Extractive Industries Transparency Initiative

The World Bank

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ON IMPLEMENTATION OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE IN REPUBLIC OF TAJIKISTAN

2015-2016

BDO

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LIST OF ACRONYMS AND ABBREVIATIONS

EITI	EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
LLC	Limited liability company
UE	Unitary enterprise
SUE	State-owned Unitary Enterprise
OJSC	Open Joint Stock Company
CJSC	Close Joint Stock Company
JV	Joint Venture
GDP	Gross Domestic Product
RT	The Republic of Tajikistan
GEA	Geological and Economic Area
t	Tonne
mln	Million
LoRT	Law of the Republic of Tajikistan
GoRT	The Government of the Republic of Tajikistan
TC	Tax Code
LC	Labour Code
FEZ	Free Economic Zone
VAT	The value added tax
PSA	Production-sharing agreement
MSG	Multi-stakeholder group
EITI IS	International Secretariat of Extractive Industries Transparency Initiative
FDI	Foreign direct investments
EI	Extractive industry
SC	Subsidiary company
MN of MO	Majlisi Namoyandagon of Majlisi Oli
Coalition of CSOs	Coalition of civil society organizations of RT "Transparency for development"
MoF	Ministry of finance
QFA	Quasi-fiscal activities
QFA	Quasi-fiscal assessment

1. Background

1.1. Extractive Industries Transparency Initiative (EITI)

The EITI- is an international standard to assure transparency of revenues from extraction of natural resources. The Initiative allows to track exploration and extraction, as well as to standardize the revenues from this sector with the help of the Multi-stakeholder group.

The EITI presents a comprehensive and at the same time flexible methodology that provides compliance with the international standard in all countries, implementing EITI. The board and EITI International secretariat controls the compliance with the methodology. But every country takes individual responsibility for its implementation. Briefly, the EITI is an international standard that aimed to assure transparency of revenues on local level. The EITI rules define the methodology that countries have to adhere to in order to meet the EITI requirements.

The EITI is a coalition of government, extracting companies, civil society, investors and international organizations. It is reflected not only in the EITI processes on local and country levels, but at an international scale: The EITI Board has 20 members who present governments, companies, civil society organizations, and it is appointed every three years at the EITI Global Conference.

1.2. The EITI in the Republic of Tajikistan

The EITI sign up process of the Republic of Tajikistan has been started in June 2011 after the EITI Global Conference. In August 2011, 21 civil society organizations signed the Memorandum of Understanding where they committed to join EITI, which resulted in establishment of a Coalition of civil society organizations of the Republic of Tajikistan "Transparency for development" (hereinafter - Coalition of SCOs). One of the main objectives of the SCOs coalition is to support implementation of the EITI standards on RT and active participation in realization of the Initiative.

With the purpose of preparation of the country to sign up to the Initiative, an inter-agency working group (hereinafter IWA), representing relevant ministries, civil society organisations and companies, was established. The IWA has elaborated a set of documents, including the Candidature Application of the GoRT to sign up to EITI.

With objectives to improve the management methods in extracting sectors, to develop investment climate in the country, to strengthen fighting corruption, to assure civil society participation to control flows of resource production revenues into the state budget, on the 31st of August 2012, the President of the Republic of Tajikistan, the Chairman of the Government of the Republic of Tajikistan, Mr. Emomali Rahmon signed a Governmental Provision No 449 "About signing up of the Republic of Tajikistan to the Extractive Industries Transparency Initiative".

By this act RT expressed its commitments to join EITI and to follow the Standard. For the execution of the Provision of GoRT No 449 the EITI Council of RT was organized, involving

representatives of state bodies, production companies and civil society organizations, interested in implementation of EITI. By the provision of the Minister of finance of RT no 100 dated 14 November 2013, the EITI Secretariat has been approved that functions as an executive body of the EITI Council of RT. By the provision the members of Secretariat are approved, including a national coordinator, a technical specialist and a PR specialist.

The EITI Candidature Application of the Republic of Tajikistan was approved at the 22nd EITI Board Meeting on 26-27th of February 2013 in Oslo, the Kingdom of Norway.

The first National EITI Report of Tajikistan (hereinafter National EITI Report) was issued in October 2015, it covered 14 extracting companies and their payments in 2014.

In period of 2011-2014 a range of activities were implemented, aiming at strengthening stakeholders capacities by exchange of emerging international best practices in field of EITI, trainings and public awareness-raising campaigns were arranged.

Three parties - Government, CSOs and companies - put efforts to make EITI information available to broader public, which is accessible on the following websites:

- The website of the Ministry of finance of RT: www.minfin.tj
- The website of the EITI Council of RT: www.eiti.tj
- The website of SCOs Coalition of RT "Transparency for development": www.tfd.tj
- The page in Facebook: www.facebook.com/eiti.tajikistan

In October 2014, World Bank granted funds for support implementation of EITI in RT, actual disbursements taken place in May 2015. In frames of this grant, the Secretariat of the EITI Council of RT started its operations.

Due to delay of submission of the first National EITI Report, the status of the country was ceased in April 2015, and, and the status was recovered upon issuance of the report in October of the same year. The presentation of the first National EITI Report was held in November 2015 on the regional conference with participation of Armenia, Azerbaijan, Kazakhstan and Ukraine.

The EITI Standard validation of Tajikistan for year 2016 started on the 1st of July 2016. The EITI International Secretariat conducted the first stage of validation - initial data collection, stakeholder consultation and preparation to the initial evaluation of progress against the EITI Standard Requirements.

The "Sustainable Development Strategy" Group (SDSG) was appointed as an independent validator for review of validations performed by the Secretariat are compliant with the EITI Standard provisions. The Validator assessed the Initial Validation and the Validation Report is submitted to the Board via Validation Committee.

In its turn, the EITI Council of RT and the CSOs Coalition, without delays and timely, initiated response measures based on the findings of the EITI Secretariat's (hereinafter EITI IS) Initial Validation. The relevant information was prepared and submitted to the EITI IS on behalf of the EITI Council of RT and the CSOs Coalition, in December 2016 a workshop on development of an action plan for implementation of the EITI Standard Requirements was conducted.

The Validation Report was presented in October 2016, which was not that optimistic for the country. According to the Validator's review, the process of implementation of the EITI Standard in Tajikistan is not sufficiently active, and 17 requirements of the EITI Standard were ticked off with the mark "insufficient progress".

The important achievement of 2016 was inclusion of the experts of civil society by the recommendation of the EITI Council of RT into the Inter-agency working group on development of new Law of RT "On mineral resources and subsurface use" (hereinafter - LoRT). The draft law currently is reviewed by the Government of RT.

The EITI Council of RT approved "Open data policy" and "Beneficial ownership road map for 2017-2020" documents. The process of conduction of public debates in regions of the country, as well as parliamentary hearings for comprehensive understanding of the EITI issues and involvement of stakeholders into the process of implementation of the Initiative with participation of decision-takers of MN MO RT.

The document "Open data policy" approved by the EITI Council of RT on 26th of December 2016 (to meet the item 4.13 of recommendations made by Validator) contributes to implementation of open data policy for subsequent achievement of the EITI goals and better transparency for sustainable development. With these objectives, it is planned to elaborate a relevant action plan and methodology for disclosure of data of extracting companies, taking into account provisions of the LoRT "On state secrecy".

The "Beneficial ownership road map for 2017–2020" document was also approved at the meeting of the EITI Council of RT.

The EITI Council of RT (minutes of the meeting of the Council dated 31 March 2017) discussed the document "Implementation Plan of Corrective Measure Plan defined by the International EITI Board (further – the EITI Board)". The document reflected recommendations made by Validator, correction measures, defined by the EITI Board, as well as actions to be taken by the EITI Council of RT and assigned in charge for execution.
So, the EITI Council of RT put efforts for further implementation of the EITI in Tajikistan and meeting the requirements of the EITI Standard.

2. CONTEXT OF EXTRACTIVE INDUSTRY OF TAJIKISTAN

Tajikistan is a classical mountainous country in Central Asia where the absolute altitudes vary from 300 m to 7495 m. 93% of the area of the Republic are occupied by mountains that form highest mountain systems - Pamirs and Tien Shan.

The Republic of Tajikistan is rich of diverse natural resources, great production and mineral and raw material potential that creates favourable conditions for development of national economy. More than 600 deposits and 800 manifestations of minerals are discovered, explored and partially prepared for industrial development. Tajikistan has deposits of antimony, mercury, lead, zinc, silver and rock salt that are estimated to be the biggest on the area of CIS countries. The mining sector produces more than 70 types of minerals, including gold, silver, tungsten (wolframium), coal, lead, stannum (tin), etc. As it is seen, the mining sector of Tajikistan has colossal potential.

2.1. Legal and fiscal framework of extractive industry

Legal framework

According to the article 13 of the Constitution of the Republic of Tajikistan, mineral and other natural resources are exclusively and solely owned by the state, and the state guaranties their rational use for the benefit of people. Thus, the task of the state is to protect national interests in the process of development of any mineral formations/deposits.

The main strategic document of the country is the National Development Strategy of the Republic of Tajikistan for the period up to 2030 (hereinafter - NDS-2030), approved by the decree No 636 of Majlisi Namoyandagon Majlisi Oli of the RT on the 1st of December 2016.

NDS-2030 states the top goal of the long-term development of Tajikistan - improvement of living standard of population by provision of sustainable economic development, and it runs: "As a whole, this document is a directive plan of actions for all government agencies and an indicative action plan for private sector and civil society, and the country technical and financial support programmes will be based on it"[1].

Along with priority directions for national economy development in coming years, NDS - 2030 states a task of efficient use of natural resources, it is planned to reach maximum growth of production in extractive industry - by 5,7 times according to the industrial scenario and by 6,4 time in case of the industrial & innovative scenario. In line with NDS-30, development and production of mineral resources (gold, silver, precious stones, etc.) is one of prioritized vectors of economic growth.

