transferred to recapitalize the NBT. The IMF noted that the bank regulatory and supervisory framework was strengthened.

The NBT has taken the following measures since 2015 to strengthen regulation and supervision of credit institutions:

- it increased minimum capital requirements, which facilitated consolidation in the banking sector, including the liquidation of certain microfinance institutions, resulting in a reduction in the number of microfinance institutions by 40 or 33.3% from September 2015 to June 2017;
- it increased the minimum capital requirement for newly established banks from TJS 50 million to TJS 80 million in December 2015;
- it initiated amendments to banking legislation in order to provide the NBT with additional regulatory powers, including powers for macro-prudential supervision and the authority to resolve problem banks in accordance with international practice;
- in conjunction with World Bank consultants, it amended banking regulations related to credit losses and provisions in accordance with Basel requirements and IFRS in April 2016; and
- during 2016, it required the five banks that are considered systemic banks to engage international auditing companies to conduct asset quality assessments in order to identify potential risks at an early stage and to assess their current financial situation and capital adequacy.

The NBT has also taken various measures to decrease the level of dollarization in the Tajikistan economy, including by increasing the reserve requirements for deposits in foreign currency, introducing a new regulation requiring Russian rouble remittances to be given only in somoni and recommending that banks decrease interest rates on deposits in foreign currencies.

Banking and Financial Institutions

Structure of the Banking System

As of June 30, 2017, there were 16 commercial banks in Tajikistan and 80 microfinance institutions. Banks accounted for 86.9% of total banking system assets as of June 30, 2017. Ten banks had foreign capital participation, with six of such banks having majority foreign capital participation as of June 30, 2017. As of that date, the six banks with majority foreign capital participation accounted for 8.9% of the banking system's total assets and 4.6% of the banking system's total capital.

There is a high level of concentration in the banking sector, with the five largest banks collectively holding 74.5% of all deposits and collectively accounting for 69.2% of total assets as of June 30, 2017. These banks mainly extend loans to the industry, trade, agriculture and construction sectors.

The microfinance sector, which represented approximately 13.1% of the banking system's total assets as at June 30, 2017, comprises three tiers of microfinance institutions that collectively serve over 370,500 accounts: 34 microcredit depository organizations ("MDOs"), 13 microcredit organizations ("MCOs"), and 33 microcredit funds ("MCFs"). The microfinance sector is concentrated, with the five largest microfinance institutions accounting for approximately 70% of total microfinance sector assets as of December 31, 2016. These large microfinance institutions compete with banks in the small and medium enterprise (SME) segment.

Financial Condition of the Banking Sector

The following table sets forth the analytical accounts of Tajikistan's commercial banks and microfinance institutions as of the dates presented.

Analytical Accounts of Commercial Banks and Microfinance Institutions⁽¹⁾

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30,
	(TJS million)					
Foreign assets (net)	(366.4)	(1,213.0)	(2,132.0)	(1,862.0)	(1,515.0)	(1,447.6)
Foreign assets	1,250.0	1,213.0	1,095.0	1,754.0	1,821.0	1,876.5
Foreign liabilities	1,617.0	2,426.0	3,227.0	3,616.0	3,337.0	3,324.2
Claims on the government (net)	(6,421.1)	(326.6)	(1,151.3)	(1,664.0)	(861.1)	(927.4)
Claims on the government	6,852.0	29.4	0	0.3	0	0
<i>of which:</i> in foreign currency	2,865.0	28.9	0	0.3	0	0
Liabilities to government	430.9	356.0	1,151.3	1,664.2	861.1	927.4
<i>of which:</i> in foreign currency	116.2	76.9	125.3	159.8	70.1	80.4
Claims on the NBT (net)						
Claims on the NBT	1,182.6	1,023.6	1,409.4	2,226.2	3,509.1	2,671.5
<i>of which:</i> in foreign currency	583.0	506.5	813.8	1,197.4	1,685.0	1,720.7
Liabilities to the NBT	136.4	109.3	169.9	358.5	391.5	167.7
<i>of which:</i> in foreign currency	34.1	64.1	34.7	135.3	155.9	93.6
Claims on other domestic sectors						
Claims on other financial corporations	2,397.1	3,318.1	4,388.1	5,619.5	5,702.7	5,104.4
<i>of which:</i> in foreign currency	1,496.8	2,207.6	2,909.5	3,852.9	3,190.1	2,742.6
Claims on non-financial public corporations	749.3	913.3	845.7	1,665.9	1,772.8	1,799.8
<i>of which:</i> in foreign currency	497.6	464.2	546.6	1,355.0	1,503.4	1,509.6
Claims on other domestic sectors	1,988.0	3,465.1	4,674.9	4,548.9	3,933.6	3,739.9
<i>of which:</i> in foreign currency	1,262.3	1,910.4	2,606.4	2,344.7	1,802.6	1,618.9
Other assets/liabilities (net)	312.2	(340.2)	(129.0)	(216.6)	799.9	979.6
Liabilities included in broad money	3,685.08	4,332.1	4,971.5	6,024.7	7,007.3	6,714.1
Transferable deposits	1,103.1	1,160.7	1,446.0	1,956.3	2,245.0	2,596.3
Other deposits	2,582.0	3,171.5	3,525.5	4,068.5	4,762.3	4,117.9

(1) Data provided in respect of 16 commercial banks and 86 microfinance institutions.
Source: NBT.

The following table sets forth the key financial indicators of banks and MDOs as of the dates presented.

Financial Indicators of Banks and Microcredit Deposit Organizations⁽¹⁾

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30, 2017
	<i>(Percentage)</i>					
Total capital adequacy ratio	26.8	22.9	16.6	13.1	17.0	20.5
Tier 1 capital adequacy ratio	24.1	21.2	14.2	10.6	26.8 ⁽²⁾	28.1 ⁽²⁾
Total deposits / total liabilities	63.9	55.6	54.2	53.7	59.7	62.9
Provisions / total loans (net)	8.1	7.4	15.2	17.6	23.1	24.5
Foreign currency loans / total loans	69.3	62.5	62.1	62.7	60.4	59.6
Foreign currency deposits / total deposits	67.3	68.4	65.5	69.5	62.4	65.2
Interest margin / gross income	10.6	13.0	8.9	12.2	11.1	18.9
Interest rate spread (local currency) ⁽³⁾	10.2	7.1	6.5	17.6	12.6	18.8
Interest rate spread (foreign currency) ⁽³⁾	10.5	11.5	9.3	7.8	10.4	10.6
NPLs/ total loans	9.1	13.7	21.2	26.3	47.6	44.0
Overdue loans (more than 1 day) / total loans	17.3	19.6	23.1	38.2	59.4	56.6
Liquid assets/ short term liabilities (liquidity ratio)	84.9	81.1	75.8	70.4	83.9	79.3
Liquid assets / gross assets	29.2	22.8	20.0	24.1	30.9	28.4
Return on assets	1.0	2.2	(2.5)	0.8	(2.8)	(0.3)
Return on equity	4.4	10.7	(14.5)	5.5	(21.1)	(1.0)
Credit growth (year to year)	12.3	53.4	22.2	14.2	(16.4)	(4.9)
Average interest rate debit (local currency)	15.3	15.0	14.1	14.5	17.4	14.0
Average interest rate credit (local currency)	25.5	22.1	20.5	32.0	30.0	32.8
Average interest rate debit (foreign currency)	12.2	12.9	11.4	11.2	9.2	6.3
Average interest rate credit (foreign currency)	22.7	24.4	20.7	19.0	19.6	18.9

(1) Information is not available for MCOs and MCFs, which are not deposit-takers and as a result have reporting requirements with the NBT that are different from the reporting requirements applicable to banks and MDOs.

(2) Tier 1 capital adequacy ratios are higher than total capital adequacy ratios as of December 31, 2016 and June 30, 2017 due to deductions being made from total capital but not tier 1 capital in accordance with applicable banking regulations in connection with the recapitalization of two banks in December 2016.

(3) Difference between weighted average for interest rates on loans and interest rates on term deposits.

Source: NBT.

The following tables set out the total assets, loan portfolio and total deposits of banks and microfinance institutions as of the dates presented.

Total Assets of Banks and Microfinance Institutions

	As of December 31,					
	Commercial Banks		Microfinance Institutions		Total	
	<i>(TJS million)</i>	% ⁽¹⁾	<i>(TJS million)</i>	% ⁽¹⁾	<i>(TJS million)</i>	% ⁽¹⁾
2012	9,229.3	87.7%	1,294.9	12.3%	10,524.3	100.0
2013	10,748.4	84.9%	1,904.5	15.1%	12,652.9	100.0
2014	12,362.9	83.2%	2,491.2	16.8%	14,854.1	100.0
2015	15,714.1	84.3%	2,925.4	15.7%	18,639.5	100.0
2016	18,671.7	88.1%	2,515.3	11.9%	21,187.0	100.0
2017 ⁽²⁾	17,281.4	86.9%	2,603.0	13.1%	19,884.4	100.0

(1) As a percentage of total assets.

(2) 2017 data as of June 30, 2017.

Source: NBT.

The following table sets forth information on the loan portfolio of the banking system as of the dates presented.

Loan Portfolio of Banks and Microfinance Institutions

	As of December 31,					
	Commercial Banks		Microfinance Institutions		Total	
	(TJS million)	% ⁽¹⁾	(TJS million)	% ⁽¹⁾	(TJS million)	% ⁽¹⁾
2012	4,356.4	82.3%	935.4	17.7%	5,291.8	100.0
2013	6,021.1	81.4%	1,377.5	18.6%	7,398.6	100.0
2014	7,767.0	80.4%	1,894.26	19.6%	9,661.3	100.0
2015	9,235.7	82.3%	1,992.7	17.7%	11,228.4	100.0
2016	8,121.7	82.7%	1,701.4	17.3%	9,823.1	100.0
2017 ⁽²⁾	7,689.4	81.3%	1,763.8	18.7%	9,453.2	100.0

(1) As a percentage of total loans.

(2) 2017 data as of June 30, 2017.

Source: NBT.

The following table sets out information on deposits in the banking system as of the dates presented, presented in TJS.

Deposits of Banks and Microcredit Deposit Organizations⁽¹⁾

	As of December 31,					
	Commercial banks		Microcredit Deposit Organizations		Total	
	(TJS million)	% ⁽²⁾	(TJS million)	% ⁽¹⁾	(TJS million)	% ⁽¹⁾
2012	4,815.0	97.7	111.3	2.3	4,926.3	100.0
2013	5,365.3	96.0	226.4	4.0	5,591.7	100.0
2014	6,446.5	96.3	245.0	3.7	6,691.5	100.0
2015	8,172.1	94.9	441.9	5.1	8,614.0	100.0
2016	8,848.7	95.7	395.3	4.3	9,244.0	100.0
2017 ⁽³⁾	8,549.1	94.6	487.1	5.4	9,036.2	100.0

(1) Information is not included for MCOs and MCFs, which are not authorized to accept deposits.

(2) As a percentage of total deposits.

(3) 2017 data as of June 30, 2017.

Source: NBT.

The following table set out information on local currency loans of banks and microcredit deposit organizations by economic sector of borrower as of the dates presented, presented in TJS.

Local Currency Loans by Sector⁽¹⁾

	As of December 31,				As of June 30,	
	2012	2013	2014	2015	2016	2017
	<i>(TJS million)</i>					
Mining and production of electricity, water and gas	200.9	439.7	344.2	435.0	404.0	266.3
Agriculture	301.8	347.5	499.4	519.6	416.2	526.0
Financial Institutions	0.8	3.4	2.2	1.5	0.2	1.7
Communication	6.4	5.4	2.7	5.6	4.2	3.6
Transportation	12.1	55.5	218.7	237.1	95.2	182.4
Wholesale and retail trade	374.2	625.7	837.4	702.9	664.3	524.3
Construction	91.3	128.2	150.7	293.5	227.0	154.0
Real estate	40.4	54.9	62.9	67.5	69.0	70.2
Manufacturing	41.8	60.4	24.0	40.1	23.7	10.6
Services	49.0	72.8	95.6	115.1	112.0	105.3
Government	20.7	46.4	38.8	104.3	90.4	75.4
Consumer credit	170.7	644.0	658.4	752.4	780.8	800.3
Other	29.0	21.0	163.0	199.0	204.0	273.5
Total loans net of provisions	1,339.1	2,504.8	3,097.9	3,473.8	3,091.0	2,993.6
Provisions for NPLs	143.3	192.9	421.8	330.7	384.3	374.3
Total local currency loans	1,482.4	2,697.7	3,519.7	3,804.5	3,475.3	3,367.9

(1) Information is not available for MCOs and MCFs, which are not authorized to accept deposits and as a result have reporting requirements with the NBT that are different from the reporting requirements applicable to banks and MDOs.

Source: NBT.

The following table sets out information on foreign currency loans from banks and microcredit deposit organizations by economic sector as of the dates presented.

Foreign Currency Loans by Sector

	As of December 31,				As of June 30,	
	2012	2013	2014	2015	2016	2017
	<i>(TJS million)</i>					
Mining and production of electricity, water and gas	500.9	575.1	622.8	1,117.2	1,331.5	1,434.2
Agriculture	387.5	486.9	588.2	751.5	496.3	447.4
Financial Institutions	2.3	5.2	5.1	6.6	4.0	22.4
Communication	2.3	1.6	3.3	1.8	6.6	6.0
Transportation	74.3	104.3	167.0	241.0	145.9	130.7
Wholesale and retail trade	1,174.3	1,748.7	2,047.7	2,137.0	1,507.8	1,088.6
Construction	179.1	266.9	355.0	432.7	306.3	370.9
Real estate	30.1	43.6	57.2	54.1	37.5	50.7
Manufacturing	116.0	104.5	103.7	173.2	167.6	125.6
Services	65.3	105.1	168.3	121.9	85.3	79.5

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30, 2017
	<i>(TJS million)</i>					
Government	206.4	136.0	72.5	50.7	16.1	11.3
Consumer credit	208.6	545.8	581.8	481.2	371.9	274.2
Other	68.1	50.1	291.0	274.0	225.0	378.7
Total loans net of provisions	3,015.2	4,173.9	5,064.5	5,843.0	4,701.9	4,420.2
Provisions for NPLs	210.9	304.0	812.5	1,307.7	1,414.0	1,443.8
Total foreign currency loans	3,226.1	4,477.9	5,877.0	7,150.9	6,115.9	5,864.0

Source: NBT.

The following table sets forth certain statistics concerning NPLs as of the dates indicated:

NPLs at Banks and Microcredit Deposit Organizations⁽¹⁾

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30, 2017
NPLs (TJS million)	430.4	982.9	1,992.8	2,882.5	4,567.3	4,060.3
Total outstanding loans (TJS million)	4,708.6	7,175.2	9,396.7	10,955.3	9,591.7	9,231.9
NPLs/ total loans (%)	9.1	13.7	21.2	26.3	47.6	44.0
Reserves for loan losses/ total loans (%)	7.5	6.9	13.1	15.0	18.7	19.7
NPL coverage ratio (%)	82.3	50.5	61.9	56.8	39.4	44.8

(1) The NBT classifies a loan as non-performing where: (i) the loan has been restructured more than one time; (ii) at least 30 days of interest payments have been capitalized, refinanced or delayed by agreement; or (iii) payments of principal or interest are overdue by less than 30 days, but there are other good reasons to doubt that payments will be made in full. NPLs do not include past due interbank loans. The NBT does not currently use a 90-day overdue measure in order to classify non-performing loans.

Source: NBT.

Between 2012 and 2016, the gross loan portfolio of the banking system increased from 15.0% of GDP to an estimated 18.2% of GDP. As of December 31, 2016, corporate loans accounted for 83.1% of the gross loan portfolio of the banking sector, with loans to individuals accounting for 16.9%. As of June 30, 2017, the total assets of the Tajikistan banking system were TJS 19.9 billion, compared to TJS 21.2 billion and TJS 18.6 billion as of December 31, 2016 and 2015, respectively.

Lending to customers is the primary activity of the banking system in Tajikistan. Loans account for the largest share of banking sector assets, comprising 38.3% of total assets as of June 30, 2017. The remaining 61.7% of assets consisted of liquid assets (28.2%), fixed assets (16.6%), investments (7.2%) and other assets (9.7%). Loans decreased from December 31, 2015 to December 31, 2016 by TJS 1.6 billion or 16.4%. As of June 30, 2017, loans accounted for TJS 9.5 billion compared to TJS 9.8 billion as of December 31, 2016, a decrease of 3.1%. The amount of NPLs as of December 31, 2016 was TJS 4.6 billion or 47.6% of total loans, an increase of TJS 1.7 billion in comparison to December 31, 2015, at which date NPLs were TJS 2.9 billion or 26.3% of total loans.