The President's message to the Majlisi Oli of the RT of 2016 runs that "construction and commissioning of industrial areas in some regions of the country is foreseen, including two oil refineries (with production capacity of 2 million tonnes), three cement plants (with production capacity more than 3 million tonnes, few textile manufactures with the processing capacity of 52 thousand tonnes of cotton fibre and production capacity of 150 million m^2 of cotton fabric, construction of 3 chemical factories, non-ferrous metal processing plants with the production capacity 1400 kg of gold, a big metallurgical plant with the capacity of 50

[1]http://medt.tj/documents/main/strategic_national_programm/strategic_national_prog_ru.pdf

thousand tons of zinc and 50 thousand tonnes of lead ad one more metallurgical company with the production capacity of 400 thousand tonnes."[2]

Roles and responsibilities of the state authorities of the Republic of Tajikistan

Regulation and management of the mining sector is implemented by the various state agencies in accordance with their power and authority conferred by the Government of the Republic of Tajikistan.

In 2014 the President's Decree no 12 dd. 19 November 2013 enforced reforms of the state administration system, including extractive sectors. With abolition of Ministry of energy and industry of the Republic of Tajikistan, its powers and functions were redistributed between Ministry of energy and water resources of RT and Ministry of industry and new technologies of RT. In result of this reallocation, the oil and gas sector is governed by Ministry of energy and water resources of RT, the mining sector is managed by Ministry of industry and new technologies of RT.

Ministry of industry and new technologies of RT(further - MINT), in line with the Provision of GoRT No 147 dd. 3 March 2014, carries out functions of implementation of the single state policy and normative and legal regulations in fields of industry, gas and oil complex and development of new technologies, including defence industry, machine engineering, **metal processing**, chemical industry, **ore processing,construction materials, coal production**, food industry and processing industries**.** MINT is closely involved into the processes of formation and implementation of strategy of development, planning and introduction of new technologies through state and sectoral programmes; organizes and implements scientific & technological, economic, HR and social policies in industrial complex; coordinates activities of industrial companies, organizations and gas & oil complex, irrespective of the form of ownership, regulation of intersectoral relations of state bodies within sectors subordinated to the Ministry; in cooperation with local authorities prepares growth forecasts for gas & oil sector and industry, based on the possibilities for construction of new industrial enterprises, including processing plants on the sites, rich with raw materials, etc.

Ministry of energy and water resources of the Republic of Tajikistan (hereinafter - MEWR), pursuant to the GoRT Provision No 149 dd. 3 March 2014, is a central agency of executive authority, responsible for development and implementation of state policy and normative & legal regulations in field of fuel and energy complex and water resources. MEWR **with regards to oil a& gas industry** is conferred with the following powers:

- development of proposals for granting concessions of state energy and water assets with the purpose of design and construction;
- organization of activities on opening of oil & gas deposits with purpose of restoring energy reserves;
- regulation of activities of companies and private enterprises, running businesses in oil & gas production, oil processing and export& import of oil products;
- control over investment projects in field of oil & gas production and processing;
- support in attraction of investments into the sector of exploration, opening of oil& gas

[2]http://www.president.tj/ru/node/10587

deposits, production and processing, introduction of modern technologies for operation of deposit sites, production and processing of oil and gas;

- Following established procedures, to design, agree and approve investment projects on drilling of wells, processing of oil and use of manufactured goods, etc.

Main Department of Geology under the Government of the Republic of Tajikistan(hereinafter - MDG), in line with the GoRT Provision No 617 dd. 28 December 2006, is a central agency of the executive authority that is responsible for implementation of the state policy and management and coordination of activities in field of geological survey/studies of subsoil resources, their rational use, rehabilitation/replenishment of mineral reserves, as well as management of the State geological information about subsoil resources of the Republic of Tajikistan. MDG is in charge of geological explorations of mineral resources, including underground water resources (fresh, mineral, industrial, thermal) and fuel & energy resources, systematic and comprehensive investigations/studies of subsoils with the purpose of replenishment/rehabilitation of the mineral reserves; ensuring timely growth of mineral reserves; carries out internal control over the rational and integrated use and protection of subsoil resources, assures adherence to the provisions of legislation on use of subsoil resources; maintains a Single Geological Information System. MDG provides state registration services in the State Geological Information System on subsoil resources of the Republic of Tajikistan, it registers licences (permits) and contracts for all kinds of subsoil use, issued by authorized agencies in line with the established procedures; maintains state records of subsoil sites for production of minerals and underground facilities not related to the production of minerals; carries out state registration and state coordination of geological survey activities, as well as of activities under international agreements, and of all kinds of subsoil use, irrespective of sources of financing. MDG is responsible for approval and registration of geological survey projects to be carried out on the territory of the Republic of Tajikistan in the State Geological Information System on Subsoil Resources of the Republic of Tajikistan, irrespective of sources of financing, controls stagewise progress of those activities; prescribes the procedures for submission of geological materials to the State Geological Information System on Subsoil Resources of the Republic of Tajikistan, ensures its smooth functioning, as well as arranges centralized storage, use and registration of geological materials; MDG functions as an executive agency for licensing of subsoil resources of the Republic of Tajikistan, and as a authorised agency for signing agreements for subsoil use; controls compliance with legislation on state secrecy and list of information related to the state secrecy; submits for approval documents on explored deposits in details, etc. to the State Committee on Mineral Resources of the Republic of Tajikistan, etc.

The State committee on investments and state property of the Republic of Tajikistan (hereinafter SCI), according to the GoRT Provision No 590 dd. 28 December 2006, is a central agency that implements within conferred powers the state policy and normative and legal regulations in investment field, takes measures on targeted attraction, coordination and monitoring of external assistance, management of state property, protecting state interests as a owner, carries out activities on implementation of entrepreneurship support programmes *(in edition of the GoRT Provision no 135dd. 03.03.2011)*. MDG also is involved in development and implementation of investment programs, elaboration of conditions of concession agreements, representing the interests of the state as the owner to the extent permitted by the relevant normative and legal acts of the Republic of Tajikistan; it develops investment contracts and related agreements according to the established order; provides consultations

on public services to investors; provides support in preparation of necessary documents and apply application for public services and submits results of public services, etc.

Ministry of economic development and trade of the Republic of Tajikistan (hereinafter - MEDT), according to the GoRT Provision No 589 dated 28 December 2006, "On Ministry of economic development and trade of the Republic of Tajikistan", carries out functions on elaboration and implementation of state policy and normative and legal regulations in terms of analysis and development of concepts, short-, mid- and long-term strategies, programmes and forecasts of social and economic development of the country, foreign economic activity, trade, economic development of regions, creation of information resources; coordinates monitoring and assessment of national strategies implementation, poverty reduction and public investment programmes, including mining sector of the country. MEDT reviews feasibility studies of exploration and production projects from the point of view of economic effectiveness and efficiency. MEDT coordinates sectoral and regional development; participates in the development of the budget policy, elaboration of budget standards for provision of regional, sectoral and republican programs; prepares proposals on customs tariffs standards, clarifies list of goods, works and services that are prohibited or limited for import and export; coordinates activities for development, management, functioning and further improvement of free economic zones (as amended by the GoRT Provision No 475 dd. 31.08.2009); develops proposals on procedures on import and export of precious metals and gems, precious metals and gems wares, scrap of precious metals and gems, processing waste and chemical compounds containing compounds of precious metals and gems.

Ministry of finance of the Republic of Tajikistan (hereinafter - MoF), in line with the GoRT Provision No 187, dd. 2 April 2015, is responsible for implementation of a single state policy and normative and legal regulation of financial, budget and tax activities, accounting and financial reporting (except bank system), insurance, foreign exchange financial market, stock market and state precious metals and gems repository, coordinates activities of the public agencies on execution and enforcement of tax legislation, control over accuracy of accrual and duly payment of taxes and other obligatory payments to budget by the taxpayers and performs public finance management. Ministry of finance carries out management of state foreign debts and its servicing, including state liabilities guaranteed by the Government of the Republic of Tajikistan, borrowings, registration, accounting, monitoring and control over designated use of funds borrowed under loan agreements, secured by public guarantees according to the procedures established by the Government of the Republic of Tajikistan; participates in development and implementation of the state anti-monopoly and pricing policy; development and use of state resources of precious metals and gems, exploration, production, processing and development of market of precious metals, gems and other valuables, etc.

Tax Committee under the Government of the Republic of Tajikistan (hereinafter - TC), pursuant to the GoRT Provision No. 456 dd. 31 August 2012, is an executing agency of state authority, responsible for provision of state control over the complete and timely payment of taxes, except cases, when the Tax Code of the Republic of Tajikistan imposes tax collection on other agencies. TC is responsible for execution and enforcement of tax legislation, development of tax administration framework aimed at timely and complete tax receipts to relevant budgets, participates in drafting of laws and other normative legal acts concerning taxation, including tax matters under the agreement with other states.

TC is responsible for registration of legal entities, individual entrepreneurs, branches and

representative offices of foreign legal entities, assignment of a taxpayer identification number to every taxpayer, and maintains Single state register of taxpayers, including VAT-Payers Register and access to its information; controls and monitors accuracy of accrual, completeness and duly payment of taxes and other obligatory payments to relevant budget by legal entities and individuals.

Agency on statistics under the President of the Republic of Tajikistan (hereinafter - Agency on Statistics), according to the Presidential Decree No. 862 dd. 22 April 2010, is a state agency that is responsible for statistical policy and economic analysis and is subordinate to the President of the Republic of Tajikistan. Main roles and duties of the Agency on Statistics:

- organization of statistical accounting and statistical indicators system, meeting modern public needs and international standards;
- coordination of statistical operation of executive agencies of state authorities;
- determination and approval of the general classifier of economic activities of the Republic of Tajikistan;
- provision of functioning of state register of enterprises and other organizations by registering of all operating business entities on the territory of the Republic of Tajikistan, assigning identification codes according to classifiers of technical-economic and social information, etc.