Between December 31, 2012 and June 30, 2017, total liabilities of the banking system increased by TJS 6.3 billion, or 77.6%, mainly due to substantial growth in deposits over this period. A 66.7% increase in other liabilities from TJS 3.3 billion as of December 31, 2012 to TJS 5.5 billion as of June 30, 2017 also contributed to growth in total liabilities of the banking sector. As of June 30, 2017, total liabilities of the banking system amounted to TJS 14.5 billion, compared to TJS 15.7 billion and TJS 16.2 billion as of December 31, 2016 and 2015, respectively.

Deposits represent the single largest component of banking sector liabilities, representing 62.2% of total liabilities as of June 30, 2017. As of December 31, 2016, the total deposits held by banks and microfinance organizations were TJS 9.2 billion, an increase by TJS 630 million or 7.3% in comparison to December 31, 2015. As

of June 30, 2017, total deposits of the banking sector were TJS 9.0 billion, as compared to TJS 4.9 billion as of December 31, 2012, an increase of 83.7%.

The total capital of the banking sector was TJS 5.5 billion as of December 31, 2016, an increase of TJS 3.1 billion or 129.2% in comparison to December 31, 2015. The increase was attributable to the recapitalization of distressed banks which occurred in December 2016.

Return on assets of the banking sector for 2016 decreased from (0.14)% to (3.02)% and return on equity decreased from (1.09)% to (11.64)%, in each case as compared to 2015.

Recent Developments in the Banking Sector

The Tajikistan banking system was adversely affected by the global financial crisis and it has also been adversely affected by the subsequent slowdown in the Russian economy beginning in late 2014 as a result of sharply lower oil prices and geopolitical tensions and sanctions. In the past several years, the Tajikistan banking sector has experienced considerable asset quality deterioration, and the banking system remains under stress. NPLs (overdue by more than 30 days) in the banking system increased from 9.1% as of December 31, 2012 to 47.6% as at December 31, 2016 and decreased slightly to a level of 44.0% as at June 30, 2017. The total amount of NPLs in the banking sector was TJS 4.1 billion as at June 30, 2017.

The depreciation of the somoni which occurred largely in 2015 and early 2016, combined with declining household income and a more challenging economic environment, adversely affected the liquidity and solvency of a number of banks in 2016. Borrowers faced increasing difficulties in repaying their dollar-denominated loans because of the depreciation, and the banking system was also adversely impacted by the decrease in remittances in U.S. dollar terms, which occurred from 2015 to 2016. The dollarization of the banking sector, which began in 2011, and the rapid expansion of credit to the private sector in 2013 and 2014 exacerbated this problem. These factors contributed to a sharp increase in NPL levels. As of June 30, 2017, NPLs among banks and microcredit deposit organizations were mainly concentrated in the corporate sector (44.9% of NPLs), state-owned entities (18.1% of NPLs) and small and medium-sized enterprises (18.1% of NPLs).

In December 2016, Parliament approved a Government decree to recapitalize four distressed banks, namely Agroinvestbank, Tojiksodirotbank, Fononbank and Tojprombank. Agroinvestbank and Tojiksodirotbank were considered to be of systemic importance, whereas Fononbank and Tojprombank were smaller banks that were not considered to be of systemic importance. As at January 1, 2016, Agroinvestbank's assets comprised 21% of all assets of the Tajikistan banking system. Prior to the recapitalization, the Government owned 51% of Agroinvestbank, having acquired this equity interest in connection with providing financial support to the bank in 2012. As a result of the recapitalization that took place in December 2016, the Government's ownership of Agroinvestbank is now 87%.

In December 2016, the Government issued five-year domestic bonds in an amount of approximately US\$490 million in order to support the four banks. The NBT purchased the bonds in their entirety. The funds were initially allocated as follows: Agroinvestbank – TJS 1.07 billion (US\$136 million); Tojiksodirotbank - TJS 2.25 billion (US\$286 million); Tojprombank - TJS 450 million (US\$57 million); and Fononbank - TJS 80 million (US\$10 million). However, in February 2017, the NBT withdrew the licenses of Fononbank and Tojprombank and the Government did not provide the TJS 530 million aggregate amount of recapitalization funds to such banks, on the basis that they were not considered systemically important. In April 2017, Parliament approved a Government plan to reallocate such funds toward the costs of construction of the Rogun HPP.

Agroinvestbank and Tojiksodirotbank were recapitalized with the proceeds of the bonds issued by the Government, which bonds were fully collateralized by the banks' respective assets. According to the capitalization agreement, the banks are required to pay to the Ministry of Finance an annual service charge in the amount of 2% of the principal amount of the recapitalization bonds. According to a Governmental decree issued in connection with the recapitalization, the banks must sell the shares that were acquired by the Government in the recapitalization to private domestic or foreign investors and must remit the sale proceeds to the Government or alternatively they must buy back such shares from the Government in stages from 2017 to 2021.

The Government's accumulated capital injections into the Tajikistan banking sector are estimated to have been 6.1% of Tajikistan's GDP in 2016.

The NBT believes that the problems recently experienced by a number of banks in Tajikistan are the result of unresolved or postponed problems from past years that arose as a result of financial shocks. Due to weaknesses in the corporate management of certain banks, in particular in systemically important banks, credit and currency risks, as well as liquidity risk, have significantly increased in the banking system. The banking sector crisis described above has had a negative effect on the economy. In particular, it has affected the activities of the real sector of the economy, negatively impacting foreign investment activity and reducing public confidence in the banking sector. The NBT is currently implementing a series of measures aimed at introduction of efficient tools for reducing distressed assets and creating a functional infrastructure for the market for distressed assets. The NBT requires banks to prepare and submit their comprehensive action plans for restoring the NPLs on the basis of a template developed by the NBT. These action plans must include relevant supporting data on NPLs and credit classifications to ensure that such planned actions to reduce NPLs is feasible and will be implemented effectively. Such action plans must be approved by the supervisory boards of the relevant banks, and their implementation must be actively monitored by the supervisory boards no less frequently than once per month. The supervisory boards of the banks must be prepared to intervene, if necessary, to ensure that the action plans are timely implemented, taking into account any changes in the operating environment. The supervisory boards must keep the NBT informed of their progress.

Following the IMF's Article IV mission to Tajikistan in May 2017, the IMF stated that it supported the improvements made in banking regulation and supervision, monitoring of systemic banks' asset quality and implementing resolution plans for two of them. Also, it welcomed the increase in financial inclusion. Further, it urged early action to strengthen the bank resolution and emergency liquidity assistance frameworks, measures to assure sustainable viability of the two systemic banks, and to develop strategies to address NPLs and improve transparency in the banking sector.

Banking Sector Supervision

Key Prudential Requirements

The basic prudential norms for the Tajikistan banking sector are set out in Regulation 176 of the NBT. It covers capital adequacy, liquidity, large exposure limits, lending to related parties, shares in other entities and currency position limits. The capital adequacy regime is based on Basel I, but it also includes a minimum leverage ratio of 10%. The risk-weighted capital adequacy ratio is set at 12%. The short-term liquidity ratio is set at a minimum of 30% and can be up to 50% for credit institutions that failed one of the other ratios.

Regulation 215 of the NBT governs loan classification and provisioning and establishes four categories of impairment: Under Watch, Substandard, Doubtful and Bad. Provisions are calculated on the value of the collateral. The provisioning percentages are as follows: (1) Under Watch, requiring 5% provision for domestic currency exposure and 10% for foreign currency exposure; (2) Substandard, requiring 30% and 40%, respectively; (3) Doubtful, requiring 75% and 85%, respectively; and (4) Bad, requiring 100% and 110%, respectively. For the unsecured part of NPLs, 100% provisions are required. A provision of 30% over the discounted amount is required when a bank is forced to take collateral onto its balance sheet. Provision percentages are increased by 1%-7% depending on the loan category if the client has refused to provide information to the credit bureau. If collateral is not sold within 12 months, the value is reduced to zero.

Rules on risk management and internal controls are extensive. These cover areas such as, the structure and responsibilities of the internal control and internal audit systems, stressing the oversight responsibility of the bank's board and the quality of its management. Detailed criteria are given for the assessment of how the banks deal with operational risk, business continuity plans, credit risk assessment, mortgage lending, dealing with financial instruments, stress testing, and asset and liability management. Banks are required to report annually to the NBT as to their compliance with these standards.

Anti-Money Laundering

Tajikistan has a legal framework and institutional structures to combat money laundering. Tajikistan is not subject to any U.S. or international anti-money laundering sanctions or penalties.

In recent years, Tajikistan has established a comprehensive legal and regulatory AML/CFT system and adopted several measures necessary to effectively prevent and repress money laundering and terrorist financing. These included the adoption of the AML/CFT Law and amending the Criminal Code, the Law on Banking and other sectorial laws, bylaws, and guidance. In February 2010, the Financial Monitoring Department of the NBT (the financial intelligence unit) was established. In July 2012, the Tajik Financial Intelligence Unit (FIU) became a member of the Egmont Group, meeting the legal and operational requirements related to its status, core functions, data protection, and ability to exchange information with foreign competent authorities.

An Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) assessment of Tajikistan was carried out by the World Bank in 2007. In addition, the mutual evaluation report was adopted by the Eurasian Group (EAG), of which Tajikistan is a member, on combating money laundering and financing of terrorism. Due to the identified strategic deficiencies in such assessment, the EAG placed Tajikistan under the enhanced follow-up procedure and, in June 2011, the Financial Action Task Force (“FATF”) included Tajikistan under its targeted review. However, in October 2014 the FATF noted that Tajikistan had made significant progress in improving its anti-money laundering and countering financing of terrorism regime and had established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that had been identified, and accordingly Tajikistan is no longer subject to the FATF’s monitoring process under its on-going global AML/CFT compliance process. In November 2014, the EAG also removed Tajikistan from its enhanced follow-up procedure.

Insurance Sector

The insurance sector in Tajikistan is small and at a developmental stage. 22 insurance companies currently operate in Tajikistan, two of which are state owned. There are no foreign owned insurance companies registered in Tajikistan. Until October 2016, the insurance sector was supervised by the State Insurance Supervision Service, which was a subdivision of the Ministry of Finance. Currently, pursuant to a presidential decree, supervisory authority for insurance activities now lies with the NBT. Life insurance is especially poorly developed, representing less than 2% of the total amount of insurance premiums.

Capital Markets

The capital market in Tajikistan is limited to an emerging government debt market in addition to the NBT’s open market operations. The government securities market is comprised of 91-day T-bills. In 2014, there were five auctions with only two auction participants: the state-owned Amonatbank and the Deposit Insurance Fund (DIF). The NBT’s open market operations are more active and include weekly auctions and instruments with maturities of 7, 14, 28, 56 and 182 days. In 2014, the NBT established Open Joint Stock Company “Tajikistan Capital Market” (100% owned by the NBT), with a mandate to develop a secondary market for government securities and to establish a new stock exchange.

In April 2015, the Central Asian Stock Exchange (“CASE”) was established as a new financial institution for organized securities trading in Tajikistan. CASE has partnered with GMEX Technologies Limited (part of the GMEX Group), a leading provider of multi-asset exchange and post-trade technology through a business enabled partnership approach that is expected to facilitate the establishment of the first fully integrated securities exchange in Tajikistan. In addition, Tajiksodirobank has registered a company under the name “Dushanbe Stock Exchange.” However, there are no market activities because the company has not yet been issued a license to operate as a stock exchange.

PUBLIC SECTOR FINANCES

Fiscal Accounts

The Law of the Republic of Tajikistan “On the Public Finances of the Republic of Tajikistan” (the “Public Finances Law”) defines the procedures governing Tajikistan’s budgetary system and regulates the preparation, adoption, execution and monitoring of the state budgetary system. The Public Finances Law also defines the budgetary relationship between the Government and the local governments. The state budgetary system consists of (i) the budgets of the state and state target funds (the “State Budget”) and (ii) local budgets.

The following table sets out the State Budget for the periods indicated. Data presentation is in accordance with international definitions and the methodology as stipulated in the IMF’s Government Finance Statistics Manual (“GFSM”) 1986 and certain elements of GFSM 2001.

	State Budget					
	For the Year Ended December 31,					
	2012	2013	2014	2015	2016	2017 ⁽¹⁾
	<i>(TJS million)</i>					
Total Revenue and Grants	9,243	11,328	13,575	14,699	15,468	19,569
Total Revenue	8,801	10,379	12,883	13,024	14,123	15,710
Current Revenues	7,781	9,200	11,413	12,106	12,757	14,338
Tax Revenues	7,102	8,432	10,341	10,613	11,244	13,202
Income Tax	1,306	1,617	1,901	2,307	2,379	2,859
Social Tax	866	987	1,308	1,336	1,383	1,620
VAT	3,402	4,128	5,158	4,944	5,086	5,515
Other Taxes	1,528	1,701	1,975	2,027	2,396	3,208
Non-Tax Revenue	679	768	1,072	1,412	1,513	1,136
Income from Property and Enterprises	158	146	220	286	253	282
Duties and Administrative Fees	48	54	51	112	95	148
Fines	236	277	473	672	702	345
Other Non-Tax Revenue	237	291	328	342	462	361
Budgetary Organization	1,020	1,178	1,469	918	1,365	1,372
Grants	443	949	693	1,675	1,345	2,151
Public Investment Program	347	754	661	1,265	1,345	1,785
Budgetary Support	96	195	31	410	-	366
Total Expenditures	9,108	11,592	13,191	16,043	18,128	19,863
Current expenditure	6,441	8,377	9,164	11,427	12,723	14,921
Wages and salaries	2,049	2,711	3,209	3,352	3,789	4,352
Goods and services	2,334	3,290	3,325	5,542	5,994	7,393
Subsidies and transfers	1,745	2,013	2,172	2,231	2,572	2,682
Interest	314	362	458	302	367	495
Capital Expenditure	2,584	3,136	3,633	4,188	4,793	3,585
Other Expenditures	83	79	393	428	613	818
Primary Fiscal Balance	449	99	843	(1,042)	(2,293)	(968)
Total Fiscal Balance	135	(263)	384	(1,344)	(2,660)	(1,462)
Financing						
External (net)	106	134	136	145	159	41
Disbursements	75	100	105	113	123	31
Amortization	31	34	32	31	34	10
Domestic (net)	53	48	51	62	49	7
NBT ⁽²⁾	37	22	24	21	14	0
Treasury bills	17	25	26	41	36	7

(1) Figures as per 2017 State Budget.
Source: Ministry of Finance.

The State Budget had deficits of 2.8% and 4.9%, respectively, in 2015 and 2016. Fiscal surpluses were recorded in 2012, 2013 and 2014. The 2017 State Budget provides for a deficit of 2.5% of GDP.

Where a State Budget is adopted with expenditures exceeding revenues, sources of financing the deficit of the relevant budget are provided for in the relevant State Budget Law. The sources of financing the deficit of the State Budget include internal sources, including privatization and use of state property, issuance of T-bills, and external sources, including loans or grants from international financial institutions.

In 2015 and 2016, the State Budget performance was adversely affected by external economic turmoil. Due to lower than anticipated tax revenue, the level of the fiscal deficit increased from 2.8% of GDP in 2015 to 4.9% of GDP in 2016. The lower than expected tax revenue was attributable to a reduction in domestic consumption and investment related to a slowdown in economic activity. The increase in the level of the fiscal deficit from 2015 to 2016 was also attributable to increased capital expenditure related to the Rogun HPP project and increases in wages and pensions.

Budget Process

Budget Preparation and Adoption

In accordance with the Public Finances Law, the process of drafting the State Budget is carried out in two stages.

The first stage is the preparation of the “Main directions of the Financial Policy and the State Budget of the Republic of Tajikistan for the medium-term period”, which occurs during the period from February 1 to June 1 of the relevant budget year. At the first stage, the Ministry of Finance, with the participation of the Ministry of Economic Development and Trade of the NBT and other certain ministries and departments, develops the draft main directions of fiscal policy for the period of budgetary planning, the caps on revenues and expenditures (on the principles and in the format of the “Medium-term Expenditure Framework”) and submits them for consideration of the Standing Budgetary Commission.

At the first stage, the main components of fiscal policy for the medium term are developed based on the Public Finances Law; the Law “On other Mandatory Payments to the Budget”; the Tax Code; the Customs Code; speeches, decrees, commissions and orders of the President; Government resolutions; national, sectorial and regional strategies and development programs; medium-term forecasts of socio-economic development; and analysis and evaluation of budget execution.