Legislation on subsoil use

List of normative and legal acts regulating subsoil use activities in the Republic of Tajikistan as follows:

- Constitution of RT (1994, amendments and modifications in 1999, 2003, and 2016)
- Civil Code of RT (1999)
- Tax Code of RT (2012)
- Customs Code of RT (2004)
- Labour Code of RT (as amended in 2016)
- LoRT "On Subsoil" (1994)
- LoRT "On Investments" (as amended in 2016)
- LoRT "On Licensing of Certain Types of Activities" (2004)
- LoRT "On Production Sharing Agreements" (2007)
- LoRT "On Concessions" (2011)
- LoRT "On State Secrecy" (2014)
- LoRT "On Precious Metals and Gems" (2001)
- LoRT "On Investment Loans"
- LoRT "On Oil and Gas" (2015)
- LoRT "On State Regulation of Production and Turnover of Certain Types of Oil Products" (2007)
- LoRT "On Coal" (2012)
- LoRT "On Turnover of Explosives for Civilian Use" (2004)
- LoRT "On Industrial Safety of Hazardous Production Facilities" (2004)
- LoRT "On Currency Regulation and Currency Control" (1995)
- Lort "On Radiation Safety" (2003)
- LoRT "On Registration of Legal Entity and Individual Entrepreneurs" (2009)
- LoRT "On State Registration of Immovable Property and Ownership Rights" (2008)
- LoRT "On Audits of Activities of Economic Agents" (2015)

- LoRT "On Free Economic Zones in RT" (2004)
- Regulations "On Specific Considerations of Licensing of Certain Types of Activities" (2007)
- Regulations "On State Fund of Geological Information on Subsoils of RT" (1997)
- Regulations "On Ministry of Economic Development and Trade of RT" (2006)
- Regulations "On Ministry of Finance of RT" (2015)
- Regulations "On State Committee on Investments and Management of State Property" (2006)
- Regulations "On General Directorate for Geology under GoRT" (2006)
- Regulations "On Ministry of Industry and New Technologies" (2014)
- Regulations "On Ministry of Energy and Water Resources" (2014)
- Regulations "On Public Mining and Industrial Occupational Safety Supervision Department under GoRT" (2014)
- Regulations "On Agency on Statistics under President of RT" (2010)
- Regulations "On Tax Committee under Government of RT" (2012).

The activities of individuals and legal entities in field of design, search, exploration, production, processing, transportation and storage is regulated by the laws "On Subsoil", "On Oil and Gas", "On Coal", "O precious metals and Gems", "On Licensing of Certain Types of Activities", "On Production Sharing Agreements", "On Investments", "On Concessions", Tax Code of RT, Customs Code of RT, etc.

LoRT "On Subsoil"

LoRT "On Subsoil" was adopted on 20th of July 1994, No. 984. This Law contains definitions of main terms, formulates main legal categories used in mining sector, it provides powers of the Government of the Republic of Tajikistan and certain authorised public agencies in mining sector and formulates main stages of mining works. The Law does not allow private ownership of subsoils in the Republic of Tajikistan. Buying and selling, donating, giving as a pledge and unauthorised exchange of subsoil sites is prohibited.

The Government of the Republic of Tajikistan regulates relations arising in sphere of subsoil use and prescribes procedures of subsoil use and their protection, as well as relevant standards (norms, rules); controls and manages public subsoil fund, including commonly occurring mineral resources fund together with public authorities of Gorno-Badakhshan autonomous region, other regions, cities and rayons (as amended LoRT No.351 dd. 05.01.2008). The Government issues licences for subsoil use and processing of mineral stock (as amended by LoRT No. 120 dd. 04.11.1995), determines procedures of attraction of foreign investments, provides licences and concessions to foreign legal entities and individuals for investigation, exploration, production and processing of mineral raw material, as well as to use of subsoils for other needs and assures its implementation. The Government of RT is responsible for development of a single system of subsoil geological information system, use of information obtained at the account of public funds (LoRT "On Subsoil", Art. 5).

Subsoil resources shall be used, including with the purpose of geological investigation, production of minerals, use of mining waste and related processing industries (LoRT "On subsoil", Art. 7).

Subsoil user who obtained the licence for use of subsoil, is to follow requirements on rational use and protection of subsoil resources.

In case of violation of those requirements, the right of use will be limited, ceased or terminated by specially designated public agencies in line with the relevant legislation.

The Law is amended and modified in 1995, 2008 and 2010.

According to the amendments and modifications to the Law No. 471 dd. 31.12.2008, "the investor, who has completed geological prospecting works at its own costs and expenses, now has got "an exclusive right" to get permit/licence for field development" (LoRT "On Subsoil", Art. 8).

Some amendments are made to the Article 10 of the Law (LoRT No. 471 dd. 31.12.2008). Earlier only public companies had possibility to study and investigate, to produce and store radioactive waste. The amendments resulted in permission to run such activities for legal entities, organizations, companies and individuals, as well as for foreign citizens, registered in the Republic of Tajikistan, irrespective of the form of ownership.

If the subsoil user conducted prospecting, evaluation and exploration works, compensation of costs is guaranteed to him/her, according to the amendment made to the Article 46 of the Law (LoRT No 471 dd. 31.12.2008).

LoRT "On Oil and Gas"

LoRT "On Oil and Gas" No 1190 is adopted on 18th of March 2015, and it regulates legal, economic, organizational arrangements and public policy in oil and gas industry, it is aimed on development of oil and gas sector of the Republic of Tajikistan.

Oil and gas deposits are exclusively and solely owned by the state. Produced oil and gas, according to the conditions, can be owned by the legal entities, including joint property of foreign individuals and legal entities.

Exploration works contract is signed up to 5 years, and can be extended when necessary. Licence holder has a prerogative right to prolong contract period provided he fulfilled all contractual obligations. When licence holder discovered oil and gas resources, he can request the authorised agency to prolong contract period up to the commercial evaluation of discovered oil and gas. The contracted area can cover one or few territories. Territory, allocated as contract area, is limited by the area of wells of certain depth. If during progress of oil-and-gas operations it is found out that geographical borders of the wells go beyond contract area, then this issued is settled by the authorised public agency. Conditions of restoration of contract territory to its original condition is defined by the legislation of RT about conservation and liquidation in accordance with established procedures.

Oil and gas exploration and production licence holder on its geological allocation and mine allotment is responsible for the following:

- carry out works in line with the approved designs in accordance with standards, approved norms and rules;
- to determine mine-engineering, geological-physical indicators of the oil and gas bearing formations, composition of oil and gas, gas condensate, as well of the associated components;
- to introduce methods and techniques of geological investigation of subsoils, preventing losses, degrading of oil and gas quality in subsoils;
- to stop, according with the sectoral instructions, works in mines and other facilities when their further use is irrational;

- to conduct safety operations;
- to recover soils affected by the oil and gas operations;
- to inform promptly designated state agency about discovery of oil and gas deposits;
- to protect subsoils and environment;
- to agree with the designated state agency the designs for construction of oil and gas storages;
- after evaluation of oil and gas resources volumes, to develop the designs of use of deposits and submit for approval to the authorised state agency of the industrial safety;
- to show in the agreement information on production sharing with the aim of investigation and evaluation upon completion of works linked with seismological and geological investigations, for use of subsoils.

Design of trunk pipeline construction projects for transmission of oil and gas, is carried out by the licensed organizations. Owners of the trunk pipeline facilities, transporting oil and gas, are entitled to operate their facilities on their own or on basis of an oil and gas transportation contract for full economic management.

Operation and maintenance of the main pipeline for transporting of oil and gas is carried out on the basis of licence.

LoRT "On coal"

LoRT "On coal" No. 870 is adopted in July 3, 2012, it sets legal, financial and organizational framework of the coal industry and regulates relations between individuals and legal entities working in this field.

The Law covers operations of organisations that specialize in exploration, production, coal processing, construction of mine facilities, emergency rescue services, as well as liquidation of consequences associated with mining works, provision of social guaranties to workers of these organisations, including state safety control.

In order to achieve competitive performance of the coal industry on domestic and foreign markets, companies operating in coal industry, irrespective of the form of ownership, are financially supported by the state in the following directions:

- public financial support of coal industry and production of alternative coal-based fuels;
- recovery of production capacities of the coal production and processing businesses, technological modernization and expansion;
- financial support of loss-making coal enterprises, whose products at the same time is irreplaceable for it technological characteristics or they cover needs of regions whilst supply of other fuels to these areas is economically not feasible;
- financing of activities of coal companies in period of seasonal sales slowdown;
- modernization of production capacities of coal industry in accordance wit the requirements of the state fuel and energy balance;
- social protection of workers of coal industry;
- Implementation of public policy on occupational safety in coal industry.

Coal sector businesses receive public financial support upon meeting the requirement of Tajik legislation on anti-monopoly policy, and it should not affect the competitiveness of the profitable coal production and processing businesses. The volume of the public financial support for organizations of coal sector and geological & exploration works is determined every year and fixed under a separate line of allocations in the state budget.

Public financial support is provided to the coal sector organisations, irrespective of the state's participation in their share capital.

The list of coal sector organizations that are entitled to state financial support is determined by the Government of the Republic of Tajikistan upon the recommendations of the authorised public agency of the coal industry.

Misuse of public support funds by coal sector organizations result in de-listing from the list of coal companies, which can apply for public financing support, and those funds are re-allocated between other organizations in the sector in accordance with procedures set by the authorised agency in the coal sector.

Coal production and processing is carried out in line with the legislation of the Republic of Tajikistan based on the approved projects.

Coal production and processing projects have to pass state geological, economic, and environmental and construction- engineering approvals/expertises.

Procedure and methods of development of coal deposits are carried out in accordance with subsurface conditions and provide efficient use of subsoil.

Use of coal resources by coal production and commercial processing companies is performed in line with established procedures of coal quality control and timely execution of geological and underground surveying works.

LoRT "On Investments" (as amended in 2016)

LoRT "On Investments" regulates relations associated with investment operations and defines the legal and economic framework for encouragement of investment and state support of investors via provision of fair and equal legal environment and guaranteed protection of the rights of investors.