During the first stage of planning the draft budget, the Ministry of Finance organizes the work on basic expenditures by sectors; proposals on new initiatives (including new investment projects); and proposals of expenditure ceilings by sectors and the main administrators of budgetary funds, which are budgetary organizations responsible for the particular sectors of the budget. The Ministry of Finance submits all documents on the main directions of fiscal policy for the medium term to the Standing Budgetary Commission under the Government.

The Government, after reviewing the main components of the fiscal policy for the relevant budget year, approves them after making any changes and additions it determines are required. After approval of the main components of the financial and credit and tax policies for the relevant budget year by the Government’s Budget Commission, the Ministry of Finance brings the expenditure caps on the aggregated budget classification indicators to the main administrators of budgetary funds.

The second stage (which occurs during the period from July 1 to September 20) is the detailed formation of the relevant annual law on the State Budget (a “State Budget Law”), consisting of drafting the State Budget itself in accordance with the caps on expenditures for the main administrators of budgetary funds at all levels, approved by the Government’s Budget Commission, including development of a forecast of budget indicators for the next two years.

At the second stage, in accordance with the procedure and timeframes fixed by the Ministry of Finance, the main administrators of budgetary funds responsible for the development and implementation of public policy in the sectors of the budgetary sphere establish the medium-term strategies for the budget expenditures of the relevant sectors, and submit them to the Ministry of Finance, and allocate budgetary expenditures in accordance with the budget classification, formulate budgetary applications and submit them to the Ministry of Finance.

The Ministry of Finance then forms a consolidated structure of expenditures on aggregated indicators of budget classification, drafts the State Budget Law for the relevant year and an explanatory note to it and submits them to the Government. The explanatory note to the draft Budget Law contains specified main directions of the financial and credit and tax policy, characteristics of expenditures by sectors of the budgetary sphere and other information necessary to consider the draft State Budget Law.

The Government considers the draft State Budget Law along with the necessary enclosed documents and materials, and after approval, submits it to Parliament for formal approval.

Budget Execution and Monitoring

After the annual State Budget becomes law, the Government issues an implementing decree on its execution, which includes quarterly breakdowns of revenues and expenditures. The Ministry of Finance is responsible for managing the execution of the State Budget, which sets out targets for revenues and expenditures, as well as caps on domestic and foreign borrowing and other sources of deficit financing. The expenditure levels as set forth in the State Budget are annual spending limits with breakdowns for each line item. Upon adoption of the State Budget, the Ministry of Finance promulgates annual, quarterly and monthly allocation targets for each line item. Within the annual spending limits, the Government may, and often does, reallocate funds between line items.

Fiscal Policy and Reforms

In accordance with Article 27 of the Public Finances Law, the Government must ensure the implementation of a unified financial, fiscal, budgetary and monetary policy. According to the Article 30 of the Public Finances Law, the Ministry of Finance is authorized to determine the main directions of the financial and fiscal policy and to present them in the Government. Since 2012, Government financial statistics have been prepared and reported in accordance with the guidelines and definitions set out in the IMF's Government Finance Statistics Manual ("GFSM 2001").

Budget financing of social expenditures, including wages, scholarships, pensions, social assistance and utilities, has been provided in full and on time in each of the past 17 budget years, as these items of expenditure are protected items of the State Budget and are not subject to reduction under any scenario of the country's economic development. In addition, expenditures for servicing internal and external debt have been paid in full in accordance with the State Budget in these budget years.

The fiscal policy of Tajikistan covering 2016 and the subsequent medium-term period is to ensure stable economic growth by achieving budgetary sustainability, reducing the fiscal deficit and maintaining the level of Government debt at a level that is safe for the country. The selected course of fiscal policy is aimed at keeping the fiscal deficit in the medium term at a safe level within the framework of debt sustainability. To achieve this goal, a budget consolidation policy is implemented through implementing measures to increase revenues, both by improving traditional mechanisms and by seeking alternative sources of income, by restraining and optimizing the State Budget expenditures, using budget resources within the limits of opportunities, and ensuring a careful and thoughtful budget process. With the assistance of the ADB, the Government has adopted a strategy for measures to improve the budgetary sector and reduce the deficit of the State Budget for 2017 and the mid-term period 2018-2020. Under this strategy, fiscal policy will be aimed at consolidating the budget with a target State Budget deficit at the level of 2.5% of GDP in 2017 and its retention in the medium term at a safe level within the framework of debt sustainability.

2017 State Budget

On October, 28, 2016, the State Budget for 2017 was passed by Parliament. The 2017 State Budget provides for expenditure of TJS 19.9 billion (plus principal payments on external debt of TJS 539 million) and revenues of TJS 19.6 billion (plus credits for investment projects of TJS 1.7 billion). Social welfare spending accounts for TJS 9.1 billion, representing 45.8% of budget expenditure; TJS 3.2 billion has been allocated to social insurance; TJS 3.5 billion has been allocated to education; TJS 1.4 billion has been allocated to the health sector; TJS 822 million has been allocated to the culture sector; TJS 3.3 billion has been allocated to the energy sector; TJS 583.4 million has been allocated to agriculture, hunting and fisheries; TJS 702 million has been allocated to environmental protection, forestry and housing and communal services; TJS 137.1 million has been allocated to the construction and industrial sectors; TJS 1.4 billion has been allocated to transportation and infrastructure; and TJS 1.1 billion has been allocated to expenditures on public management personnel and government agencies. TJS 3.5 billion has been allocated to investment projects being implemented in cooperation with international financial institutions. Other budgeted expenditures are TJS 2 billion.

The 2017 fiscal deficit is projected to amount to 2.5% of GDP, based on a GDP projection of TJS 58.9 billion and an assumed inflation rate of 7.0%. For purposes of the budget the TJS: US\$ exchange rate is assumed to be TJS 9.16: US\$1.00. The expected decrease in the fiscal deficit in 2017 as compared to 2016 is attributable in part to the recent completion, and the expected completion prior to the end of 2017, of certain major projects funded by Chinese loans, including the Dushanbe CHPP-2, a railway linking Dushanbe to the southern part of the country, and a plant in the Yavan district for the production of cryolite, aluminum fluoride and sulfuric acid used in the production of aluminum. See *“The Tajikistan Economy – Principal Sectors of the Economy – Manufacturing.”* If the revenue collection plan is fully implemented and grants are received for budget support in the State Budget for 2017, the overall fiscal deficit is expected to decrease in 2017 as compared to 2016.

Revenues

The Government’s principal sources of fiscal revenue are taxes, in particular, VAT, income tax, social tax and profit tax. All taxes under the Tax Code other than value added tax (“VAT”) and excise tax are direct taxes. Tax revenue accounted for 76.8%, 74.4%, 76.2%, 72.2% and 72.7%, of total budget revenues in 2012, 2013, 2014, 2015 and 2016, respectively. Non-tax revenue consists of income from property and enterprises, duties and administrative fees, fines and other non-tax revenues. The special fund of budgetary organizations refers to the payment for services such as universities tuition fees and consular fees by budgetary organizations.

Total revenues have increased over the past five years, from TJS 8.8 billion in 2012 to TJS 14.1 billion in 2016. In 2016, actual total budget revenue was TJS 14.1 billion, representing 95.7% of, or TJS 781.1 million less than, total revenues as set out in the State Budget for 2016.

Budget revenues in 2016 were adversely impacted by a decrease in imports by 11.8% in U.S. dollar terms in 2016 as compared to 2015. As a result of a decrease in foreign trade turnover, which accounts for a substantial share of external tax revenue, proceeds to the budget from such key taxes as external VAT, excise duties and customs duties were significantly lower than expected in 2016. In addition, a shortfall in grants from a number of donor organizations contemplated for budgetary support had a negative impact on the budget revenues in 2016. As a result of protracted negotiations and discussions on grant terms with the World Bank, the ADB and the EU, expected grants totaling TJS 348 million (0.6% of GDP) were not received during 2016. Budget revenues in 2016 were also adversely affected by the depreciation of the somoni by 27.1% relative to the U.S. dollar during 2016.

Tax revenues decreased from 21.9% of GDP in 2015 to 20.6% of GDP in 2016. In 2016, tax revenues were TJS 11.2 billion and were comprised of the following:

- VAT accounted for TJS 5.1 billion, representing 9.3% of GDP and 36.0% of budget revenues;
- Income tax accounted for TJS 2.4 billion, representing 4.4% of GDP and 16.8% of budget revenues;
- Social tax accounted for TJS 1.4 billion, representing 2.5% of GDP and 9.8% of budget revenues;

- Profit tax accounted for TJS 1.0 billion, representing 1.8% of GDP and 3.0% of budget revenues; and
- Taxes paid under the simplified taxation system accounted for TJS 0.5 billion, representing 0.9% of GDP and 3.0% of budget revenues.

Expenditures

The Government's largest areas of expenditure are: (i) social welfare, which accounted for 45.8% of total budget expenditures in 2016; and (ii) capital expenditures, which accounted for 17.3% of total budget expenditures in 2016. Social welfare includes retirement, survivor and disability pensions, unemployment compensation, allowances to parents of newborn children, as well as certain other social disbursements, and general public services include interbudgetary transfers to local governments and expenses on legislative and executive affairs, financial and fiscal affairs, general research and other administrative expenses.

Total State Budget expenditures were TJS 9.1 billion, TJS 11.6 billion, TJS 13.2 billion, TJS 16.3 billion and TJS 19.1 billion in 2012, 2013, 2014, 2015 and 2016, respectively. Total State Budget expenditure as a percentage of GDP was 25.2%, 27.7%, 28.3%, 32.4% and 35.1% in 2012, 2013, 2014, 2015 and 2016, respectively. During the period from 2012 to 2016, the social orientation of the State Budget was maintained, ranging from 49% to 57.5% of the total State Budget expenditures.

Capital expenditures by the Government were TJS 2.5 billion, TJS 3.1 billion, TJS 3.6 billion, TJS 4.2 billion and TJS 4.8 billion in 2012, 2013, 2014, 2015 and 2016, respectively, and were primarily in the energy and transportation sectors in those years. In 2016, expenditures on health were 2.1% of GDP and expenditures on education were 5.0% of GDP. The Government plans for these percentages to increase to 4.4% and 7.0%, respectively, by 2020.

Foreign currency expenditures of the State Budget increased in somoni terms but decreased in U.S. dollar terms from US\$191.2 million in 2015 to US\$161.5 million in 2016, due to depreciation of the somoni between those years. TJS 20.5 million of such increase in somoni terms was attributable to foreign economic activities, TJS 53.3 million attributable to payment of loan principal, TJS 32.53 million attributable to payment of loan interest and TJS 12.8 million attributable to the Government's share in the implementation of investment projects. The increases were in part attributable to the depreciation of the somoni that occurred between 2015 and 2016.

Budget expenditure on the social sector and housing and communal services was TJS 5.0 billion, TJS 6.6 billion, TJS 7.6 billion, TJS 8.0 billion and TJS 8.9 billion in 2012, 2013, 2014, 2015 and 2016, respectively. Such expenditure represented 55.3%, 56.8%, 57.5%, 49.0% and 49.2% of total budget expenditures in 2012, 2013, 2014, 2015 and 2016, respectively. Such expenditure represented 13.9%, 16.3%, 16.6%, 16.5% and 16.4% of total GDP in 2012, 2013, 2014, 2015 and 2016, respectively.

The following table sets out budget expenditures on the social sector and housing and communal services by type for the periods presented.

	For the Year Ended December 31,					
	2012	2013	2014	2015	2016	2017 ⁽¹⁾
	<i>(TJS million)</i>					
Education	1,540.6	2,111.6	2,353.9	2,539.3	3,140.0	3,581.0
Health	683.4	836.5	974.7	1,037.2	1,158.2	1,440.8
Social insurance and social protection	1,781.9	2,088.9	2,444.5	2,637.4	2,739.3	3,249.3
Culture and sport	443.6	469.2	476.1	574.3	591.3	822.1
Housing and communal services	585.4	1,083.2	1,331.3	1,183.3	1,296.1	702.9
Total social sector and housing and communal services	5,034.9	6,589.4	7,580.4	7,971.6	8,924.8	9,796.1

(1) Figures as per 2017 State Budget.
Sources: Ministry of Finance.

The Government's "Strategy of measures aimed at rehabilitation of the budgetary sector and decreasing the fiscal deficit in the Republic of Tajikistan for 2017 and the midterm period for 2018-2020" provides for social expenditure in the State Budget in 2017-2020 to be maintained within the range of 45-50% of total budget expenditures.

Tax Collection

The process of tax collection, statistics of tax evasion and control over observance of tax discipline is carried out by the Tax Committee under the Government in accordance with applicable legislation. The Tax Code provides for the following measures to ensure the discharge of a tax liability that is not satisfied on time by the taxpayer:

- accruing of interest on the amount of taxes not paid on time;
- suspension of withdrawals from the taxpayer's bank accounts at credit institutions;
- recovery of tax liabilities from funds in bank accounts of the taxpayer and (or) its debtors, as well as cash of the taxpayer; and
- recovery of tax liabilities from seizure and sale of the property of the taxpayer.

The bodies supervising compliance with the Tax Code are the Tax Committee and the Customs Service under the Government.

Tax Reforms

Reform implemented in the field of tax policy is primarily aimed at creating favorable conditions for business development in the country and attraction of investments.

With a view to improving and strengthening the tax system, a new version of the Tax Code was introduced effective from January 1, 2013, taking into account local and international experience with the involvement of experts, representatives of ministries and departments and representatives from the business community, and with the participation of international financial organizations. The new Tax Code provides for the simplification and transparency of taxation and reporting procedures, in order to increase the efficiency and fairness of taxes and ease the burden on taxpayers. In the new Tax Code, the number of taxes was rationalized from 21 to 13. In addition, the quantity of tax code provisions was reduced and the code simplified. The new Tax Code is tailored to the current socio-economic conditions of the country, and it is intended to create a strong regulatory and legal framework for the development of Tajikistan's economy and attraction of investments.

Since the adoption of the new Tax Code, a number of further changes and additions have been made that have positively affected the development of the economy of the Republic. In particular, the Tax Code and other legislation have been amended in 2016-2017, including the following:

- the tax on the sale of raw cotton was terminated as of June 1, 2016;
- the rate of profit tax was reduced from 15% to 13% as of January 1, 2017 for production of goods and from 24% to 23% for all other sectors;
- the VAT rates were lowered for construction enterprises, public catering and educational institutions, to a rate of 5% for the period from January 1, 2017 to December 31, 2018;
- beginning on January 1, 2017, the threshold for transition to the general taxation regime was increased and the threshold for registration as a VAT taxpayer was increased from TJS 500,000 to TJS 1 million;

- from January 1, 2017, the customs rates for the import of certain new cars were decreased by 50% from the previous rates;
- an exemption from VAT was introduced for imports of equipment and building materials for tourist facilities, including hotels, medical sanatoria and resorts, tourist centers and other tourist facilities;
- rules were modified to permit the release of income from tourism activity within five years from the date of state registration; and
- an exemption from VAT was introduced for imports of agricultural equipment, production and technological equipment, medicines, medical and pharmaceutical equipment and medical instruments.

Sovereign Welfare Fund

The Sovereign Welfare Fund is a part of the mechanism of providing pensions to citizens and is intended to ensure the stability of the pension system. The Sovereign Welfare Fund operates pursuant to the Resolution of the Government of the Republic of Tajikistan “On strengthening the social assistance to the poor families and citizens” dated August 1, 2008. According to this Resolution, every year when the State Budget is adopted, an amount for payment to poor families is included in the budget expenditures. The amount allocated pursuant to this Resolution was TJS 28 million in 2016. See also “*The Tajikistan Economy – Poverty.*”

State-Owned Enterprises

Pursuant to Resolution of the Government No. 495 dated April 15, 2012, 24 enterprises meet the criteria of enterprises that must submit annual financial reports to the Ministry of Finance. These include Barki Tojik, TALCO, six large enterprises in the field of aviation services (Tajik Air, Tajikaeronavigation and four airports), three companies in the field of public utilities (Housing and Communal Services, Dushanbe Vodokanal and Khudzhand Vodokanal), three companies in the communications and telecommunications field (Tajiktelecom, Tajik Post and Teleradiocom) and other enterprises in the industrial sector. State-owned enterprises are fully owned by the state and are divided into two groups: State Unitary Enterprises and Open Joint-Stock Companies. They carry out their activities in accordance with the requirements of the laws “On State-Owned Enterprises” and “On Joint Stock Companies.” The major state-owned banks are Amonatbank (99.8% state-owned), Agroinvestbank (87% state-owned) and Tojiksodirobank (86% state-owned), the latter two banks having been partially nationalized in December 2016.