The Law describes the main concepts, as follows:

- investments - injection of capital by investor in form of tangible and intangible assets on the territory of the Republic of Tajikistan for the purpose to gain profit;
- an investor - an individual or a legal entity, as well as an unincorporated organization that carries out investment operations in the Republic of Tajikistan;
- investment activity - activities of the investor in the investment process, including preparation, implementation and management of the investment project;
- long-term investments - investment of capital into an investment project with duration more than ten years;
- Foreign investor - a foreign state, any foreign legal entity, foreign unincorporated organizations, a foreign citizen, a citizen of the Republic of Tajikistan, with permanent residence outside the Republic of Tajikistan. as well as an international organization that makes investments in the Republic of Tajikistan in accordance with the laws of the country of their location;

- a minority investor - the investor who made investments in volume less than ten per cent of voting shares (less than ten per cent of votes of the total number of voters);
- direct investments - is ownership, acquisition by the investor at least ten per cent of share, shares (of investments) in the share (participatory) capital of the commercial organization that is established or newly opened on the territory of the Republic of Tajikistan in line with legislation of the Republic of Tajikistan, as well as injection of capital in fixed assets of the branch of a foreign legal entity to be opened on the territory of the Republic of Tajikistan.

The investor can invest any property, rights on that property and other objects of civil rights, belonging to him on the property title, or legally, allowing him to dispose of these objects, in particular:

- real estate property/immovable property;
- monetary assets;
- stocks, shares in the authorised fund and any other forms of participation in legal entity;
- property rights;
- intellectual property and other kinds of non-property rights;
- Other objects of civil rights that are not restricted in turnover by the legislation of the Republic of Tajikistan.

Foreign investors have the right to make investments in the following forms:

- by opening companies, fully owned by foreign investors, as well as branches and representative offices, owned by foreign legal entities or by acquisition of ownership of functioning enterprises;
- by establishing of legal entities of the Republic of Tajikistan with participation of citizens of the Republic of Tajikistan and acquisition of share in operating companies;
- by acquisition of stocks, bonds and other investment securities stipulated by the legislation of the Republic of Tajikistan;
- by acquisition of the right of concession on use of state property objects and natural resources on the territory of the Republic of Tajikistan on his own or with the engagement of the legal entities of the Republic of Tajikistan as well as with involvement of citizens of the Republic of Tajikistan;
- by acquisition of other property rights;
- In other forms, not forbidden by the legislation of the Republic of Tajikistan.

In event of amendments and modifications of the legislation of the Republic of Tajikistan or adoption of new normative legal acts that worsen conditions for investment activities, the investors who perform long-term investments are entitled to select more favourable conditions for them during ten years from the date of effect of such laws.

Worsening of investment conditions means introduction of amendments and modifications to the legislation, as well as adoption of new legal acts of the Republic of Tajikistan that entail the following:

- Increase of tax burden in comparison with the tax burden on the day of commencement of financing of the investment project;
- Introduction of quantitative restrictions on volumes of investments and other additional requirements related to volumes of investments, placing other banishments and restrictions;
- Introduction of limitations on share participation of the foreign investor in authorised funds (shared capitals) of legal entities;

  This treatment does not concern the amendments and modifications made to the Constitution of the Republic of Tajikistan and to the legislation of the Republic of Tajikistan, associated with the issues of national security, health care and environmental protection.

Investors and foreign workers are guaranteed the right of international transfers of their income and wages in foreign currency, paid legally in result of investment and production activities. Investor can participate in privatization of public property objects by purchasing of the property rights for that public property or its share, shares (investment) in authorised (participatory) capital of the privatized company. The property of the investor is not subject to nationalization.

Direct or indirect expropriation of investments is prohibited on the territory of the Republic of Tajikistan or taking actions which are equivalent of expropriation of investments, except expropriation for the interests of the state or society, on non-discriminatory basis, in line with the legal procedures and pay out the timely, adequate and effective compensation.

Investments and other assets of investors are not subject of requisition, except cases of natural disasters, emergencies, epidemics, epizootics.

The investor can pass his rights (agrees to the demand) and obligations (debt conversion) to other person in line with the civil legislation of the Republic of Tajikistan. Transfer of rights and duties under licensed types of activities is performed upon agreement with the agency that issued the licence for performance of licensed kinds of activity.

In course of investment activities the investor takes necessary steps for creation of working places and training of qualified workers out of citizens of the Republic of Tajikistan.

With the purpose of support of investors in providing public services the authorised public agency in field of investments develops a Single window for investors.

Fiscal framework

The budget system of Tajikistan is characterised by the high degree of centralization of revenues in the Republican budget. Chapter 7 of the LoRT "On State Finances of the Republic of Tajikistan" No 723 dd. 28.06.2011 [3] describes interbudgetary relations.

By the Article 6 of the Tax Code of the Republic of Tajikistan, [4] taxes of the Republic of Tajikistan are determined (Table 1), by the Article 4 of LoRT "On Other Compulsory Payments to Budget" No. 197 dd. 28 July 2006 [5] - other compulsory payments to budget are determined (Table 2).

[3] http://www.mmk.tj/ru/legislation/legislation-base/2011

[4] http://andoz.tj/ru/nalogovyy-kodeks.html

[5] minfin.tj/downloads/files/zakobpl.doc

Table 1

Types of taxes in extractive sector of Tajikistan[6]

Tax revenues		Public agencies responsible for collection of taxes
National taxes		Customs service under the GoRT
1	Customs charges: - customs duties; - Excise duties (to the extent that they are received through the customs agencies); - value-added tax on goods, imported into the territory of RT; - Customs fees.	
2	Income tax: - - withhold from individuals (13%); - - withhold from income of non-residents from sources in RT (25%); - - Tax on dividends (12%).	Tax Committee under GoRT
3	Income tax: - 14 per cent, but not less than 1 per cent of gross income (advance payment of income tax); - Tax for net profit of country office of a foreign legal entity (15%).	
4	Taxes for the use of natural resources: - signature bonus for geological exploration of mineral resources; - signature bonus for production; - commercial discovery bonus[7]; - royalties for extraction;	

[6] Types of taxes are given in accordance with the Tax Code of RT and Customs Code of RT.

[7] The size of signature bonus is set in accordance with the rules, determined by the Government of the Republic of Tajikistan, and is reflected in the subsoil use contract

	- royalty for water.	
5	The road users tax (in the amount of 0.25 per cent for trading, procuring, distribution and marketing activities, and 1 per cent for other activities)	
6	Value-added tax: - Withholding for the supply of goods, works and services (18%); - Withholding from non-residents at the source of payment (18%).	
7	Excises (to the extent that they are received by internal operations)[8]	
8	Tax paid by small businesses (under simplified tax system - 5-6%)	
9	Social tax: - withhold from individuals (1%); - withhold from employer (25%).	Tax Committee under GoRT
10	Other taxes, including penalties and fines	Tax Committee under GoRT
Local taxes		
1 2	- tax on vehicles - tax on immovable property	Tax Committee under GoRT

[8] The excise tax rate on excisable goods are set by the Government of the Republic of Tajikistan according to the Foreign Economic Activity Commodity Classification (Article 200 of TC RT).

Table 2

Other payments in extractive industry of Tajikistan

No.	Other payments	Public agencies responsible for collection of taxes
1	Compulsory insurance payments	SUE "Tajiksugurta"
2	Concession fee	It depends on what designated state agencies are determined in the concession contract
3	Dividends paid to the state package	Tax Committee
4	Payment for the state share, bought out by the company	State committee on investments and state property management of the Republic of Tajikistan
5	State fee and subsoil use license charge	- Ministry of industry and new technologies; - Ministry of energy and water resources; - Main Department of Geology
6	Fees and charges for registration of land use rights	Agency for land recreation, geodesy and cartography under the Government of the Republic of Tajikistan
7	Compensation of the lost profits from allocation of land plots	Agency for land recreation, geodesy and cartography under the Government of the Republic of Tajikistan
8	Compensation of agricultural production losses and loss of crops devastation	Agency for land recreation, geodesy and cartography under the Government of the Republic of Tajikistan
9	Compensation of forestry production	Committee of environmental protection under the Government of the Republic of Tajikistan
10	Charges for state expert reviews and approvals of the design of works/operations and licences fees (design specifications and estimates, environmental impact assessment, etc.)	Main Department of Geology under the Government of the Republic of Tajikistan
11	Charges for environmental pollution and compensation for environmental damage	Committee of environmental protection under the Government of the Republic of Tajikistan
12	Payments fixed by agreements	It depends on what competent public agencies

	signed by the Government of the Republic of Tajikistan	are entitled in the investment agreements
13	Compulsory payments for issuance of licence and other permitting/authorization documents	Competent public agencies or local self-governing bodies, depending on the type of payments

Tax treatment

There are two taxation treatment modes applicable to the extractive sector of Tajikistan:

- the standard taxation treatment - implies calculation and payment procedures for national and local taxes as defined in the Tax Code of the Republic of Tajikistan (hereinafter - TC), except the preferential tax treatment of TC RT and particular normative and legal acts;
- Preferential or special tax treatment - implies other procedures of calculation and payment of taxes are defined in TC RT, different from the standard one.

Standard taxation treatment

The provisions of the standard taxation treatment for subsoil users are defined in the Section XII of the Tax Code of RT. According Chapter 34, Article 219, paragraph 5 of TC RT, taxes for the use of natural resources are to be paid in case of use of natural resources, and, besides tax charges which are common for all companies, subsoil users are to pay - a subscription bonus, a commercial discovery bonus, a production royalty and a water royalty.

The subscription bonus and the commercial discovery bonus pursuant to the tax legislation - are single fixed fees paid by subsoil users, except public enterprises involved into geological investigations of subsoils, financed by state budget.

Production royalty - is a regular charge, withheld from the taxpayer (the subsoil user) at production of mineral resources.