Barki Tojik and TALCO receive significant transfers from the State Budget, and Barki Tojik provides electricity to TALCO at substantial discounts. State-owned enterprises do not pay dividends. Instead, the Government has a right to receive part of the income they generate in the form of transfers to the State Budget. Transfers of such income to the State Budget are regulated by Resolution of the Government No. 499, dated November 2, 2013.

Barki Tojik

Barki Tojik, a vertically integrated electricity monopoly which distributes electricity to approximately 99% of the grid-connected consumers in the country and is the operator of the Nurek HPP, is 100% owned by the Republic. Barki Tojik had total revenues of TJS 1.5 billion in 2016. Approximately 37% of the external Public Debt of the Government as of December 31, 2016 was on-lent to Barki Tojik. Barki Tojik is the implementing agency in Tajikistan for the CASA-1000 project. See “*The Tajikistan Economy – Principal Sectors of the Economy – Energy – Electricity.*”

TALCO

TALCO, which is 100%-owned by the Republic, is Tajikistan's largest state-owned enterprise and is the largest aluminum manufacturing plant in Central Asia. The following table sets forth information on TALCO's operating results from 2012 to 2016.

TALCO Operating Results

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
			(US\$ million)		
Gross sales	148.1	110.4	58.5	150.2	59.2
Profit before tax	(55.3)	(107.8)	(78.6)	(12.2)	(31.2)

Source: Ministry of Finance; extracted from TALCO's audited financial statements for 2012 and 2013 (audited by OOO "Moore Stephens") and TALCO's unaudited financial statements for 2014, 2015 and 2016.

TALCO has operated below its production capacity in recent years due to the collapse in global aluminum prices and the need for modernization, and the company is currently loss-making. From 2012 through 2016, the amounts of transfers from TALCO to Government have not been material. See "*The Tajikistan Economy – Principal Sectors of the Economy – Manufacturing.*"

Rogun Hydropower Plant and CASA-1000 Projects

The Rogun Power Plant project and the CASA-1000 project are considered be of high strategic importance to Tajikistan because they will achieve energy security for the country and will also enable fuller utilization of Tajikistan's extensive hydropower resources through the exporting of electricity. See "*Risk Factors – Risks Relating to Tajikistan – Risks Relating to Rogun Hydropower Plant Project*" and "*The Tajikistan Economy – Principal Sectors of the Economy – Energy – Electricity.*"

Rogun Hydropower Plant Project

The total estimated cost of the Rogun HPP project following its re-launch in 2016 consists of (i) costs for pre-contract works in the amount of approximately US\$400 million, which were paid by the Government in 2016-2017 and (ii) US\$3.9 billion of contractual construction costs.

Under an Agreement in Principle entered into between OJSC Rogun HPP and Salini on July 1, 2016, the total cost of the project will not exceed US\$3.9 billion (excluding VAT), approximately US\$200 million of which has already been paid, approximately US\$1.7 billion of which is expected to be payable in 2017-2020 and approximately US\$2.0 billion of which is expected to be payable in 2021-2028, with projected payments allocated to stages of the project as follows (figures excluding VAT), with the specific timing and amounts of payments being linked to particular performance milestones:

- Lot 1 (principally purchase of equipment and machinery and certain installation works): US\$345 million, which is projected to be payable in stages between 2018 and 2024;
- Lot 2 (Dam construction): US\$1.95 billion, approximately US\$200 million of which had been paid through August 1, 2017 and the remainder of which is projected to be payable in stages between 2017 and 2028;
- Lot 3 (Right bank construction): US\$1.22 billion, which is projected to be payable in stages between 2017 and 2028; and
- Lot 4 (Left bank construction): US\$381 million, which is projected to be payable in stages between 2017 and 2025.

The construction contract between OJSC Rogun HPP and Salini, dated June 16, 2016 (the "Salini Contract"), covers only Lot 2 of the project (construction of the dam) and provides for total payment to Salini in the amount of US\$1.95 billion. OJSC Rogun HPP has entered into an agreement in principle with Salini providing that Salini will also be selected for the remaining lots of the project; however, the contract in respect of such remaining lots has not yet been signed. The project is planned to be fully completed in 2032.

Financing to reach Early Generation Milestone. According to current plan for the Rogun HPP, the first turbine is expected to begin to generate power in December 2018 and the second turbine is expected to begin to generate power in April 2019. The beginning of operations of the first two turbines is considered to be a key milestone in the implementation of the project (the “Early Generation Milestone”), as it will enable the plant to begin generating revenues from electricity exports. Payments in the amount of US\$873 million are estimated to be required to be made by OJSC Rogun HPP to Salini and other contractors prior to the Early Generation Milestone. The first disbursement of the Proceeds Loan will be made shortly after the closing date in the amount of approximately US\$250 million.

Financing after Early Generation Milestone. Financing for subsequent phases of the project after the Early Generation Milestone is expected to be obtained from cash flow from operations of the plant and from external financing sources. See “*Risks Related to Tajikistan – Risks Relating to Rogun Hydropower Plant Project.*” The remaining four turbines are currently expected to begin generating power at stages beginning in April 2024, with all six turbines expected to be operational from April 2025.

Power generation projections. The following are the current projections for power generation by year for the Rogun HPP for the first 10 years of its operations, based on assumptions that the turbines will become operational in line with the timeline described above and that the CASA-1000 system will be used for transmitting electricity starting in 2021.

	For the Year Ended December 31,									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027 ⁽¹⁾
Power generation (Projected) (GWh)	86	2,392	2,778	2,783	3,131	3,945	7,975	9,624	10,281	10,336

(1) Projected power generation in 2032 is 13,149 GWh.
Source: OJSC Rogun HPP.

Financial information of OJSC Rogun HPP. According to OJSC Rogun HPP’s annual financial statements for 2016 prepared in accordance with International Financial Standards, as of December 31, 2016, it had total assets of TJS 10.8 billion (approximately US\$1.4 billion), total liabilities of TJS 729 million (approximately US\$92.6 million) (mainly accounts payable for goods and construction works) and total equity of TJS 10.1 billion (approximately US\$1.3 billion), including total share capital (fully-paid) of TJS 9.9 billion (approximately US\$1.3 billion).

Taxes and duties. For the period of construction of the Rogun HPP, both Salini and OJSC Rogun HPP are exempt from Tajikistan income tax, VAT, road tax, vehicle tax, real estate tax, social tax on foreign citizens and state duties. In addition, the import of goods for the construction of the Rogun HPP is exempt from Tajikistan VAT and customs duties.

CASA-1000 Project

The CASA-1000 electricity transmission system is being constructed by the four participating countries, with each country bearing the cost of the facilities in its own country. The project is currently expected to be completed by 2020. Tajikistan's share of the project cost is approximately US\$365 million. Barki Tojik, the state-owned operator of the Tajikistan electricity transmission and distribution system, which is the implementing agency in Tajikistan for the CASA-1000 project has obtained the following financing for Tajikistan's share of the costs of the CASA-1000 project:

Source	Type	Amount (US\$ million)
International Development Association (IDA)	Grant	45.0
Islamic Development Bank	Loan	70.0
European Investment Bank	Loan	79.0
EBRD	Loan	110.0
UK Department for International Development	Grant ⁽¹⁾	38.5
USAID	Grant ⁽¹⁾	7.5
Direct payment by Government of Tajikistan	Grant ⁽²⁾	15.0
Total financing provided to date		365.0

(1) Funds transferred through multi-donor trust fund.

(2) Represents funds that may be allocated by the Government if necessary.

Source: *Project Management Group for Energy Facilities Construction under the President of the Republic of Tajikistan.*

Based on existing transmission lines, Tajikistan currently is able to export electricity to Afghanistan, Kazakhstan, Uzbekistan, Kyrgyzstan and Turkmenistan. Through the CASA-1000 network, it is expected to be able to export electricity to Pakistan beginning in 2020. Tajikistan does not expect to utilize the CASA-1000 network until after the Rogun HPP has begun production.

In 2015, Tajikistan signed master power purchase agreements with the four CASA-1000 countries, which agreements are valid for 15 years. The agreements provide for the transmission of electricity by Tajikistan and Kyrgyzstan in the amount of up to 12,000 GWh per year with additional generating capacities. Pakistan is expected to be the main importer of energy under the CASA-1000 project. Under the terms of the master power purchase agreements, Tajikistan has 70% of the total transfer capacity rights; there is a "take or pay" summer energy feature, whereby Tajikistan is obligated to provide Pakistan 2,800 GWh per year of summer energy and "take or pay" for winter energy; tariffs specified for each country are indexed to the U.S. CPI and payments in hard currency; and the prices paid by Afghanistan and Pakistan for electricity include the cost of all transmission, security and other services related to the supply. The agreements provide for the transmission of a minimum amount of electricity at an agreed price, with the price for any additional amounts of electricity being subject to negotiation at the time they are agreed. The current master power purchase agreement between Tajikistan and Afghanistan, which was entered into by Barki Tojik and the National Electricity Supply Company of Afghanistan, and applies to transmission through existing transmission lines, provides for a price of 9.31 U.S. cents per kWh of electricity as at the signing date, with the price to be indexed annually according to the U.S. CPI. According to the Decree of the Intergovernmental Council of the CASA-1000 project dated December 1, 2014, the cost of transmission of 1 kWh through the CASA-1000 transmission lines is set at 5.15 U.S. cents for Pakistan and 5.1 U.S. cents for Afghanistan, without taking into account costs and return on investment. These figures are subject to annual indexation according to the U.S. CPI, starting from January 1, 2015.

PUBLIC DEBT

General

The Law “On Public Debt and Public-Guaranteed Borrowing”, dated May 11, 1999 (the “Law on Public Debt”) defines the public debt of Tajikistan (the “Public Debt”) as the amount of outstanding borrowings of which the Government or the NBT acts as the borrower. Public Debt is comprised of domestic debt of the Government, external debt of the Government, external debt of the NBT and external debt of ministries, offices and other economic subjects. Public Debt includes guarantees. Public Debt may be incurred to finance the fiscal deficit and provide liquidity to the Government, to support the balance of payments and replenish Tajikistan's foreign reserves and to develop the country's market for domestic Government debt. The Law on Public Debt expressly prohibits borrowing by local governments.

As of June 30, 2017, total Public Debt amounted to US\$3.0 billion, of which US\$2.3 billion was external Public Debt and US\$0.7 billion was domestic Public Debt. Public Debt as a percentage of GDP was 36.1%, 32.8%, 27.9%, 33.3% and 44.8% in 2012, 2013, 2014, 2015 and 2016, respectively. The increase in Public Debt as a percentage of GDP from 2015 to 2016 was attributable to the effects of the depreciation of the somoni that occurred in 2015 as well as the issuance of Government bonds to the NBT in connection with the recapitalization of distressed banks in December 2016.

Public Debt figures do not take into account the Government’s deposits held at the NBT, which were TJS 3.6 billion (approximately US\$408.6 million) (of which TJS 1.9 billion was in somoni and TJS 800.4 million was in other currencies) as of June 30, 2017, as compared to TJS 2.7 billion (approximately US\$343.2 million) (of which TJS 2.7 billion was in somoni and TJS 851.8 million was in other currencies) as of June 30, 2016.

The State External Borrowing Program of the Republic of Tajikistan for 2017-2019 (the “SEBP”), which was approved by the Government on October 28, 2016, provides for 58 active borrowing projects and 98 potential borrowing projects under consideration. According to the SEBP, the amount of borrowed external funds is to be US\$206.4 million in 2017, US\$203.5 million 2018 and US\$265.7 million in 2019. Since the SEBP was approved, the Government and Parliament have authorized the issuance of the Notes, and a new SEBP for 2018-2020, which is expected to be approved in November 2017, will reflect increased external borrowing amounts taking into account the issuance of the Notes and the Government’s other anticipated borrowings. The issue of the Notes has been authorized by the Government pursuant to the Decree of the Government of the Republic of Tajikistan “On the circulation of state securities in the international financial markets” No. 292 dated June 13, 2017, the Resolution of the Representative Assembly of the Supreme Assembly No. 834 dated June 21, 2017 and the Resolution of the Representative Assembly of the Supreme Assembly No. 864 dated August 28, 2017.

The following table sets forth the composition of Tajikistan's Public Debt as of the dates indicated.

	Public Debt					As of June 30,
	As of December 31,					2017
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million, unless indicated otherwise)</i>					
Public Debt⁽¹⁾	2,750.49	2,796.1	2,577.8	2,611.1	3,116.2	3,048.2
Domestic Public Debt ⁽²⁾	582.0	607.7	481.9	416.6	744.8	822.3
External Public Debt	2,168.9	2,188.4	2,095.9	2,194.5	2,274.1	2,303.5
- of the Government	1,963.2	1,964.9	1,878.8	1,992.6	2,125.6	2,107.8
- of the NBT	158.9	174.4	164.8	147.7	114.4	121.6
- of ministries, offices and other economic subjects	46.8	49.1	52.3	54.2	63.4	54.8
<i>of which:</i>						
- Guaranteed debt	15.3	17.6	20.8	31.9	23.1	23.3
- Non-guaranteed debt	31.5	31.5	31.5	31.5	31.5	31.5
Total Public Debt service	106.9	131.5	136.8	145.6	160.0	93.3
Total Public Debt / GDP (%)	36.1	32.8	27.9	33.3	44.8	47.4
Domestic Public Debt / GDP (%)	7.6	7.1	5.2	5.3	12.1	11.6
External Public Debt / GDP (%)	28.5	25.7	22.7	27.9	32.7	35.8
External Public Debt service / exports (%)	7.8	11.5	13.9	16.2	17.7	18.4
Memorandum items						
GDP (TJS million)	36,166.1	40,524.5	45,605.2	48,401.6	54,471.1	58,909.7
Exports (US\$ million)	1,359.4	1,163.4	977.4	890.6	898.7	458.5

(1) Includes state guarantees.

(2) Figures for Domestic Public Debt are converted into U.S. dollars, using the TJS:US\$ exchange rate at the end of the relevant period.

See "Exchange Rate Information".

Source: Ministry of Finance.

External Public Debt

According to the Law on Public Debt, external Public Debt consists of (i) debt incurred or guaranteed by the Ministry of Finance on behalf of Tajikistan and held by non-residents of Tajikistan and (ii) debt incurred by the NBT on behalf of the Government and held by non-residents of Tajikistan.

The outstanding external Public Debt was US\$2.3 billion as of June 30, 2017. As of June 30, 2017 external Public Debt was comprised of (i) debt to multilateral financial institutions of US\$758.5 million, (ii) bilateral debt to other sovereigns of US\$1.4 billion, and (iii) debts of the NBT and ministries, offices and other economic subjects of US\$177.8 million. Since 2012, the share of bilateral loans in Tajikistan's external Public Debt has been increasing and in 2016 it represented 59% of external Public Debt as compared to 33% for loans from multilateral creditors. Historically, substantially all of Tajikistan's external Public Debt has been raised on concessional terms. As of June 30, 2017, all of Tajikistan's external Public Debt was extended on concessional terms.

As of June 30, 2017, the average weighted interest rate of Tajikistan's external Public Debt was approximately 1.6% per annum and the average contractual maturity was approximately 27 years. As of June 30, 2017, approximately 98% of Tajikistan's external Public Debt portfolio carried fixed interest rates, and the remainder carried floating rates.

In 2016, the U.S. dollar was the primary currency of external Public Debt and accounted for 56% of the total external Public Debt as of December 31, 2016. Other currencies of external Public Debt as of December 31, 2016 were SDR (23%), Chinese Yuan (10%), Islamic Dinar (5%), Euro (2%), Kuwaiti Dinar (2%), Saudi Real (2%) and UAE Dirham (0.6%).

The following table shows the composition of Tajikistan's external Public Debt by type of creditor as of the dates indicated.

External Public Debt by Type of Creditor

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30, 2017
	<i>(US\$ million)</i>					
Multilateral creditors	936.6	922.7	833.2	789.0	750.3	758.5
Bilateral creditors	1,026.6	1,042.2	1,045.5	1,203.6	1,347.6	1,367.1
IMF (NBT)	140.9	158.4	147.5	130.2	107.0	101.1
China (NBT)	18.0	16.0	14.0	12.0	10.0	9.0
IDB (NBT)	0.0	0.0	3.4	5.5	4.6	4.4
EBRD and Landesbank Berlin Holding	15.3	17.6	20.8	22.7	23.1	31.9
External private enterprises	31.5	31.5	31.5	31.5	31.5	31.5
Total external Public Debt	2,168.9	2,188.4	2,095.9	2,194.5	2,274.1	2,303.5

Source: Ministry of Finance.

Multilateral creditors as of December 31, 2016 included the World Bank (US\$293.4 million; average interest rate 0.75%; longest tenor 2053), Asian Development Bank (US\$225.3 million; average interest rate 1.5%; longest tenor 2047), Islamic Development Bank (US\$109.5 million), the EDB (US\$65.3 million), OPEC Fund (US\$40.4 million), EBRD (US\$11.3 million) and European Investment Bank (US\$5.0 million).

Bilateral creditors as of December 31, 2016 included China Eximbank (US\$1.2 billion; average interest rate 2%; longest tenor 2033), Kuwait Fund for Development (US\$39.3 million), Saudi Fund for Development (US\$44.9 million), KfW (Germany) (US\$21.8 million), France (US\$24.8 million), Abu Dhabi Fund for Development (US\$13.0 million) and the United States (US\$6.5 million).

The following table shows the composition of Tajikistan's external Public Debt by the type of interest rate applicable to such debt as of the dates indicated.

External Public Debt by Type of Interest Rate

	As of December 31,					As of
	2012	2013	2014	2015	2016	June 30, 2017
	<i>(US\$ million)</i>					
Fixed interest rate	2,150.2	2,167.9	2,072.5	2,169.5	2,234.7	2,255.8
Floating interest rate	18.2	20.5	23.4	25.0	39.4	47.7
Total external Public Debt	2,168.9	2,188.4	2,095.9	2,194.5	2,274.1	2,303.5

Source: Ministry of Finance.

The following table sets forth by currency the percentage of Tajikistan's external Public Debt to its total external Public Debt as of the dates indicated.

External Public Debt by Currency

	As of December 31,				As of June 30,	
	2012	2013	2014	2015	2016	2017
	<i>(as a percentage of total)</i>					
U.S. dollar	50	58	59	54	56	56
Euro	3	2	2	2	2	2
SDR	38	31	29	26	23	23
Chinese Yuan	0	0	0	9	10	10
Other	9	9	10	9	7	9
Total External Public Debt	100	100	100	100	100	100

Note: Data excludes undisbursed amounts and non-called guarantees.
Source: Ministry of Finance.

Domestic Public Debt

Domestic Public Debt consists of Government bills, treasury bonds and T-bills issued by the Ministry of Finance and acquired by residents of Tajikistan. The interest rates on domestic Public debt are at least 8%, and they also depend on the refinancing rate and the level of inflation.

As of June 30, 2017, domestic Public Debt was TJS 6.8 billion, or 11.6% of GDP. As of December 31, 2016, domestic Public debt was TJS 6.6 billion, or 12.1% of GDP. The significant increase in domestic Public Debt from December 31, 2015 to December 31, 2016 was largely attributable to Government bonds issued to the NBT in connection with the recapitalization of distressed banks in December 2016.

The following table sets forth the composition of domestic Public debt as of the dates indicated, in US\$ millions.

Domestic Public Debt

	As of December 31,				As of June 30,	
	2012	2013	2014	2015	2016	2017
	<i>(US\$ million)</i>					
Government bills of the Ministry of Finance for the recapitalization of the NBT	58.7	84.0	105.3	103.8	96.9	82.9
Government bills of the Ministry of Finance for the recapitalization of Agroinvestbank in 2012	146.9	147.1	141.8	113.5	89.3	76.4
Treasury bills	4.2	5.2	10.1	8.1	8.3	13.1
Treasury bonds of the Ministry of Finance	32.2	32.2	31.2	24.9	19.6	16.8
Other domestic Public Debt	340.0	339.2	193.5	166.3	627.9 ⁽¹⁾	555.6 ⁽¹⁾
Total domestic Public Debt	582.0	607.7	481.9	416.6	842.1	744.8

(1) Includes Government bonds issued to the NBT in connection with the recapitalization of distressed banks in December 2016.
Source: Ministry of Finance.

Public Debt Service

The following table sets forth the total Public Debt service for the periods indicated:

	Public Debt Service					For the
						Six
	For the Year Ended December 31,					Months
	2012	2013	2014	2015	2016	Ended
						June 30,
						2017
	<i>(US\$ million)</i>					
Domestic Public Debt service⁽¹⁾						
Principal	0.5	0.3	0.3	0.4	0.5	0.0
Interest	0.3	0.2	0.3	0.5	0.4	8.8
External Public Debt service						
Principal	75.1	100.1	104.6	113.3	125.5	66.0
Interest	30.9	30.9	31.6	31.4	33.7	18.5
Total Public Debt service	106.8	131.5	136.8	145.6	160.1	93.3

(1) Figure for domestic Public Debt converted into U.S. dollars using the actual average TJS:US\$ exchange rate for 2012-2016 and the projected average exchange rate for 2017.

Source: Ministry of Finance.

In 2016, external Public Debt service was US\$159.2 million, an increase of US\$14.5 million as compared to 2015. Debt service on multilateral loans decreased from 2015 to 2016, while debt service on bilateral loans increased from 2015 to 2016, due to the increase of bilateral loans in the debt portfolio of the Republic from 2015 to 2016.

Domestic Public Debt service was TJS 171.5 million in 2012, TJS 106.5 million in 2013, TJS 119.9 million in 2014, TJS 129.2 million in 2015 and TJS 137.2 million in 2016. In 2017 it is estimated to be TJS 203.9 million. The amount of domestic Public Debt service is affected by the refinancing rate, which increased from 8% to 16% from December 31, 2015 to June 30, 2017.

The following table sets forth scheduled debt service on Tajikistan's total pro forma external Public Debt for the years indicated, not including projected payments on the Notes.

Projected External Public Debt Principal and Interest Repayment Schedule⁽¹⁾

	For the Year Ended December 31,					
	2017	2018	2019	2020	2021	2022
	<i>(US\$ million)</i>					
Principal	125.0	130.1	134.4	136.4	186.4	194.3
Interest	60.6	79.4	77.3	81.1	82.3	83.6
Total debt service on external Public Debt	185.6	209.5	211.7	217.5	268.7	277.9

(1) Debt service projections do not include projected payments on the Notes. As a result of the issuance of the Notes, actual interest payments and total debt service for the years presented will be higher than the figures presented.

Source: Ministry of Finance.

Government Guarantees

The Government issues external debt guarantees. As of June 30, 2017, the total amount of outstanding external debt guarantees was US\$31.9 million. Guarantees are approved by the Government. Criteria considered in the approval of any guarantee include the financial condition of the borrower and the feasibility of the project. Each application for a guarantee involves an assessment of the project documentation and an audit of the financial condition of the borrower. Guarantees given by the Government are included in Public Debt and are subject to the limitations on the total maximum amount of Public Debt imposed by the Decree of the Government of the Republic of Tajikistan dated May 10, 2000 on Borrowing, Government Debt and Government Guarantees.

Relationships with International Financial Institutions

Borrowings from international financial institutions have played a significant role in fostering economic and structural reforms in Tajikistan. The resources of these organizations provide long-term support for economic growth and stability of Tajikistan's financial system. Tajikistan's relationships with these organizations demonstrate its commitment to reforming certain economic areas, improving the country's investment environment and increasing the share of foreign investment in the economy.

World Bank Group

Tajikistan became a member of the World Bank in 1993. Tajikistan's partnership with the World Bank has focused on, inter alia, achieving sustained economic growth, fostering development of the private sector, improving social services, enhancing regional connectivity and protecting Tajikistan's environment. In 2017 the World Bank approved financing (co-financed with other lenders) for the first stage of the Nurek HPP rehabilitation project. The Zarafshon Irrigation Rehabilitation and River Basin Management Project is expected to be approved prior to the end of 2017. The World Bank Group's active portfolio in Tajikistan includes 21 projects totaling approximately US\$583 million (including US\$225.7 million recently committed for the Nurek HPP rehabilitation project) aimed at supporting economic growth through private-sector development, while investing in better public services for people, such as education, health, municipal services, and social protection. The Government considers small- and medium-sized enterprise development, public administration reforms and infrastructure development as priority areas for further World Bank cooperation.

Tajikistan's borrowing from the World Bank has been mainly on concessional terms through the International Development Association (the "IDA"), a member of the World Bank Group. Since 1996, the World Bank Group has provided US\$1.1 billion in grants and highly concessional credits from the IDA and trust fund resources to Tajikistan. As of June 30, 2017, the total amount of external Government debt owed to the World Bank in respect of IDA loans was US\$299.9 million.

Tajikistan became a member and shareholder of the International Finance Corporation (the "IFC"), a member of the World Bank Group, in 1994. Since that time, the IFC has invested approximately US\$155 million in 50 projects in Tajikistan across a range of sectors, including financial markets, manufacturing and mining.

International Monetary Fund (IMF)

Tajikistan joined the IMF on April 27, 1993. It has a quota of SDR 174.0 million.

Funds received from the IMF are held by the NBT to manage Tajikistan's international reserve position and by the Ministry of Finance to support Tajikistan's State Budget. As of June 30, 2017, the total amount owed by Tajikistan to the IMF was SDR 79.6 million, all of which was owed by the NBT.

Beginning in 1995, the IMF has provided concessional loans to Tajikistan for implementation of economic programs. Previously, the IMF provided concessional loans in the framework of emergency post-conflict assistance and the three-year agreement on the mechanism for reducing poverty, as well as a Stand-By Arrangement. Such previous loans totaling SDR 173.3 million have been fully repaid.

In 2009, the IMF approved an Extended Credit Facility (“ECF”) for Tajikistan in a total amount of SDR 104.4 million, Tajikistan has drawn down the full amount of the ECF, with the last disbursement in the amount of SDR 26.1 million having been made in 2012. As of March 31, 2017, the total amount of debt outstanding under Tajikistan's ECF arrangements equaled SDR 79.6 million, which represented 45.75% of Tajikistan's quota.

The IMF has been active in providing technical assistance to the Government in building national institutions and developing technical capacity. The IMF has provided technical assistance in a wide range of fields, including public debt and expenditure management, fiscal and tax policy and management, banking, monetary policy and statistics.

The most recent Article IV Executive Board Consultation was on June 1, 2015. In May 2017, an IMF mission visited Dushanbe to conduct 2017 Article IV consultation discussions. Following the consultation, the IMF commended the Government for reforms implemented in the past two years and stressed that deeper reforms are needed. The Government and the IMF mission agreed that generating inclusive growth will require prudent macroeconomic policies to lift economic confidence in addition to strong and sustained structural reforms. The IMF has stated that its staff will engage closely with the Tajikistan authorities going forward to support the efforts of the Government and the NBT to promote macroeconomic stability and inclusive growth. The IMF stated that it welcomed the Government's intention to continue discussions on a possible IMF program, and discussed steps that would demonstrate reform progress and pave the way for resumption of program negotiations.

Asian Development Bank (ADB)

Tajikistan became a member of the ADB in 1998. To date, ADB has approved approximately US\$1.5 billion in concessional loans, grants, and technical assistance to the country. Tajikistan and the ADB have entered into 69 public sector projects. The ADB has focused its investments on transportation infrastructure, the energy sector, the agricultural sector, public sector management and social welfare.

Loans from the ADB are provided on concessional terms through the Asian Development Fund (the “ADF”) and also through Ordinary Capital Resources (“OCR”).

Since its inception, the ADB has approved one private sector transaction in Tajikistan's finance sector amounting to approximately US\$11 million. Total outstanding balances and commitments of ADB's private sector transactions in the country, as of June 30, 2017, amounted to US\$2.8 million.

Tajikistan was eligible to receive only grants from ADB during 2008–2014, but moved to a grant: loan ratio from 2015. Currently, ADB has 14 active projects in Tajikistan with total financing of approximately US\$1.0 billion.

Islamic Development Bank (IDB)

Tajikistan became a member of the IDB in 1996. Tajikistan has subscribed for shares in IDB in an amount of 2.50 million Islamic dinars, which is 0.06% of IDB's total share capital. Between 1997 and 2012, the Program of IDB projects for Tajikistan, financed on a loan basis, amounted to 22 projects for a total amount of US\$324.6 million for development of the Tajikistan economy. Currently, the IDB is implementing eight investment projects in Tajikistan with total financing provided by IDB of US\$191.7 million.

Eurasian Development Bank (EDB)

Tajikistan became a full member of the EDB in 2009. Tajikistan's contribution to the EDB's share capital is US\$500,000. The EDB supports energy projects by providing expert assistance and technical assistance for development of necessary feasibility studies, as well as for the subsequent participation in financing of the investment projects. The EDB also assists the development of export-oriented industries, promotes agricultural diversification, increases productivity, and addresses food security issues by providing targeted financing, including for the development of vertically integrated enterprises in agribusiness. Noting the importance of the transportation infrastructure to Tajikistan's economy, the EDB also supports projects aimed at the export-import trade, improvement of transportation services and logistics, and renewal of vehicle fleet and capital assets. The EDB has provided loans to finance deficits of the State Budget in the amounts of US\$70 million in 2010 and US\$20 million in 2016, and US\$20-50 million is expected to be provided in 2017-2018.

Credit Ratings

Tajikistan has been assigned a long-term sovereign credit rating of "B-" (with stable outlook) by S&P and a long-term foreign currency issuer default rating of "B3" (with stable outlook) by Moody's. The Notes are expected to be assigned the same ratings. These ratings are sub-investment grade.

DESCRIPTION OF THE NOTES

The Republic, acting through the Ministry of Finance of the Republic, will issue the Notes under an indenture, to be dated as of September 14, 2017, among the Republic, BNY Mellon Corporate Trustee Services Limited, as trustee, The Bank of New York Mellon, London Branch as principal paying agent and transfer agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar, paying agent and transfer agent in Luxembourg.

This section of the Luxembourg Listing Prospectus is intended to be a summary of the material provisions of the indenture and the Notes. This summary is qualified in its entirety, by reference to all of the provisions of the indenture and the terms of the Notes. The definitions of certain capitalized terms used in this section are set forth under “—Defined Terms.”

The Notes contain provisions regarding acceleration and voting on amendments, modifications and waivers that differ from the provisions governing notes issued by certain other issuers. These provisions are commonly referred to as “collective action clauses.” Under these provisions, the Republic may amend certain key terms of the Notes, including the maturity date, amounts payable and other payment terms, with the consent of fewer than all the holders of the Notes. These collective action clauses are described below.

Principal and Interest

The Notes will:

- be limited to the aggregate principal amount of US\$500,000,000 (except as otherwise provided under “Replacement, Exchange and Transfer” and “Further Issues” below);
- be issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof;
- unless previously redeemed or purchased and cancelled, mature on September 14, 2027, and will amortize in six equal semi-annual installments paid on March 14 and September 14 of each year commencing on March 14, 2025 (as such amounts may be decreased as a result of an optional redemption or purchase and cancellation as described in “—Optional Redemption” or “—Purchase and Cancellation” or increased as a result of the issuance of additional Notes as described in “—Further Issues,” and as may be further adjusted to satisfy the minimum denomination requirements of the Notes); and
- bear interest on the outstanding principal amount from the date of issuance at a rate of 7.125% per annum, payable semi-annually in arrears on each March 14 and September 14, commencing on March 14, 2018, to the holders of record on the 15th day immediately preceding the interest payment date.

Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed.

Status of the Notes

The Notes constitute and will constitute general, direct, unsubordinated and unconditional obligations of the Republic for which the full faith and credit of the Republic is pledged. The Notes rank and will rank *pari passu*, without any preference among themselves, and equally with all other unsubordinated External Indebtedness of the Republic from time to time outstanding. It is understood that this provision shall not be construed so as to require the Republic to make payments under the Notes ratably with payments being made under any other External Indebtedness.

Definitions

As used herein, the following terms shall have the following meanings:

“Authorized Representative” means the person or persons authorized to act and to give and receive instructions and notices on behalf of the Republic under the indenture.

“External Indebtedness” means any Indebtedness in a currency other than the lawful currency of the Republic;

“IMF” means the International Monetary Fund.

“Indebtedness” means a person’s actual or contingent payment obligations for borrowed money together with such person’s actual or contingent liabilities under guarantee or similar arrangements to secure the payment of any other party’s obligations for borrowed money;

“Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance whether in effect on the date of the indenture or at any time thereafter, including, without limitation, any equivalent claim or interest created or arising under the laws of any jurisdiction;

“National Bank” means the National Bank of Tajikistan.