The size of the subscription bonus is determined specifically for every type of subsoil use activities in line with the Rules for calculation of the size of subscription bonus, commercial discovery bonus, and conclusion of subsoil use contracts, approved by the Provision of Government of RT No. 426 dd. 30 August 2011[9].

The subsoil user who obtained licence for use of subsoils has to sign a contract for subsoil use, according to this provision. The contract is to be signed between the competent agency for signing contracts and the subsoil user. The authorised agency in charge for contracts is the Main Department of Geology under the Government of the Republic of Tajikistan.

The Main Department of Geology during a month review the application for subsoil use, drafts contract and sends it for consideration to the Compulsory Tax Review Commission.

After receiving of the expert's tax opinion the Main Department of Geology shall sign the contract with the subsoil user within 15 days. Contract validity is set according to period of the licence validity.

[9] http://andoz.tj/ru/postanovleniya-pravitelstva.html

The minimum size of the subscription bonus is set specifically for every type of subsoil use activities.

The subsoil use activities/operations include:

- geological investigations, including prospecting, evaluation and exploration of fields of natural resources and other geological studies;
- production of mineral resources;
- use of mining waste resulted from production of mineral resources and processing derivatives;
- use of common occurring mineral resources;
- Acquisition of mineralogical, palaeontological and rock formations.

The minimum size of the subscription bonus for geological investigations separately for each signed contract on subsoil use, is established in the following volumes:

Table 3

The minimum size of subscription bonus

Types of geological investigations	**The minimum size of the subscription bonus (multiplication of calculation index[10])**
a) exploration works on oil and gas bearing fields	5000
b) exploration works for mineral ore resources	3000
c) exploration works for non-metallic mineral resources, except works for commonly occurring mineral resources, prospecting works and prospecting and evaluation works	1000
d) exploration works on the waste fields resulted from production of mineral resources and their by-products	100
e) acquisition of mineralogical, palaeontological and rock formations	50

Calculation of minimum sizes of subscription bonuses for production of mineral resources is as follows:

a) for production of crude oil, gas condensates and natural gas by formula *(C x 0,04) + (Cn x 0,01)*, but not less than 20,000 times size of the calculation index for large-scale deposits, ten 10.000 times size of the calculation index for medium-size deposits and 5.000 times size of the calculation index for small deposits;

b) for production of mineral resources, except mineral resources specified in sub-paragraphs a) and b) of this paragraph, - by formula *(C x 0,01) + (Cn x 0,005)*, but not

[10] One calculation index for calculations for the reporting period (2015-2016) equals to TJS 40.

less than 10 000 times size of the calculation index for large-scale deposits, 5 000 times size of the calculation index for medium-size deposits and 2 500 times size of the calculation index for small deposits;

c) For production of waste resulted from production of mineral resources and their by-products- by formula *C x 0,01*, but not less than 500 times size of the calculation index,

where **C** - is the cost of total reserves of mineral stocks, approved in the State Commission of the Republic of Tajikistan on mineral reserves, split by industrial categories A, B, C (1);

Сп- a total value of pre-measured mineral resources of category C (2), approved by the State Commission of the Republic of Tajikistan on mineral reserves and (or) or reflected in the decision by the named Commission.

Large, medium and small mineral deposits are classified in accordance to the Classification of mineral resources and estimated mineral reserves.

Commercial discovery bonus is set for every new commercial discovery of mineral resources on the allocated area. The commercial discovery bonus for every new discovery of minerals is charged from the subsoil user at the rate of 0.01% of the cost of discovered natural reserves, approved the State Commission of the Republic of Tajikistan on mineral reserves[11].

Subsoil use royalty rates are set as follows:

Table 4

Subsoil use royalty rates

No.	***Description of minerals***	**Rates (in % of taxable base)**
1.	Oil, gas condensate and natural gas	6
2.	Coal and peat	4
3.	Ferrous metals (iron, manganese, chromium, vanadium)	4
4.	Non-ferrous and rare metals (copper, lead, zinc, tin, nickel, cobalt, molybdenum, mercury, antimony, bismuth, cadmium, aluminium, strontium, titanium, zirconium, lithium, tungsten, tantalum, niobium and others)	6
5.	Alluvial minerals	9
6.	Noble metals (gold, silver, platinum group of metals)	6
7.	Gems	8
8.	Gem stones (semi-precious stones) and (or) piezooptical raw materials	8

[11] Provision of GoRT No 426 dd. 30.08.2011

9.	Radioactive raw materials	5
10.	Mining chemical feed stock and thermal waters	5
11.	Crude ore (concentrate) and (or) nonmetallic mineral resources of metallurgical sector	5
12.	Other minerals, not given in this table	3
13.	Non-ferrous and rare metals (copper, lead, zinc, tin, nickel, cobalt, molybdenum, mercury, antimony, bismuth, cadmium, aluminium, strontium, titanium, zirconium, lithium, tungsten, tantalum, niobium and other), noble metals (gold, silver, platinum group metals), extracted from anthropogenic mineral formations (waste of mining plants)	0.5

As it was mentioned above, withholding of taxes from subsoil users does not exempt the subsoil user from payment of other taxes, prescribed by TC of RT, as well as from tax obligations arisen in the result of other activities (not related to subsoil use) in line with the Tax legislation, acting on the date that these obligations were originated (not associated with the subsoil use). In particular, these taxes include: the corporate profit tax, the value-added tax, the road users tax, minimum tax on income of enterprises, land tax, customs fees and state duties, the tax on vehicles and the tax in items of immovable property.

It is worth mentioning, that there are 5 investment incentives for subsoil users under the standard taxation treatment. In particular, import, export and delivery of goods are VAT exempted, as well as the exemption from payment of income tax and excise tax are also granted.

The corporate profit tax

Pursuant to the Article 109 of TC RT, the rate of corporate profit tax for goods production activities:

- from January 1st, 2015 - 14 per cent, but not less that 1 per cent of the gross income;
- From January 1st, 2017 - 13 per cent, but not less than 1 per cent of the gross income.

For other types of activities:

- from January 1st, 2015 - 24 per cent, but not less than 1 per cent of the gross income;
- From January 1st, 2017 - 23 per cent, but not less than 1 per cent of the gross income.

In accordance with Article 110, new enterprises, created in the area of goods production in a year of state registration and starting with the year, following 12 months from the initial state registration, shall be exempted from income tax, when founders invest below volume of investments, taking into account minimum volume of investments set by legislation, into the authorized capital of these enterprises, for period of:

(i) 2 years, if the volume of investments is from 200 thousand US dollars up to 500 thousand US dollars;
(ii) 3 years, if the volume of investments is from 500 thousand US dollars up to 2 million US dollars;

(iii) 4 years, if the volume of investment is from 2 million US dollars up to 5million US dollars;

(iv) 5 years, if the volume of investments exceeds 5 million US dollars

The value added tax

The value-added tax rate (VAT) is 18% of the taxable turnover, with the exception of exports, and 18% of taxable imports (Article 181 TC RT). Pursuant to the Article 169 of TC RT the exports of goods, including those from extractive industry, are exempt from VAT.

Import of industrial-technological equipment and spare parts to it, forming a single technological package, are exempted from VAT, customs duties. The list of industrial-technological equipment and spare parts to it in accordance with the commodity nomenclature of foreign economic activities is approved by the Government of the Republic of Tajikistan. The list of approved by the Provision of the Government of the Republic of Tajikistan No 93 dd. the 2nd of March 2013[12].

The excise taxes

In line with Article 197 TC RT, there is a list of certain excisable goods, including:

- mineral-based fuel, petroleum and refined petroleum products;
- bituminous substances;
- mineral waxes;
- Condensed gas.

The rates of the excise tax for excisable goods are defined by the Government of the Republic of Tajikistan in line with the foreign economic commodity nomenclature (paragraph 1, Article 200 of TC RT). The excise tax rates are approved by the Provision of the Government of the Republic of Tajikistan "About approval of the excise tax rates for certain excisable goods manufactured in the Republic of Tajikistan and imported into the territory of the Republic of Tajikistan" No. 102 dd. the 15th of February 2014.

Export of excisable goods is exempted from payment of excise if such export does not meet the requirements of the Article 202 TC RT.

Social tax

The businesses pay the social tax at the rate of 25 per cent.

Payers of the social tax are legal entities, their separate subdivisions, permanent establishments of non-residents and individual entrepreneurs as employers - who pay wages, rewards and other benefits to resident individuals performing for them a work for hire on the basis of labour agreements, to resident individuals who are not registered as individual entrepreneurs, on the basic of civil legal nature agreements (contracts) or without them.

The object for taxation is wages, rewards and other income, to be paid by the taxpayers to the benefits of employees, payments, rewards and other incomes paid to the benefit of individuals.

The road users' tax

The rates, payers and object of taxation are prescribed in the Chapter 37 of TC RT.

[12] http://www.adlia.tj/show_doc.fwx?rgn=118983

Payers of the tax road users are persons who use general taxation system (enterprises whose turnover for the previous 12 months exceeds 1 million somoni) and have the object of taxation.

The tax base is the tax base resulting from the object of taxation is calculated by summing up all expenses of the taxpayer actually made (to be made) in the reporting tax period in full, including:

- expenses in cash and in natural form for goods, works and services, except payments for the costs of construction, acquisition of new assets and their installation, other costs of capital renovation nature, which are subject to the subsequent deduction in form of depreciation allocations on fixed assets;
- Other expenses, not mentioned in the first paragraph of this part, including the expenses of hiring employees (costs of labour compensation fund).

The tax rate imposed on road users from the 1st of January 2015 is set at the rate of 0.25% for trade, procurement, supply & sale activities and 1% for other types of activities.

Local taxes

Local taxes include the tax on vehicles and the immovable property tax *(*Section XV TC RT).

In particular, pursuant to the Chapter 6 of TC RT, local taxes include the tax on vehicles and the immovable property tax.