“person” and “party” include the Republic;

“Public External Indebtedness” means External Indebtedness which (A)(i) is publicly offered or privately placed in securities markets, (ii) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof, or (iii) is, or was expressly intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, securities that are issued against cash consideration and that are eligible for sale pursuant to Rule 144A or Regulation S (or any successor law or regulation of similar effect)) and (B) has an original maturity of more than one year or is combined with a commitment so that the original maturity of one year or less may be extended at the option of such person to a period in excess of one year).

“Related Proceeding” means any suit, action or proceeding arising out of or relating to the indenture or the Notes or the Republic’s failure or alleged failure to perform any obligations under the indenture or the Notes, excluding claims or causes of action arising under the federal securities laws of the United States or any state securities laws.

“Proceeds Loan” means a loan to be advanced in several tranches pursuant to the Subsidiary Loan Agreement, dated on or about September 14, 2017, between the Ministry of Finance and OJSC Rogun HPP, as amended from time to time, for the purpose of financing certain amounts due under the construction contract for the Rogun HPP.

“Rogun HPP” means the embankment hydroelectric power plant project on the Vakhsh River in southern Tajikistan, known as the Rogun Hydropower Plant project.

Certain Covenants of the Republic

Negative Pledge. So long as any Note remains outstanding (as defined in the indenture), the Republic will not create or permit to exist any Lien on the whole or any part of its present or future revenues, properties or assets to secure the Public External Indebtedness of any person unless, at the same time or prior thereto, the Republic creates a Lien on the same terms for its obligations under the Notes. Notwithstanding the foregoing, the Republic may create or allow the following Liens (each a “Permitted Lien”):

- any Lien upon property or assets (including capital stock of any person) to secure Public External Indebtedness incurred for the purpose of financing the acquisition of the property or assets over which such Lien has been created and any renewal or extension of any such Lien which is limited to the original property or assets covered thereby and which secures only the renewal or extension of the original secured financing;
- any Lien existing in respect of an asset at the time of its acquisition and any renewal or extension of any such Lien which is limited to the original asset covered thereby and which secures only the renewal or extension of the original secured financing;
- any Lien in existence on the date of the indenture, including any renewal or extension thereof which secures only the renewal or extension of the original secured financing;
- any Lien securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project and any renewal or extension of any such Lien; *provided* that (a) the holders of such Public External Indebtedness agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets; and
- Liens in addition to those permitted above, and any renewal or extension thereof, provided that at any time the aggregate amount of Public External Indebtedness secured by such additional Liens shall not exceed the equivalent of US\$10,000,000.

Maintenance of Approvals. The Republic will (i) obtain and maintain in full force and effect all approvals, authorizations, permits, consents, exemptions and licenses and will take all other actions (including any notice to, or filing or registration with, any agency, department, ministry, authority, statutory corporation or other regulatory or administrative body or juridical entity of the Republic) which are necessary for the continued validity and enforceability of the indenture and the Notes and (ii) take all necessary and appropriate governmental and administrative action in order for the Republic to be able to make all payments to be made by it under the Notes.

Use of Proceeds. The Republic will (i) use the net proceeds from the offering of the Notes exclusively for the funding of the Proceeds Loan and (ii) within 30 days after the closing date of the offering of the Notes, and on each subsequent six-month anniversary of the closing date until the Proceeds Loan has been fully advanced, furnish the trustee with a certificate of an Authorized Representative of the Ministry of Finance setting forth all disbursements made under the Proceeds Loan and attesting that the Proceeds Loan has been used exclusively for the purpose of financing certain amounts due under the construction contract for the Rogun HPP, which certificate will be delivered to any holder of the Notes by the Trustee upon written request.

Listing. The Republic will use its reasonable best efforts to list the Notes, and thereafter to maintain the listing of the Notes, on the Official List of the Luxembourg Stock Exchange.

Events of Default

Each of the following events will constitute an Event of Default under the Notes:

Non-Payment:

- The Republic fails to pay principal on any Notes when due and such failure continues for a period of 10 calendar days; or
- The Republic fails to pay interest on any Notes when due and such failure continues for a period of 30 calendar days;

Breach of Other Obligations: The Republic fails to perform any other obligation under the Notes or the Indenture, and such failure continues for a period of 60 calendar days after written notice requiring the same to be remedied shall have been given to the Republic by the trustee or by the holders (with a copy to the trustee) of at least 25% in the aggregate principal amount of the outstanding Notes;

Cross Default: The Republic fails to make any payment in respect of any Public External Indebtedness in an aggregate principal amount in excess of US\$20,000,000 (or its equivalent in any other currency) when payable (whether upon maturity, acceleration or otherwise, as such time may be extended by any applicable grace period or waiver) and such failure continues for a period of 30 calendar days after written notice requiring the same to be remedied shall have been given to the Republic by the trustee or by the holders (with a copy to the trustee) of at least 25% in the aggregate principal amount of the outstanding Notes;

Moratorium: The Republic, or a court of proper jurisdiction, declares a moratorium with respect to the payment of principal of or interest on Public External Indebtedness, which moratorium does not expressly exclude the Notes, or is unable, or officially admits its inability, to pay its Public External Indebtedness as it falls due;

Validity: Any of the following occurs:

- the Republic contests the validity or enforceability of the Notes in a formal administrative, legislative or judicial proceeding;
- any legislative, executive or judicial body or official of the Republic which is authorized in each case by law to do so declares the Notes invalid or unenforceable;
- the Republic denies any of its obligations under the Notes;
- any constitutional provision, treaty, convention, law, regulation, official communiqué, decree, ordinance or policy of the Republic, or any final decision by any court in the Republic purports to render any material provision of the indenture or the Notes invalid or unenforceable or purports to prevent or delay the performance or observance by the Republic of any of its material obligations thereunder; or
- any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable the Republic to make or perform its material obligations under the indenture or the Notes, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the holders of the Notes;

IMF Membership, Etc. The Republic fails to maintain its membership in, and eligibility to use the general resources of, the IMF; or

Judgments. There shall have been entered against the Republic in a matter related to External Indebtedness (i) a final judgment, decree or order by a court of competent jurisdiction or (ii) an arbitral award by a tribunal of competent jurisdiction, in each case from which no appeal may be made, or is made within the time limit for doing so, for the payment of money in excess of US\$20,000,000 (or its equivalent in another currency) and 90 days shall have passed since the entry of such order without the Republic having satisfied such judgment or award.

If any of the Events of Default described above occurs and is continuing, the trustee or the holders of at least 25% of the aggregate principal amount of the Notes then outstanding, so long as such Event of Default is continuing, may by written demand to the Republic (with a copy to the trustee, if notice is given by the holders) declare the principal of and any accrued interest on the Notes to be immediately due and payable. Upon any declaration of acceleration, the principal, interest and all other amounts payable on the Notes will become immediately due and payable, unless prior to receipt of such declaration by the Republic all such defaults shall have been cured. The holders of more than 50% of the aggregate principal amount of the outstanding Notes may rescind or annul a declaration of acceleration on behalf of all holders of Notes if:

- following the declaration that the Notes are immediately due and payable, the Republic deposits with the trustee a sum sufficient to pay all overdue principal, interest and other amounts in respect of the Notes, as well as the reasonable fees, disbursements and expenses of the trustee and its agents, and counsel; and
- all other Events of Default (other than non-payment of principal that became due by virtue of the acceleration upon the Event of Default) have been remedied.

The trustee shall not be deemed to have notice of any default or Event of Default unless written notice of such default or Event of Default is received by a Responsible Officer of the trustee, and such notice references the Notes and the Indenture.

Suits for Enforcement and Limitations on Suits by Holders

If an Event of Default has occurred and is continuing, the trustee may institute action pursuant to the terms of arbitration described in “—Arbitration” to enforce the rights of the holders of Notes. With the exception of a suit to enforce the absolute right of a holder to receive payment of the principal of and interest on the Notes in the manner contemplated in the indenture and the Notes on the stated maturity date therefor (as that date may be amended or modified pursuant to the terms of the Notes, but without giving effect to any acceleration), a holder has no right to bring a suit, action or proceeding with respect to the Notes unless: (1) such holder has given written notice to the trustee that a default with respect to the Notes has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount of the outstanding Notes have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity or security satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction, the trustee has failed to institute an action or proceeding as directed and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of the outstanding Notes. Moreover, any such action commenced by a holder must be for the equal, ratable and common benefit of all holders of the Notes.

Modifications, Amendments and Waivers—Collective Action

A meeting of holders of Notes may be called at any time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the indenture or the Notes to be made, given or taken by holders of the Notes or to modify, amend or supplement the terms of the indenture or the Notes as hereinafter provided.

The Republic or the holders of at least 10% in aggregate principal amount of the outstanding Notes may at any time call a meeting of holders of Notes for any such purpose to be held at such time and at such place as the Republic or such holders shall determine. Notice of every such meeting, setting forth the time and the place of such meeting and in reasonable detail the action proposed to be taken at such meeting, shall be given as provided in the indenture, not less than 30 nor more than 60 calendar days prior to the date fixed for the meeting.

If the Republic or the holders of at least 10% in aggregate principal amount of the outstanding Notes requests that the trustee call a meeting of the holders of the Notes for any such purpose, by written request (with a copy to the Republic, in the case of request by such holders) setting forth the time and place of, and in reasonable detail the action proposed to be taken at the meeting, the trustee shall call such meeting for such purpose by giving notice thereof as provided in the indenture.

Only holders and their proxies are entitled to vote at a meeting of holders of Notes. The Republic will set the procedures governing the conduct of the meeting and, if additional procedures are required, the Republic in consultation with the trustee will establish such procedures as are customary in the market.

Modifications, amendments and waivers may also be approved by holders of Notes pursuant to written action with the consent of the requisite percentage of holder of Notes. The Republic will solicit the consent of the relevant holders to the modification, amendment or waiver not less than 10 and not more than 30 calendar days before the expiration date for the receipt of such consents as specified by such solicitation.

The holders may generally approve any proposal by the Republic to modify the terms of the indenture or the Notes with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the aggregate principal amount of the outstanding Notes.

However, holders may approve by vote or written consent, through one of three modification methods, any proposed modification by the Republic that would do any of the following (such subjects referred to as “reserved matters”):

- change the date on which any amount is payable on the Notes;
- reduce the principal amount of the Notes;
- reduce the interest rate on the Notes;
- change the method used to calculate any amount payable on the Notes;
- change the currency or place of payment of any amount payable on the Notes;
- modify the Republic’s obligation to make any payments on the Notes (including any redemption price therefor);
- change the identity of the obligor under the Notes;
- change the definition of “outstanding debt securities” or the percentage of affirmative votes or written consents, as the case may be, required to vote on a modification, amendment or waiver of a “reserved matter”;
- change the definition of “uniformly applicable” or “reserved matter”;
- authorize the trustee, on behalf of all holders of the Notes, to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Republic or any other person; or
- change the legal ranking, governing law, submission to jurisdiction, or waiver of immunities provisions of the indenture or the Notes.

A change to a reserved matter, including the payment terms of the Notes, can be made without the consent of all holders of the Notes, as long as the change is approved, pursuant to one of the three following modification methods, by vote or written consent by:

- the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of a series affected by the proposed modification;
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain “uniformly applicable” requirements are met; or
- where such proposed modification would affect the outstanding debt securities of two or more series, the holders of more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, *and* the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the modification, taken individually.

“uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. The trustee shall not be responsible for determining whether the uniformly applicable requirement has been satisfied.

The Republic may select, in its discretion, any modification method for a reserved matter in accordance with the indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of the vote or related to such modification request.

Before soliciting any vote of any holder of debt securities for any modification, amendment or waiver with respect to a reserved matter, the Republic will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification, amendment or waiver:

- a description of the Republic’s economic and financial circumstances that are in the Republic’s opinion relevant to the request for the proposed modification, amendment or waiver, a description of the Republic’s existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;
- a description of the Republic’s proposed treatment of external debt securities that are not affected by the proposed modification, amendment or waiver and its intentions with respect to any other major creditor groups; and
- if the Republic is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

The trustee shall have no responsibility for such information provided by the Republic for distribution to holders of the debt securities.

For purposes of determining whether the required percentage of holders of the debt securities of a series has approved any modification, amendment or waiver of the debt securities or the indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification, amendment or waiver if on the record date for the proposed modification, amendment or waiver or other action or instruction under the indenture, the debt security is held by the Republic or by a public sector instrumentality of the Republic, or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality of the Republic, except that: (x) debt securities held by the Republic or any public sector instrumentality of the Republic or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality of the Republic which have been pledged in good faith may be regarded as outstanding if the pledgee provides to the trustee (in form reasonably acceptable to it) a written notice or certificate signed by the pledger and pledgee, on which the trustee may rely (and, if required by the trustee, accompanied by such evidence of ownership of such debt security by the pledgee as the trustee may require, if any) confirming the pledgee’s right so to act with respect to such debt securities and stating that the pledgee is not the Republic or a public sector instrumentality of the Republic or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality of the Republic, and in case of a dispute concerning such right or such notice or certificate, the advice of counsel shall be full protection to the trustee in respect of any decision made by the trustee in accordance with such advice and any certificate, notice, statement, advice or opinion of counsel may be based, insofar as it relates to factual matters or information upon a certificate, statement, or

opinion of or representations by the trustee or by any other person (stating in either case that such information with respect to factual matters is in its possession); and (y) in determining whether the trustee will be protected in relying upon any such action or instructions under the indenture, or in relying or acting upon any notice, approval, vote, waiver, direction or consent from holders, only debt securities that a responsible officer of the trustee has been notified in writing to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, “public sector instrumentality” means the National Bank, any department, ministry or agency of the government of the Republic or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of the voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Certain Amendments Not Requiring Holder Consent

The Republic and the trustee may, without the vote or consent of any holder of Notes, modify, amend or supplement the indenture or the Notes for the purpose of:

- adding to the covenants of the Republic for the benefit of the holders of Notes;
- surrendering any rights or power conferred upon the Republic;
- securing the Notes pursuant to the requirements of the Notes or otherwise;
- curing any ambiguity or curing, correcting or supplementing any defective provision contained in the indenture or in the Notes;
- amending the indenture or the Notes in any manner that the Republic may determine and that does not adversely affect the interests of any holder of Notes in any material respect; or
- correcting a manifest error of a formal, minor or technical nature.

Holders’ Committee

The holders of at least 25% of the aggregate principal amount of the outstanding Notes may, by notice in writing to the Republic (with a copy to the trustee), appoint any persons as a committee (a “Holders’ Committee”) to represent the interests of the holders (as well as the interests of any holders of outstanding series of debt securities who wish to be represented by such Holders’ Committee) if any of the following events shall have occurred:

- (i) an Event of Default;
- (ii) any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfillment of any other requirement constitute an Event of Default;
- (iii) any public announcement by the Republic to the effect that the Republic is seeking or intends to seek a restructuring of the Notes (whether by amendment, exchange offer or otherwise); or
- (iv) with the agreement of the Republic, at a time when the Republic has reasonably reached the conclusion that its debt may no longer be sustainable while the Notes or any other affected series of debt securities are outstanding.

Upon receipt of a written notice that such Holders' Committee has been appointed in accordance with this section, and a certificate delivered as described below, the Republic shall give notice of the appointment of such Holders' Committee to all holders of the Notes in accordance with "—Notices" and the holders of each affected series of outstanding debt securities in accordance with the governing instrument for that series of Notes as soon as practicable after such written notice and such certificate are delivered to the Republic.

Any such Holders' Committee in its discretion may, among other things: (i) engage legal advisors and financial advisors to assist it in representing the interests of the holders of the Notes, (ii) adopt such rules as it considers appropriate regarding its proceedings, (iii) enter into discussions with the Republic and/or other creditors of the Republic, and (iv) designate one or more members of the Holders' Committee to act as the main point(s) of contact with the Republic and provide all relevant contact details to the Republic. Except to the extent provided in this paragraph, such Holders' Committee shall not have the ability to exercise any powers or discretions which the holders of the Notes could themselves exercise.

The Republic shall engage with the Holders' Committee in good faith and provide it with information equivalent to that required under "—Modifications, Amendments and Waivers – Collective Action" and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations. The Republic shall pay any reasonable fees and expenses of any such Holders' Committee as may be agreed with it (including, without limitation, the fees and expenses of the Holders' Committee's legal advisors and financial advisors, if any) within 30 days of the delivery to the Republic of a reasonably detailed invoice and supporting documentation.

Upon the appointment of a Holders' Committee, the persons constituting the Holders' Committee (the "Members") shall deliver a certificate to the Republic and to the trustee signed by authorized representatives of the Members, upon which certificate, the Republic and the trustee may rely. The certificate shall certify (i) that the Holders' Committee has been appointed, (ii) the identity of the initial Members, and (iii) that such appointment complies with the terms of the indenture. Promptly after any change in the identity of the Members, a new certificate which each of the Republic and the trustee may rely on, shall be delivered to the Republic and the trustee identifying the new Members. Each of the Republic and the trustee may assume that the membership of such Holders' Committee has not changed unless and until it shall have received a new certificate.

Notwithstanding anything herein to the contrary, in dealing with any Holders' Committee, the trustee shall not be required to provide such Holders' Committee with any information that has not otherwise been provided to holders not represented by such Holders' Committee. In appointing a person or persons as a committee to represent the interests of the holders of the Notes, the holders of the Notes may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of outstanding debt securities.

Payments and Agents

The principal of the Notes and interest due thereon at maturity will be payable in immediately available funds, in United States dollars, against surrender of such Notes at the office of the paying agent in the city of its corporate trust office or, subject to applicable laws and regulations, at the office of any other paying agent. Such payment shall be made by United States dollar check drawn on, or by transfer to a United States dollar account maintained by the holder with, a bank located in the City of New York.

Payments of interest on the Notes held in global form to be made other than at maturity will be made in immediately available funds to the Paying Agent, which will in turn make payments, in the case of the Restricted Notes, to DTC's nominee and, in the case of the Regulation S Notes, to the common depository for Euroclear and Clearstream, Luxembourg or its nominee.

The Republic expects that upon receipt of any payment of principal of or interest on the Notes, DTC, Euroclear and Clearstream, Luxembourg, as applicable, will credit the appropriate participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Notes as shown on the records of DTC, Euroclear and Clearstream, Luxembourg, as applicable. The Republic also expects that payments by participants to owners of beneficial interests in the Notes held in global form held through such

participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for those customers.

Neither the Republic nor the trustee will have any responsibility or liability for the actions or omissions of DTC, Euroclear or Clearstream, Luxembourg or for any aspect of the records of DTC, Euroclear or Clearstream, Luxembourg relating to payments made by DTC, Euroclear and Clearstream, Luxembourg, as applicable, on account of beneficial interests in the Notes held in global form or for maintaining, supervising or reviewing any records of DTC, Euroclear or Clearstream, Luxembourg relating to such beneficial interests.

If any date for payment in respect of any Note is not a business day, the holder thereof shall not be entitled to payment until the next following business day. No further interest shall be paid in respect of any such delay in payment.

If the Republic issues Notes in certificated form, payments of interest thereon to be made other than at maturity will be made to the person in whose name such Note is registered at the close of business on the regular record date (as defined in the terms and conditions of the Notes) immediately preceding the related interest payment date (as defined on the face of the Notes). Such payment shall be made by a United States dollar check drawn on a bank located in the United States mailed to the holder at such holder's registered address or, upon application of any holder of at least US\$1,000,000 principal amount of Notes, by the deposit by the Republic of such amount in immediately available funds with the paying agent in the city of its corporate trust office on a timely basis, to be paid by the paying agent to the holder of such Notes as of the relevant regular record date by transfer of immediately available funds to a United States dollar account maintained by such holder with a bank in the City of New York.

Subject to any relevant unclaimed property laws, all moneys paid by or on behalf of the Republic to the paying agent for the payments of the principal of or interest on any Note which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Republic (upon written request therefore), and the holder of such Note will thereafter look only to the Republic for payment. Upon such repayment all liability of the paying agent and any other paying agent with respect thereto shall cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so repaid, subject to the provisions set forth in "Claims Proscribed" below.

So long as any Note remains outstanding, the Republic will maintain a paying agent in a western European city for payments on Notes (which will be Luxembourg, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require), a registrar and paying agent having a specified office or agency in the city of the Trustee's corporate trust office or agency in the USA and a transfer agent in Luxembourg (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require).

The Republic has initially appointed BNY Mellon Corporate Trustee Services Limited, as trustee, The Bank of New York Mellon, London Branch as principal paying agent and transfer agent for the Notes, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar, paying agent and transfer agent in Luxembourg. Subject to the foregoing, the Republic may terminate any such appointment and may appoint any other agents in such other places as it deems appropriate upon notice in accordance with "—Notices" below and in accordance with the terms and conditions set forth in the indenture.

Payments in respect of the Notes shall be made in such currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

In acting under the indenture and in connection with the Notes, each of the agents and each other paying agent and transfer agent is acting solely as agent of the Republic. The agents do not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any Note, except that they will hold in trust any funds deposited by the Republic for payment of principal of or interest on the Notes and will apply such funds as set forth in the indenture and the Notes.

Optional Redemption

The Notes will be redeemable, in whole or in part, at any time and from time to time, at the Republic's option, on not less than 30 nor more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes plus accrued and unpaid interest to, but excluding, the redemption date and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes (excluding the portion of any such interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Yield (as defined below) plus 50 basis points (the "Make-Whole Amount") plus, in each case, any Additional Amounts. The trustee will not be responsible for calculating or verifying the Make-Whole Amount.

For this purpose, the following terms have the following meanings:

"Treasury Yield" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the redemption date to the originally scheduled maturity date. The Republic will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days (but not more than five business days) prior to the redemption date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Republic in good faith)); provided, however, that if the period from the redemption date to the originally scheduled maturity date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the the redemption date to the originally scheduled maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

The Republic will deliver or cause to be delivered, a notice of redemption to each holder at least 30 days and not more than 60 days prior to the redemption date, to the address of each holder as it appears on the register maintained by the registrar. A notice of redemption will specify the redemption date and may provide that it is subject to certain conditions that will be specified in the notice. If those conditions are not met, the redemption notice will be of no effect and the Republic will not be obligated to redeem the Notes.

In the event that fewer than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which the Notes are listed or if such securities exchange has no requirement governing redemption or if the Notes are not then listed on a securities exchange, by lot (or, in the case of Notes held in global form, in accordance with the applicable procedures of DTC). If the Notes are redeemed in part, the remaining outstanding amount of any Note must be at least equal to US\$200,000 and be an integral multiple of US\$1,000.

Unless the Republic defaults in the payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes called for redemption.

Purchase and Cancellation

The Republic may at any time purchase Notes at any price in the open market or otherwise. The Notes so purchased by the Republic may, at the Republic's discretion, be held, resold or surrendered to the trustee for cancellation.

Additional Amounts

The Republic shall make all payments on the Notes without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by the Republic, any political subdivision or authority thereof or therein having power to tax (each, a "Taxing Jurisdiction"), unless it is compelled by the laws of such Taxing Jurisdiction to deduct or withhold such taxes, duties, assessments or governmental charges. If any such withholding is required with respect to a Note, the

Republic will (i) pay to the relevant Taxing Jurisdiction the full amount required to be withheld, deducted or otherwise paid before penalties attach thereto or interest accrues thereon; (ii) pay such additional amounts as may be necessary to ensure that the net amounts received by the holder of the Note after such withholding or deduction shall equal the payment which would have been received in respect of the Notes in the absence of such withholding or deduction (“Additional Amounts”) and (iii) furnish such holder, promptly and in any event within 60 days after such deduction or withholding, the original tax receipt issued by the relevant Taxing Jurisdiction (or if such original tax receipt is not available or must legally be kept in the possession of the Republic, a duly certified copy of the original tax receipt or any other evidence of payment reasonably satisfactory to the relevant holder), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by such holder. The Republic will not, however, pay any Additional Amounts if a holder is subject to withholding or deduction due to one of the following reasons:

- the holder (or a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership or a corporation) has some present or former connection with the relevant Taxing Jurisdiction other than merely holding the Notes, receiving principal or interest thereon or exercising remedies with respect thereto;
- the holder has failed to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of the holder of a Note or any interest therein or rights in respect thereof, if compliance is required by such Taxing Jurisdiction, pursuant to applicable law or any international treaty in effect, as a precondition to exemption from or reduction in such withholding or deduction to which such holder is legally entitled; or
- the holder has failed to present its Note for payment within 30 days after the Republic first makes available a payment of principal or interest on such Note.

If a Taxing Jurisdiction is required by applicable law to make any deduction or withholding of any Tax in respect of which the Republic would be required to pay any Additional Amount to a holder, but does not make such deduction or withholding with the result that a liability in respect of such Tax is assessed directly against the holder of any Note, and such holder pays such liability, then the Republic will promptly reimburse such holder for such payment (including any related interest or penalties to the extent such interest or penalties arise by virtue of a default or delay by the Republic) upon demand by such holder accompanied by an official receipt (or a duly certified copy thereof) issued by the Taxing Authority.

Whenever there is mentioned, in any context, the payment of the principal of or interest on, or any amounts in respect of, a Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof, and express mention of the payment of Additional Amounts (if applicable) shall not be construed as excluding Additional Amounts where such express mention is not made.

Currency Indemnity

The Republic agrees that if, a judgment or order given or made by any court for the payment of any amount in respect of the indenture or the Notes is expressed in a currency (the “judgment currency”) other than the specified currency, the Republic will indemnify the recipient against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the specified currency is notionally converted into the judgment currency for the purposes of such judgment, order or award and the date actual payment thereof is received (or could have been received) by converting the amount in the judgment currency into the specified currency promptly after receipt thereof at the prevailing rate of exchange in a foreign exchange market reasonably selected by such recipient. This indemnity will constitute a separate and independent obligation from the other obligations contained in the indenture and the Notes and will give rise to a separate and independent cause of action.

Claims Proscribed

All claims against the Republic for payment of principal of or interest (including Additional Amounts) on or in respect of the Notes shall be proscribed unless made within 5 years from the date on which the relevant payment first became due.

Notices

Notices will be mailed to holders of Notes at their registered addresses and shall be deemed to have been given on the date of such mailing. DTC, Euroclear and Clearstream, Luxembourg, will communicate such notices to their participants in accordance with their standard practices. In addition, all notices to holders of the Notes will be published, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. If the Republic elects to publish notices in Luxembourg, the Republic expects that such publication will be made in the *Luxemburger Wort*.

Further Issues

The Republic may from time to time without the consent of the holders of the Notes create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except with respect to the first payment of interest thereon) so as to be consolidated with, and form a single series with, the applicable outstanding Notes; *provided* that such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Notes have as of the date of the issue of such additional notes.

Governing Law

The indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York; *provided, however*, that the due authorization and execution of the indenture and the Notes by the Republic shall be governed by the laws of the Republic.

Arbitration

The Republic and the holders of Notes will irrevocably and unconditionally agree that any dispute, claim, difference or controversy arising out of or in connection with the indenture or the Notes (including any dispute relating to their existence, validity or termination) (a "Dispute") shall be referred to and finally resolved by arbitration under the Rules of Arbitration (the "Rules") of the London Court of International Arbitration (the "LCIA"), which will be, as modified by the provisions described below, incorporated by reference into the indenture. In particular:

- The arbitral tribunal shall be composed of three (3) arbitrators each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto, and shall be an attorney experienced in international securities transactions and qualified in the State of New York. The claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator in accordance with the Rules, for confirmation by the LCIA. If a party or parties fail(s) to nominate an arbitrator within 30 days, the appointment shall be made by the LCIA. The third arbitrator, who shall be the president of the arbitral tribunal, shall be chosen and appointed by the LCIA Court in accordance with the Rules.
- Each party will expressly agree and consent to the procedure set out above for nominating and appointing the arbitration tribunal and irrevocably and unconditionally waive any other right to choose its own arbitrator.
- The seat, or legal place, of arbitration shall be London, England and the arbitral law applicable to the arbitration proceedings shall be English law.

- The language of the arbitration shall be English, but documents or testimony may be admitted in another language if a translation is provided.
- Any monetary award shall be made and payable in U.S. dollars and the arbitral tribunal shall be authorized to grant pre-award and post-award interest at commercial rates.

The parties will agree that the decision of any such arbitral tribunal shall be final and binding to the fullest extent permitted by law.

With respect to any claim by any Holder of a Note against the Trustee in any Dispute to which the Trustee is a party, (i) notwithstanding the foregoing or any other terms in the indenture or the Notes to the contrary, the Trustee shall have and retain the right, at its option, to require that any claim or claims against the Trustee, or between the Trustee and any one or more Holders, shall not be resolved by arbitration but instead shall be heard and determined in a legal proceeding brought in a New York State or federal court sitting in The City of New York, and any appellate court from any thereof, and (ii) such Holder by invoking these arbitration procedures consents to the consolidation, at the election of the Trustee, of any arbitration commenced hereunder with any other arbitration commenced by any other Holder of Notes against the Trustee unless the arbitrators in the proceeding first commenced determine the claims do not arise out of substantially the same occurrence, transaction, or series of transactions and occurrences, or that consolidation would prejudice the rights of a party. All Holders of Notes in a consolidated arbitration shall select, within 30 days of the consolidation decision, one arbitrator as the sole party appointed arbitrator on behalf of all Holders party to the consolidated arbitration.

The Republic will agree that in any arbitration proceedings under arbitration provisions, it will not raise any defense that it could not raise but for the fact that it is a sovereign state. The Republic's agreement to arbitrate does not constitute a waiver of any right to sovereign immunity from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) to which it may be entitled in any jurisdictions other than as provided in in the succeeding two paragraphs below.

Republic will acknowledge and agree in the indenture that any properly obtained arbitral award may be enforced in any jurisdiction in accordance with the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958.

To the extent that the Republic has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court, including any English court, Tajikistan Court or New York State or U.S. federal court, with respect to an action for the enforcement of any arbitral award obtained under these arbitration procedures (an "Enforcement Proceeding") (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) in relation to the enforcement of an award by an arbitration tribunal, the Republic will, to the fullest extent permitted under applicable law, including the United States Foreign Sovereign Immunities Act of 1976, as amended, expressly and irrevocably waive such immunity from jurisdiction or execution and any similar defense, and irrevocably consent to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever of any order, award or judgment made or given in connection with any such Enforcement Proceeding; provided, however, that it may not be possible to enforce in the Republic a foreign judgment in case of absence of a treaty between the Republic of Tajikistan and such foreign jurisdiction, and the property and revenues of the Republic may be deemed exempt from attachment or other form of execution, whether before or after judgment, unless the Republic of Tajikistan has explicitly agreed to attachment or other forms of execution.

For the purposes of any court proceedings commenced in support of, or in relation to, arbitral proceedings, the Republic will appoint the Ambassador of the Republic of Tajikistan to the United Kingdom from time to time or, in case of his absence, the Chargé d'Affaires of the Embassy of the Republic of Tajikistan to the United Kingdom, with an office at the Embassy of the Republic of Tajikistan, currently located at 3 Shortlands, Hammersmith, London W6 8DA, United Kingdom as its agent for service of process in England and will agree that, if for any reason such agent shall cease to be such agent for service of process, it will appoint a third party agent for service of process in England. The Republic shall also irrevocably consent to the service of any and all process in any Enforcement Proceeding by sending by registered mail, copies of such process addressed to the Republic at the Ministry of Finance, and the Republic will agree that such service shall be effective 14 days after the mailing

thereof. In addition, the Republic will agree that nothing in the arbitration provisions of the indenture shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any suit, action or proceeding against any other party (other than the Republic) or its property in the courts of other jurisdictions.

Notwithstanding the foregoing, the Republic's consent to service of process and waiver of sovereign immunity will not extend to actions brought against it under United States federal securities laws or any securities laws of any states of the United States of America.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes will initially be issued in the form of two or more registered notes in global form (“Global Notes”), without interest coupons, as follows:

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by one or more Global Notes (the “Restricted Global Notes”); and
- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Global Notes (the “Regulation S Global Notes”).
- Upon issuance, the Restricted Global Notes will be deposited with the Trustee (as defined in “*Description of the Notes*”), as custodian for DTC and registered in the name of a nominee of DTC, and the Regulation S Global Notes will be deposited with the common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary.

Book-Entry Procedures for the Global Notes

Ownership of beneficial interests in each Restricted Global Note (each, a “144A Book-Entry Interest”) will be limited to persons that have accounts with DTC or persons that hold interests through such participants, and ownership of beneficial interests in each Regulation S Global Note (each, a “Regulation S Book-Entry Interests”) and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or persons that hold interests through such participants, and in each case has to be in accordance with applicable transfer restrictions set out in the indenture governing the Notes and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under “*Notice to Investors*” and under “*Transfer Restrictions*.”