The object of taxation in case of withholding of the vehicle tax, are vehicles, self-propelled machines and mechanisms, crafts and locomotives, used on railways, which are subject to the state registration and/or are registered in the Republic of Tajikistan, the list of which is determined by the Government of the Republic of Tajikistan. The tax base for self-propelled transport vehicle is the engine capacity, measured in units of horsepower. The Article 266 of TC RT sets the rates of the named tax.

The following taxes on immovable property, paid for use (ownership) of land plots and/or items of immovable property:

- the land tax;
- The tax on items of immovable property.

The object of taxation for withholding of the land tax are lands of settlements, lands outside settlements with regard to the quality, cadastral evaluation of lands, intended use and environmental characteristics, appurtenance to which is determined by the land legislation of the Republic of Tajikistan.

The basis for calculation of the land tax with respect of the tax on items of immovable property are the items located on the territory of the Republic of Tajikistan as buildings, residential houses, premises, cottages, garages and other structures and buildings on the territory of the Republic of Tajikistan, as well as incomplete construction objects from the moment of residence and use.

Preferential or special tax treatment

The Republic of Tajikistan with an aim to attract capital investments in the national economy proposes a wide investment incentive system, and, in particular, channelling them to the extractive industry.

1. Based on the LoRT "On production-sharing agreements"

In accordance with the Chapter 48 of TC RT, the investor signed a production-sharing agreement (PSA) with the Government of the Republic of Tajikistan, accrues the right for preferential tax treatment. Application of this tax treatment is convenient both for the investor and for the state: the first one gets favourable conditions to invest prospecting, exploring and extraction of mineral resources; the state, in its turn, acquires guarantees to get part of the profit gained from this activities. The preferential treatment is applied during the validity period of PSA. In frames of PSA the following tax concession are provided:

- the supply of produced goods is exempted from the value-added tax and the excise tax;
- exemption from the corporate profit tax;
- Goods imported for performance of works under PSA are exempted from the value-added tax.

In frames of PSA there are other taxes and compulsory payments to be paid by the investors.

2. Based on the LoRT "On investment agreements"

The law of the Republic of Tajikistan "On investment agreements", enacted in March 2013, sets a special mechanism for regulation of relations between the state and the investor arising from investment agreements. This type of agreements have individual nature and are aimed to set up a special legal regime for particular investors that differ from standard legal mode provided for other investors.

The effect of the law extends to the investment projects which allow for considerable volume of investments, high extent of financial, technological, environmental and other risks and are strategically crucial for the economy of the Republic of Tajikistan, irrespective of subjects of such projects.

According to the Law, the investor in frames of the investment agreement can accrue special rights, guarantees and concessions, including special preferential tax and customs treatment.

In order to validate the stabilizing provisions of the investment agreement and regularize the rights, guarantees and concessions provided to the investor, the Law prescribes the ratification procedure of the signed investment agreement by the Majlisi namoyandagon of Majlisi Oli of the Republic of Tajikistan.

3. Based on the LoRT "On concessions"

According to the LoRT "On concessions" dd. 28 of December 2011 local and foreign individuals and legal entities can be concessionaires, except state-owned organizations and establishments. Provision of objects for concession based on competitive selection or based on the direct negotiations between the Government of the Republic of Tajikistan and the potential investor.

As opposed to the investment agreements and PSA mechanisms, the concession agreement does not set special incentive measures, as, for example, tax and customs concessions. Meantime, in accordance with the Article 11 of the LoRT "On concessions" and the Article 2 of TC RT, the concession agreement prescribes requirements on payment of set tax and other payments in line with the legislation of the Republic of Tajikistan. In this case, the concession agreement is approved by the parliament of the Republic of Tajikistan - Majlisi namoyandagon of Majlisi Oli of the Republic of Tajikistan.

Reforms, improvement of legislation of RT, implementation of strategies and programmes, regulating of extractive sector issues

In general, for period of 2015-2016 the following laws and legal acts of RT were amended and modified that regulate the subsoil use in the Republic of Tajikistan:

1. Codes: Civil (part 1), Tax, Customs and Labour Codes.
2. Laws: the LoRT "On investments" No. 1299 dd. 15 March 2016 was amended; amendments were made to laws "On Licensing of Certain Types of Activities", "On state secrecy", "On Registration of Legal Entity and Individual Entrepreneurs".
3. Regulations: "On specific aspects of licensing of separate types of activities", "On the Ministry of industry and new technologies of the Republic of Tajikistan", "On the Ministry of energy and water resources of the Republic of Tajikistan", "On the State Committee on investments and state property management of the Republic of Tajikistan", "On the Ministry of economic development and trade of the Republic of Tajikistan".

The full text of amendments and modifications made to the above mentioned legal acts of the Republic of Tajikistan related to the extractive industry in period of 2015-2016 is given in the Annex 1.

In 2015-2016 with purpose of deoffshorization, preventing tax evasion and provision of additional incentives the following amendments are made to TC RT, namely:

- in the Article 17 a concept of "offshore zones" is introduced; in the Part 1, Article 126 restrictions are introduced, according to which exemption from the tax on dividends of resident enterprises paid by other resident enterprises, is not applied to the resident enterprises that have a share of enterprises-participants of offshore zones;
- in lines with the amendments to the Part 1, Article 225 of TC RT, the Government of the Republic of Tajikistan can change the set deadlines of payment of the subscription bonus. This amendment can give the possibility to extend the deadline of payment of subscription bonus;
- according to the Article 104, paragraph 8, sub-paragraph b, the increase in value from the sale, transfer, assignment and other forms of alienation of stock and share of participation in the enterprise's share capital is subject to the individual income tax;
- the preferential taxation treatment of TC RT is amended with the new Chapter 47 [2] "Particularities of taxation of subjects of stock market", according to that professional participants, issuers and investors are exempted from the corporate profit tax, the VAT, the income tax for 5 years;
- The rate of the corporate profit tax is reduced from 15% to 14% for the producers and from 25% to 24% for other activities.

At the moment, there is a state inter-ministerial working group on revision of the Rules for determination of the subscription bonus size, the commercial discovery bonus size and conclusion of subsoil use contracts, approved by the Provision of GoRT No.426 dd. 30th of August 2011. The goal of revision is to improve rules of setting of subscription bonus sizes and linking sizes of bonus with the license validity period.

It is necessary to note that with the support of World Bank, the General Directorate of Geology implements a project "Modernization of the Mountain Cadastre of the Republic of Tajikistan" since 2014. In frames of this project, in the second half of 2018 it planned to completed works on creation of modern Mointain cadastre.

There are various strategies and programmes running in frames of the approved policy on subsoil use. The main ones are NDS-2030, the Export Development Programme of the Republic of Tajikistan up to 2015, the Concept of Transition of the Republic of Tajikistan to Sustainable Development, the State Environmental Programme of the Republic of Tajikistan for period of 2009–2019, the State Programme for the Development of Geology Sector of the Republic of Tajikistan for period 2012–2020, the Mid-term Development Program of RT for period 2016–2020.

The programme on the improvement of the investment attractiveness of the subsoil use in the Republic of Tajikistan for period 2012–2015, approved by the Provision of GoRT No.385 dd. 1st of August 2012, in general it has facilitated introduction of actions aimed at improvement of investment environment on national level, contributed to the enhancement of the institutional system and the sector management structure and the procedures for getting licences and permits for subsoil use, development of mechanisms for expertise of projects and promotion of the investment projects, development of single data base of geological information on electronic carriers and mechanisms for simplified access to the geological information and it use, transition to the international classification system of mineral deposits reserves, development and approval of standards of reporting for subsoil users.

In frames of the Programme, by the order of the Chairman of the State committee on investments and state property of the Republic of Tajikistan of RT an inter-agency working group (hereinafter IWG) was established, which is responsible for drafting the new law of RT "On subsoils and subsoil use".

It is necessary to note, the recommendations made in the first National EITI Report as well as in the Validation Report run that there is a necessity to improve the legislative framework for mining industry of the country, including the issues of introduction of requirements of EITI Standards into it. With this regard, in 2016 the EITI Council of RT has elaborated related modifications and amendments to the draft law of RT "On subsoils and subsoil use" that provides legislative consolidation of the EITI principles and requirements. Taking into account global best practices and in line with the EITI Standard , in 2016 the EITI Council of RT drafted and submitted to IWG the following amendments to be introduced into the draft law: definitions of the concepts "beneficiary", "authorised state agency on implementation of EITI", "Extractive Industries Transparency Initiative (EITI)"; a separate article on transparency **of the subsoil use operations;** requirements on provision of required information for assessment of transparency of extractive sector, both by extractive companies and designated state agencies, provision of access of public to the registers of licences for subsoil use and the register of beneficiaries of the corporate organisations that participate in tenders, use assets of extractive industry or invest in this industry, and also to conduct mandatory audits of the subsoil users and publication of their financial reporting.

In order to include the above mentioned recommendations of the EITI Council of RT into the draft law, to provide legislative framework and their promotion, the members of the EITI Council of RT were included into the IWG by the order of the Chairman of the State committee on investments and state property of the Republic of Tajikistan of RT. In frames of

the IWG work all above mentioned amendments on provision of legislative framework of the most important principles of EITI are supported by the relevant ministries and departments of the country and were introduced into the draft LoRT "On subsoils and subsoil use". The development of the draft law was completed in 2016. The articles and norms that are additionally introduced to the draft law by the EITI Council of RT will be given explicitly in the relevant section hereof.
Currently the draft law is at the consideration at the Government of RT. The main state agency on promotion of the draft LoRT "On subsoils and subsoil use" is the State committee on investments and state property of the Republic of Tajikistan of RT.

The Provision of GoRT No. 728 dd. 28th of November 2015 approved the State programme on investigation and estimation of rare metals reserves for 2016–2026. The Programme is aimed at expansion of mineral resources base for regular functioning of enterprises in operation, in construction and the ones to be opened in the future, as well as satisfying the needs of the country in mineral resources and reduction of country dependence on imported crude ore.