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream, Luxembourg and their participants pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream, Luxembourg and their respective participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive notes in registered form. Instead, DTC, Euroclear and Clearstream, Luxembourg will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of notes securities take physical possession of such notes securities in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Global Notes for any purpose. So long as the Notes are held in global form, the nominee of DTC will be considered the sole holder of Restricted Global Notes, and the common depositary for Euroclear and Clearstream, Luxembourg or its nominee will be considered the sole holder of Regulation S Global Notes, in each case for all purposes under the indenture governing the Notes. As such, participants must rely on the procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream, Luxembourg, as applicable, and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the indenture governing the Notes. None of the Republic, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or holders thereof under the indenture governing the Notes for any purpose.

The Issuer, the Trustee, the Registrar, the Transfer Agents, the Paying Agents and any of their respective agents have not and will not have any responsibility or liability: (1) for any aspect of the records of DTC, Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to Book-Entry Interests or for maintaining, supervising or reviewing any of the records of DTC, Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to Book-Entry Interests, or for payments made by DTC, Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to Book-Entry Interests, or (2) for DTC, Euroclear, Clearstream, Luxembourg or any participant or indirect participant.

The Notes will be issued in denominations of US\$200,000 and in integral multiples of US\$1,000 in excess thereof. The Republic will not impose any fees or other charges in respect of the Notes; however, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear or Clearstream, Luxembourg.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts, if any) will be made by the Republic to the Paying Agents. The Paying Agents will, in turn, make such payments, in the case of the Restricted Notes, to DTC's nominee, and, in the case of the Regulation S Notes, to the common depositary for Euroclear or Clearstream, Luxembourg or its nominee. The DTC or the common depositary or its nominee, as applicable, will in turn distribute such payments to participants in accordance with their respective procedures. The Republic will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law.

Payments by participants to owners of Book-Entry Interests held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name". Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name".

Exchanges between the Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on to which Global Note the transfer is being made, the Trustee may require the seller to provide certain written certifications in the form provided in the Indenture (as defined in "Description of the Notes").

A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the official list and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Republic expects that transfers of interests in the Global Notes between participants in DTC, Euroclear or Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg is provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them.

Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream, Luxembourg accounts, as applicable, will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear or Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way under the rules and operating procedures of those systems. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream, Luxembourg, on the other hand, will be effected within DTC through the DTC participants that are acting as depositories for Euroclear and Clearstream, Luxembourg. To deliver or receive Book-Entry Interest held in a Euroclear or Clearstream, Luxembourg account, an investor must send transfer instructions to Euroclear or Clearstream, Luxembourg, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, Luxembourg, as the case may be, will send instructions to its DTC depository to take action to effect final settlement by delivering or receiving Book-Entry Interests in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the DTC depositories that are acting for Euroclear or Clearstream, Luxembourg.

Special Timing Considerations

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant that purchases Book-Entry Interest from a DTC participant will be credited on the business day for Euroclear or Clearstream, Luxembourg immediately following the DTC settlement date.

Cash received in Euroclear or Clearstream, Luxembourg from the sale of Book-Entry Interest to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account as of the business day for Euroclear or Clearstream, Luxembourg following the DTC settlement date.

Similarly, DTC participants who wish to transfer their Book-Entry Interest, or to receive or make a payment or delivery of Notes, to participants in Euroclear or Clearstream, Luxembourg on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream, Luxembourg is used.

DTC, Euroclear and Clearstream, Luxembourg have agreed to the above procedures to facilitate transfers of Book-Entry Interests among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. None of the Republic, the Trustee or any Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Investors should be aware that they will only be able to make and receive deliveries, payments and other communications involving Notes through DTC, Euroclear or Clearstream, Luxembourg on days when those systems are open for business.

Clearing Information

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable. The following summaries of those operations and procedures have been provided solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Republic, the Trustee or the Initial Purchasers is responsible for those operations or procedures. The Republic expects that the Notes will be accepted for clearance through the facilities of DTC, Euroclear and Clearstream, Luxembourg. The international securities identification numbers and common codes numbers for the Notes are set out under “*Listing and General Information*”.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

Euroclear and Clearstream, Luxembourg hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in Euroclear or Clearstream, Luxembourg systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through Euroclear or Clearstream, Luxembourg systems will receive distributions attributable to the Restricted Global Notes only through Euroclear or Clearstream, Luxembourg participants.

Certificated Notes

Notes in physical, certificated fully registered form (without coupons) will be issued and delivered to each person that DTC, Euroclear and Clearstream, Luxembourg identifies as a beneficial owner of the related Notes only if:

- DTC, Euroclear or Clearstream, Luxembourg notifies the Republic at any time that it is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days;
- DTC, Euroclear or Clearstream, Luxembourg ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days; or
- the Trustee receives a notice from the registered holder of the Global Note requesting exchange of a specified amount for individual note certificates following a failure to pay at maturity or upon acceleration of any Notes.

TRANSFER RESTRICTIONS

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, and may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act; and
- outside of the United States to Non-U.S. persons in offshore transactions meeting the requirements of Rule 903 in reliance on Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that Notes offered in the United States to qualified institutional buyers will be represented by one or more Global Notes and that Notes offered outside the United States pursuant to Regulation S will also be represented by one or more Global Notes;

(4) it will not resell or otherwise transfer any of such Notes except (a) to the Republic, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(6) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to Rule 144A or Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the Trustee, Registrar or Transfer Agent for the Notes will not be required to accept for registration the transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

(8) it acknowledges that the Republic, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Republic and the Initial Purchasers; and

(9) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Restricted Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.

This legend may be removed solely at the discretion and at the direction of the issuer.”

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.

This legend may be removed solely at the discretion and at the direction of the issuer.”

The Republic may, in its discretion, in the event of one or more issuances of additional Notes, as described under *“Description of the Notes—Further Issues”* elect not to remove the above legends. The above legends (including the restrictions on resale specified thereon) may be removed solely in the discretion and at the direction of the Republic.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in Global Notes and certificated Notes, see *“Book-Entry Settlement and Clearance.”*

PLAN OF DISTRIBUTION

Citigroup Global Markets Limited and Raiffeisen Bank International AG are acting as the Initial Purchasers. The Initial Purchasers have entered into a purchase agreement with the Republic with respect to the Notes (the “Purchase Agreement”). Subject to certain conditions, the Initial Purchasers have agreed to purchase, and the Republic will agree to sell to the Initial Purchasers the aggregate principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Republic has been advised that the Initial Purchasers propose to resell the Notes at the issue price set forth on the cover page of this Luxembourg Listing Prospectus within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See “*Transfer Restrictions.*” The price at which the Notes are offered may be changed at any time without notice.

Although application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes trade on the Euro MTF market, the listing does not assure that a trading market for the Notes will develop. The Initial Purchasers intend to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be. The Republic cannot assure you that the prices at which the Notes will trade in the market after this offering will not be lower than the initial issue price or that an active trading market for the Notes will develop and continue after this offering.

In connection with the Offering, Citigroup Global Markets Limited (the “Stabilizing Manager”) (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither the Republic nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither the Republic nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Republic’s securities and instruments. The Initial Purchasers or their respective affiliates may have a lending relationship with the Republic and may routinely hedge their credit exposure to the Republic consistent with their customary risk management

policies. Typically, the Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Republic's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their respective affiliates may communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities or instruments.

The Republic expects to deliver the Notes against payment therefor on or about the date specified in the last paragraph of the cover page of this Luxembourg Listing Prospectus, which will be the fifth business day following the date of the pricing of the Notes (such settlement being referred to as T+5). Under Rule 15c6-1 of the Exchange Act, which was recently amended effective from September 5, 2017, trades in the secondary market generally settle in two business days unless the parties otherwise agree. Accordingly, purchasers who wish to trade Notes on the date of pricing or the following business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

The Republic has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Initial Purchaser has represented, warranted and undertaken to the Republic that it proposes to offer the Notes for resale (a) to persons they reasonably believe to be QIBs, within the meaning of Rule 144A under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) in "offshore transactions" (as defined in Rule 902(k) under the Securities Act) in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Luxembourg Listing Prospectus to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser nominated by the Republic for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided, that no such offer of the Notes shall require the Republic or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for

the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each Initial Purchaser has represented, warranted and undertaken to the Republic and each other Initial Purchaser that the Notes will not be offered, transferred or sold as part of their initial distribution to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation.

General

No action has been taken by the Republic or the Initial Purchasers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, each Initial Purchaser has undertaken that it will not, directly or indirectly offer or sell any Notes or distribute or publish any offering circular, this Luxembourg Listing Prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TAXATION

Tajikistan Taxation

The summary contains a description of the principal Tajikistan tax consequences of the purchase, ownership and disposition of the Notes. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes and does not address all tax considerations that may be relevant to all categories of prospective purchasers of the Notes, some of whom may be subject to special rules. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Tajikistan. The information set forth below is a summary only. This summary is based on the tax laws of Tajikistan as in effect on the date of this Luxembourg Listing Prospectus, as well as regulations, rulings and decisions of Tajikistan available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of the summary.

Capital Duty/Stamp Duty

There is no capital duty or stamp duty applicable to the Notes under Tajikistan law.

Withholding Tax

Withholding tax is normally applicable (to be withheld at source) to interest, dividends and other income payable to non-residents if the payor is located in Tajikistan. The tax rate for interest and dividends is 12% and for other income it is 15%. No withholding tax will be applicable to otherwise taxable payments of interest or repayment of principal to the holders of the Notes by the Republic as a result of an exemption from withholding tax granted under the Resolution of the Representative Assembly of the Supreme Assembly No. 864 dated August 28, 2017.

Individual Income Tax

Individual income tax applies to resident and non-resident physical persons. However, this tax is not applicable to payments to the purchasers of the Notes to be made by the Republic.

Corporate Income Tax

Corporate income tax is not applicable to payments to be made by the Republic to the purchasers of the Notes.

U.S. Federal Income Taxation

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the Notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of Notes that purchase the Notes at the initial issue price indicated on the cover of this Luxembourg Listing Prospectus and that hold the Notes as “capital assets” (generally, property held for investment). This discussion is based on the Code, its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the U.S. Internal Revenue Service (the “IRS”) and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis. This discussion assumes that the Notes will not be issued with more than a de minimis amount of original issue discount for U.S. federal income tax purposes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular U.S. Holder and U.S. Holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to U.S. Holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- regulated investment companies;
- real estate investment trusts;
- passive foreign investment companies, controlled foreign corporations or corporations that accumulate earnings to avoid U.S. federal income tax; or
- U.S. Holders that hold the Notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address U.S. federal estate and gift tax consequences, alternative minimum tax consequences, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

As used herein, the term “U.S. Holder” means a beneficial owner of the Notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the Notes.

U.S. Holders

Stated Interest

Stated interest paid to a U.S. Holder on a Note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the Notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest, which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. Holder reduced by any prior payments of principal. Any such gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable dispositions. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a Note by a U.S. Holder generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of Notes is subject to foreign income or withholding tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income). However, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US\$125,000 and US\$250,000, depending on the individual's circumstances). A holder's net investment income will generally include its interest income and its net gains from the disposition of a Note, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your own tax advisor regarding the applicability of this Medicare tax to your income and gains in respect of your investment in the notes.

U.S. Backup Withholding and Information Reporting

Backup withholding (currently at a rate of 28%) and information reporting requirements generally apply to payments to U.S. Holders of principal of, and interest on, a Note (including Additional Amounts, if any) that are made by a U.S. payor or U.S. middleman, to a U.S. Holder, unless the U.S. Holder (i) is a corporation or comes

within certain other exempt categories of U.S. Holders and demonstrates this fact when so required, or (ii) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. A U.S. Holder of Notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of any excess amounts withheld provided the required information is furnished to the IRS in a timely manner.

Foreign Asset Reporting

In addition, certain U.S. Holders who are individuals are required to report information relating to “specified foreign financial assets,” including an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

United Kingdom Information Reporting Requirements

Persons in the United Kingdom paying interest to, or receiving interest on behalf of, another person may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or the person entitled to the interest. In certain circumstances, such information may be exchanged with tax authorities in other countries.

Proposed European Financial Transactions Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes, should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT will apply to both transaction parties where one of these circumstances applies.

The Commission’s proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Whilst the European Commissioner for Economic and Financial Affairs has been asked to prepare draft legislation following a meeting in October 2016, there have been further delays and there remain substantive outstanding points between the Member States. In March 2017, it was reported that the Austrian finance minister chairing the negotiations noted there was a risk that several more Member States could withdraw over these outstanding issues and that the initiative could not proceed with fewer than nine Member States.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

OFFICIAL STATEMENTS

Information included herein which is identified as being derived from a publication of the Republic or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Republic. All other information in this Luxembourg Listing Prospectus is included as a public official statement made on the authority of the Ministry of Finance of the Republic, in his official capacity as such.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon on behalf of the Republic by the Ministry of Justice of Tajikistan, Tajikistan counsel to the Republic, and by Morgan, Lewis & Bockius UK LLP, U.S. counsel for the Republic. The validity of the Notes will be passed upon on behalf of the Initial Purchasers by Akhmedov, Azizov & Abdulhamidov, Attorneys, Tajikistan counsel for the Initial Purchasers, and by Greenberg Traurig LLP, U.S. counsel for the Initial Purchasers. As to all matters of Tajikistan law, Morgan, Lewis & Bockius UK LLP will rely on the opinion of the Ministry of Justice of Tajikistan and Greenberg Traurig LLP will rely upon the opinion of Akhmedov, Azizov & Abdulhamidov, Attorneys.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN for the Regulation S Global Note and the Common Code, ISIN and CUSIP number for the Restricted Global Note are as follows:

Regulation S Global Note

Comon Code: 167640141

ISIN: XS1676401414

Restricted Global Note

Common Code: 167836534

ISIN: US87406KAA07

CUSIP: 87406KAA0

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Tajikistan in connection with the issue and performance of the Notes. The issue of the Notes has been authorized by the Government pursuant to the Decree of the Government of the Republic of Tajikistan “On the circulation of state securities in the international financial markets” No. 292 dated June 13, 2017, the Resolution of the Representative Assembly of the Supreme Assembly No. 834 dated June 21, 2017 and the Resolution of the Representative Assembly of the Supreme Assembly No. 864 dated August 28, 2017.

3. To the best of its knowledge, except as disclosed in this Luxembourg Listing Prospectus, the Republic is not involved in any litigation, arbitration, or administrative proceedings relating to the claims or amounts which are material in the context of the issuance of Notes nor, so far as it is aware, having made reasonable inquiries, is any such material litigation or arbitration or administrative proceeding involving it pending or threatened.

4. Except as disclosed in this Luxembourg Listing Prospectus, there has been no material adverse change in the fiscal, economic or political condition or affairs of the Issuer since December 31, 2016 which is material in the context of the issue of the Notes.

5. The Republic is not involved in any legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, a material effect on the Republic’s financial position.

6. Tajikistan has been assigned a long-term sovereign credit rating of “B-” (with stable outlook) by S&P and a long-term foreign currency issuer default rating of “B3” (with stable outlook) by Moody’s. Ratings are not a recommendation to purchase, hold or sell securities and may be changed, suspended or withdrawn at any time. The Republic’s current ratings and the rating outlooks currently assigned to the Republic are dependent upon economic conditions and other factors affecting credit risk that are outside the control of the Republic. Any adverse change in the Republic’s credit ratings could adversely affect the trading price for the Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.

7. Application has been made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF market. So long as any of the Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent and transfer agent in Luxembourg. The Bank of New York Mellon SA/NV, Luxembourg Branch, has been appointed as Luxembourg paying agent and Luxembourg transfer agent.

8. Copies of the following documents may be obtained on any business day at the office of the Paying Agent in Luxembourg so long as any of the Notes are listed on the Luxembourg Stock Exchange:

- (a) the Indenture (which includes the form of the Notes in the exhibits thereto); and
- (b) the Decree of the Government of the Republic of Tajikistan “On the circulation of state securities in the international financial markets” No. 292 dated June 13, 2017, the Resolution of the Representative Assembly of the Supreme Assembly No. 834 dated June 21, 2017 and the Resolution of the of the Representative Assembly of the Supreme Assembly No. 864 dated August 28, 2017 authorizing the issue of the Notes.

ISSUER

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(acting through the Ministry of Finance)
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**PRINCIPAL PAYING AGENT
AND TRANSFER AGENT**

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**REGISTRAR, LUXEMBOURG PAYING AGENT
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Republic of Tajikistan
(acting through the Ministry of Finance)



US\$500,000,000
7.125% Notes due 2027

Luxembourg Listing Prospectus

September 14, 2017

Joint Lead Managers and Bookrunners

Citigroup

Raiffeisen Bank International