It is worth mentioning, that in 2015 the second implementation phase of the State entrepreneurship support programmes for period of 2012–2020 has started, approved by the Provision of GoRT No.740 dd. the 1st of December 2014, under which it is planned to continue the reforms aimed at improvement of investment and business climate. In line with the paragraph 12 of the GoRT Action Plan on implementation of this Programme in order to reduce the list of activities performed on the basis of licenses, and elimination of the administrative barriers for entrepreneurship in the country it is planned to reform the license system during 2015–2017. With this regard, the State committee on investments and state property of the Republic of Tajikistan of RT has reviewed the permit system laws and licensing of certain types of activities, that proved the necessity of reforms in this direction. Following that, a draft Presidential decree of the Republic of Tajikistan "On reforms of licensing in the Republic of Tajikistan" is prepared and submitted for review to the Executive Office of the Presidents of the Republic of Tajikistan.

To protect and support of the audited operating economic entities, for provision of public security and health care of the country, as well as for the state security, taking into account best international practices, on the 25th of August 2015 the LoRT "On audits of performance of the economic entities" had been adopted, which came into effect on the 1st of July 2016.

With the enaction of this law for the first time in Tajikistan, the audits of economic entities will be performed based on the system of risk management, use of databases and information technologies during audits. One of the main goals of activities of auditing bodies in accordance with this law is a way to educate people through explanatory work.

In 2015, the Government of the Republic of Tajikistan with support of Asian Development bank has launched introduction of Regulatory Impact Assessment (RIA). Today RIA - it is a widely applicable tool in the process of development of legislation and other public policy instruments, based on the analysis of possible effects (positive and negative), which can appear in the result of introduction of one or another regulative measures. Basically, RIA allows to evaluating the potential outcomes of new legislation beforehand and possible costs of businessmen and, in result, the effectiveness of proposed measures from the public policy point of view and challenges that they are aimed to solve.

For the years of reforms the Republic achieved significant success, and in particular regarding protection of the investors' rights and interests. This is evidenced by the minority investors protection indicator when in 2016 the Republic of Tajikistan is ranked 25th among 189

countries, including Spain, France, PRC, being ahead of USA, Austria, Italy and other countries. Also our country ranks No 55 for contract performance security after Canada, Japan and Belgium, but ahead of Poland, Thailand, Iran and other countries.

As a sign of recognition of significant progress of reforms, the Republic of Tajikistan entered the list countries - top reformers of the World Bank rating "Doing Business" 2010, 2011 and 2015. In 2016, Tajikistan rose from 166th to 130th position and significantly improved performance indicators in terms of business registration, taxation, receiving loans and international trade. By estimation of the World Bank experts, thus, Tajikistan has improved its performance for leading edge indicator at 1,36% (positions): from 53,98% (positions) in 2016 to 55,34% (positions) in 2017. This index allows to track remoteness of each country from the "leading edge" - i.e. in terms of achievement of best results on all indicators of "Doing Business" rating - for all countries participating in the survey. Remoteness of every country from "the leading edge" is measured on a scale from 0 to 100, where 0 is the worst result, and 100 presents «the leading edge».

However, the Republic of Tajikistan has improved its performance on 4 out of 10 indicators, and namely they are:

I. taxation;
II. connection ot the energy supply system;
III. registration of real estate/immovable property;
IV. Contract performance security.

In accordance with the LoRT "On state secrecy", the information in total reserves of precious metals and gems is kept classified in Tajikistan. So, the Article 16 "*Information in field of economy. finance, industry, science and technology referred to state secrets*" of this Law refers to secret information the following: "... (6) disclosing resource potential and balance reserves of minerals, growth of explored mineral reserves and their extraction in general for the Republic of Tajikistan and other characteristics of deposits for each specific site, determined by the General Directorate of Geology under the Government of the Republic of Tajikistan in consultation with the authorised state agency; (22) disclosing estimated data on gold production for more than one year in natural units general for the Republic of Tajikistan; (33) about planned volumes of import or export of gold, silver and gems in natural and monetary units in general for the Republic of Tajikistan". Thereby, the first National EITI report did not presented all data, related to production, export and import of precious metals and gems.

In order to present all requirements of the EITI Standard in details in the second National EITI report, Ministry of finance of RT addressed its proposal to the Government of RT about declassification of data related to production, export and import of precious metals and gems for 2015-2016 in kind and in monetary units. The proposal of Ministry of finance of RT was supported by all branch/sectoral structures.

Therefore, the Ministry of finance prepared the draft Presidential Decree of the Republic of Tajikistan "On declassification of data related to production, export and import of precious metals and gems for 2015-2016", which was signed by the President of the country under No.1040 on 17th of March 2018. According to the Decree it is permitted to include the declassified information into the second National EITI report. In the relevant sections of contextual information, required information on production and exports of precious metals and gems on natural and monetary terms will be presented further hereof.

2.2. Licenses and contracts

License granting procedures

License for the right to use subsurface mineral resources is issued in accordance with the law "On Subsoil", "On licensing of certain activities" and "Regulations on specific aspects of licensing of certain types of activities", approved by the Government of Tajikistan No. 172 in April 3, 2007.

Subsoils shall be granted for use:

- for geological study of the subsurface,
- production/extraction of mineral resources, including use of mining waste and their processing by-products,
- construction and operation of underground constructions/facilities,
- creation of specially protected geological sites,
- collection of mineralogical, palaeontological and other geological collectable materials (LoRT "On subsoils", Article 7)

Currently in Tajikistan there are two main systems of granting rights for subsoil use – license-based and via direct negotiations.

According to the Article 1 of LoRT "On licensing of certain types of activities":

license - it is a special permit to perform certain type of activity provided fulfilment of licence requirements and conditions, granted by licensing authority to a legal entity or an individual entrepreneur;

Licensable activity - it is an activity that is subject to licensing in order to be performed on the territory of the Republic of Tajikistan in line with the existing legislation;

licensing - it is a set of procedures associated with granting of licenses, re-issuance of documents to confirm existence of licenses, suspension and renewal of license validity, cancellation of licenses and control by the license agencies of the relevant license requirements and conditions to be met by licensees.

The license requirements and conditions - it is a range of requirements and conditions, prescribed by "The regulation on specific aspects of licensing of certain type of activities" that the licensee shall strictly stick to.

The licensing authorities - are agencies of executive authorities that are in charge for licensing in line with the current law.

The licensing agency is the Government of the Republic of Tajikistan, licensing executive bodies are:

- Main Department of Geology is responsible for prospecting, estimation and exploration of geological subsoils and collection of mineralogical, palaeontological and rock formations;
- Ministry of energy and water resources - for oil and gas productions;
- Ministry of industry and new technologies of RT (GoRT Provision No 830, dd. 31.12.2014) is in charge for coal extraction, use of other mining and non-mining mineral resources, including use of mining waste and their processing by-products.

The licensing bodies fulfil the following functions (LoRT "On licensing of certain types of activities", Article 6);

- granting licenses;
- re-issuance of documents, confirming existence of licenses;
- prolongation of licence validity (amended by LoRT No 195 dd. 28.07.2006);
- suspension of license;
- renewal of licence;
- termination of licence;
- maintenance of license register;
- control after fulfilment of the license requirements and conditions by licensees

In line with the requirement of LoRT "On licensing of certain types of activities" and «Regulations on specific aspects of licensing of certain types of activities", the license is issues in the name of particular legal entity. The license indicates the company name, and, therefore, the licence cannot be sold or transferred to another entity. Also, according to the Chapter 12 of "Regulations on specific aspects of licensing of certain types of activities", transfer of license to another individual or legal entity can result in suspension of license.

In 2015–2016 no license were transferred or sold to other parties.

The documents, required to apply for license, according to the LoRT RT "On licensing of certain types of activities"

1. In accordance with the Article 9 of the LoRT "Regulations on specific aspects of licensing of certain types of activities", the license applicant should submit to the relevant licensing agency the following documents:

- application for license for a licensable type of activity with indication of:
    i. for legal entity - name of the company, form of business ownership, legal address of the company, its location, bank account number and bank department;
    ii. for individual entrepreneur - surname, name and patronymic, residence address, passport details: number and date of issue (amended LoRT No. 195 dd. 28.07.2006);

  as well as the licensable type of activity, which an individual entrepreneur or a legal entity is intended to perform, and, the period during which the given type of activity will be performed (amended LoRT No 195, dd. 28.07.2006);
- a copy of the state registration certificate of a citizen of RT as an individual entrepreneur - for individual entrepreneurs;
- a copy of the tax registration certificate of the license applicant in the tax offices;
- a document to confirm the payment of the license application fee for processing of the license application by the licensing agency;
- Details to confirm qualification of the applicant's employees.

Besides documents listed in paragraph 1, "Regulations on specific aspects of licensing of certain types of activities" also prescribe the submission of other documents to prove conformance of the license applicant to the set requirements and conditions.

It is not permitted to request from the license applicant to submit documents, not prescribed by this Law and "Regulations on specific aspects of licensing of certain types of activities". All documents submitted to the relevant licensing agency for obtaining the license are received as per check list, the copy of which is handed to the applicant with the mark of the application date receipt by the given agency.

2. The subsoil use license is issued for a period of not less than 3 years (amended LoRT No. 277 dd. 13.06.2007). If the subsoil user breaches the license requirements and conditions or repeated violations are identified, the licensing agency is competent to suspend the licence for a period not more than three months. If within given period the gaps are left unsolved, the licensing agency can go to court for the invalidation of the license.

3. The licensing agency makes a decision on granting or refusal in granting of license within the period of thirty days from the date of receipt of the licence application with necessary documents. The relevant decision is formalized by the order of the licensing agency.

A refusal to grant a license can be based on the following reasons:

- an engagement of inaccurate or distorted information in the documents submitted by the license applicant;
- a non-compliance with the licensing requirements (amended by the LoRT No. 195 dd. 28.07.2006) of the objects which belong and used by the licence applicant;
- An issuance of an adverse determination (negative opinion) about compliance with the operational conditions and requirements set for the given type of activity (amended LoRT No. 195 dd. 28.07.2006).

It is not allowed refusing to grant a licence based on the volume of products (works, services) manufactured or planned to manufacture by the licence applicant. The licence applicant has the right to appeal the refusal of the licensing agency to grant a licence or its omission to the court.

4. The decision to award licence and in the document confirming the issued license indicate:

- name of the licensing agency;
- for legal entities - name, legal form, legal address and location;
- for individual entrepreneurs - surname, name and patronymic name, residence address, details of ID document;
- a licensed activity;
- a registration number, date and validity of licence;
- an identification number of a tax payer;
- a number of licence;
- the date of decision to grant a licence (LoRT No 195, 28.07.2006, Article 11)

The size of license fees for issuance of licences foreseen in the Article 18 of the Law is defined by the Government of the Republic of Tajikistan, for each activity of "Regulations on

specific aspects of licensing of certain types of activities" (amended LoRT No. 195 dd. 28.07.2006).

The tendering process for the right to exploit subsoil reserves, technical and financial criteria for distribution/obtaining

In order to assure transparency, targeted and efficient use of natural resources, protection of economic interests of the Republic and development of favourable environment for investor activity, the Government of RT has adopted the Provision No. 89 "On tendering procedures for the right to exploit subsoils" in March 2, 2013, that provides tendering procedures and conditions to determine the winner who meets contest conditions and has financial and technical resources. The named Procedures give more specific formulation, according to which if only one bid is submitted to tender, the license is awarded to the tenderer through direct negotiations.

Organisation of tenders is carried out by the Governmental commission in charge of tenders for subsoil use. The list of subsoil areas put out for tender and tender conditions are approved by the Government of the Republic of Tajikistan following presentation by the Governmental Commission. For participation in the tender for subsoil use the interested companies shall apply (in approved form) with all required documents within 3 months from the date of tender announcement. In the case that submitted documents are complete, the application is registered and every applicant receives an identical package of tender documents, including deposit database information, which are put out for tender in sufficient volume to prepare tender proposals, as well as conditions and criteria for submission of tender proposals.

The necessary condition to be able to participate in the tender is legal, **financial and technical capacities of the tender participant,** legal competence, technical, managerial and organisational skills.

According to the paragraph 18 of the approved rules, the package of tender proposals of tenderers shall consist of the following:

- form of financial proposal of the tenderer with indication of proposed size of subscription bonus and his expenditure obligations aimed at terms of regional social and economic development, infrastructure modernization and training of national experts;
- a certified copy of a registration certificate and the Articles of the tenderer, verified by the authorised agency;
- a tax clearance certificate issued by a tax agency where the tender was registered;
- Certified by the designated person of the tender participant the list of stockholders or participants who hold more than 5% of stocks or shares of the tender participant. The list shall contain, for each owner, a full description of such shareholder or tenderer and number of shares or size of share expressed in per cent;
- copies of financial reporting for the last 3 fiscal years - the balance sheet, a profit and loss statement (copies of financial reports with the stamp from tax authorities for legal entities of the Republic of Tajikistan, certified in established procedures for foreign legal entities);
- a supporting document on financial solvency of the tenderer, issued by the servicing

bank or any other financial institutions (extract shall be made during 6 months before submission of tender proposals);
- information on managerial experience or execution of feasibility studies, engineering designs, construction, development, commissioning and exploitation of deposit sites at least for the last 5 (five) years;
- Other information, documents and requirements which are reflected in tender documentation.

The winner is determined by the Governmental commission based on the analysis of the following main criteria:

- compliance of the tenderer with all legal, financial and technical requirements to participate in the tender;
- the proposed subscription bonus to be paid by the tenderer to state revenue;
- The volume of expenditures for regional social and economic development, infrastructure modernization and training of national experts.

The winner is informed about achieving a victory officially by the Governmental Commission.

The decision of the Governmental Commission is the basis for submission by the executive licensing agency to the Government of the Republic of Tajikistan the draft order to issue a subsoil use license to the winner of the tender and it serves as a recommendation while taking decision by the Government of the Republic of Tajikistan with regards to granting or refusal to grant the licence for the right of subsoil use to the tender winner.

In order to assure transparency in subsoil use and improvement of access to information related to subsoil use and licensing conditions, the norm "Transparency in subsoil use" has been added to the draft law "On subsoils and subsoil use". According to this amendment to the draft law, "all stakeholders have the right to get acquainted in the authorised stage agency:

- with conditions of tender for the right of subsoil use and the content of the decision about tender results;
- With compliance of tender conditions under the signed contracts".

Licences issued in 2015-2016

For recent years the subsoil use licences are mainly issued through direct negotiations. It is explained by the fact that the Government of the country intends to improve legislation in field of subsoils of the Republic in order to avoid potential fraudulent schemes, and puts out a range of conditions to candidate companies, including the foreign companies for obtaining licences for deposits development.

As it was mentioned by the MDG, "a number of foreign companies, took the advantage of the imperfectness of Tajik legislation, speculated on Tajik deposit licences in international markets". Although the legislation of RT prohibits selling of these permits to the third companies. In the result the Republic faced problems, in particular, with the third

companies. For instance, earlier the problems used to occur with famous foreign companies at development of such deposit fields as Nazar-Ayloq and Ziddi (coal deposits)[13]".

The Government of Tajikistan drafts a list of conditions and requirements, which shall be implemented by the companies that seek for the licence for development and exploitation of one or another deposit or manifestations of minerals. These conditions, for instance, foresee getting bonus (premium) for obtaining a license, terms of submission of the feasibility studies of projects and deposit development, etc.

In 2015 for geological **prospecting works** the Government of RT had awarded only 4 licences through direct negotiations to the following companies:

- OJSC "Cementi Tojik" - for development of iron deposit in Varzob rayon, the licence validity is from 28.08.2015 up to 29.08.2020.
- LLC "Huaksin Ghayur Cement" - for development of gypsum deposit on the territory of Kanibadam city of Soghd region, the licence validity is from 29.08.2015 up to 29.08.2020.
- LLC "Ghayur" - for development of gypsum deposit on the territory of Yavan rayon of Khatlon region, the licence validity is from 29.08.2015 up to 29.08.2020.
- LLC "Khuandzhian Ghayur Industrial" - for development of gypsum deposit on the territory of Yavan rayon of Khatlon region, the licence validity is from 29.08.2015 up to 29.08.2020.

In 2015 for **extraction of** ores the Government of RT through direct negotiations had issued 8 licenses to the following companies:

- JV "Zaravshon" - for production of gold on territory of Pendzhikent city of Soghd region, gold and silver deposit "Olympiyskoe", and the licence validity is from 27.01.2015 up to 27.01.2021.
- STK LLC "Aprelevka" - for production of gold on territory of Gafurovskiy rayon of Soghd region, the gold and silver deposit Kyzyl-Cheku, the licence validity is from 20.08.2015 up to 20.08.2024.
- STK LLC "Aprelevka" - for production of gold on territory of Asht rayon of Soghd region, the gold and silver deposit Aprelevka, the licence validity is from 20.08.2015 up to 20.08.2024.
- STK LLC "Aprelevka" - for production of gold on territory of Matchinskiy rayon of Soghd region, the gold and silver deposit Burgunda, the licence validity is from 20.08.2015 up to 20.08.2024.
- TA LLC JV "Anzob" - for extraction of antimony of the territory of Soghd region, a mercury-antimony deposit at the Dzhizhikrood, the licence validity is from 26.03.2015 up to 26.03.2027.
- "Shuroabad", the subsidiary enterprise SUE "Angishti Tojik", - for coal production on the territory of rayon Sh. Shohin of Khatlon region, coal deposit "Shuroabad", the licence validity is from 27.01.2015 up to 27.01.2020.
- LLC "Tajik metallurgical combinat" - for coal production on the territory of Ayni rayon of Soghd region, Ravot field of the central area of Fon-Yagnob coal deposit, the

[13] www.avesta.tj 10.01.2017. The press-conference of the head of the General Directorate of Geology

licence validity is from 29.08.2015 up to 29.08.2020.

- OJSC KMB "Isfara" - Gypsum production on the area of Isfara city of Soghd region, deposit Kyzyl-Pilyal, the licence validity is from 27.01.2015 up to 27.01.2025.

In 2015the following licenses were granted **for production of gas and oil** from wells written-off by the Ministry of energy and water resources in agreement with the Government of RT:

- LLC "Tajik-Chinesse company - razvitie energetiki" - for production of oil and gas from written-off wells No. 6, 25, 35, 36, 43, 44, 51, 53, 57, 67, 72, 81 and 82 of the deposit Paltinak of Baldzhuvan rayon of Khatlon region. The licence validity is from 10.03.2015 up to 10.03.2020.
- LLC "Cetos" - for production of oil and gas from the written-off wells No. 1, 3, 4, 10, 14, 16 and 18, deposit Severnaya Kurghoncha, the licence validity is from 27.07.2015 up to 10.03.2020.
- OJSC "Naftu gas" - for production of oil and gas from the written-off wells No. 5, 16, 22, 23 and 70 and No. 12 and 17 of deposits Shohambari and Severnaya Kurghoncha respectively. The licence validity is from 04.09.2015 up to 10.03.2020.

In 2016 for production **of ores** the Government of Tajikistan awarded 4 licences through direct negotiations to the following companies:

- LLC KKM "Tacob" - for extraction of fluorite and lead on territory of Varzob rayon, fluorite deposit Teppahoi Surkhi, The licence validity is from 27.07.2016 up to 27.07.2022.
- LLC KKM "Tacob" - for extraction of fluorite and lead on territory of Varzob rayon, fluorite deposit Surbu, The licence validity is from 27.07.2016 up to 27.07.2022.
- Coal mine "Angishti Ziddi", the subsidiary enterprise of SUE "Angishti Tojik" - for coal production on area of Ayni rayon of Soghd region, the west part of deposit Ziddi, and the licence validity is from 27.07.2016 up to 27.07.2021.
- "Fon-Yagnob" mine, the subsidiary enterprise of SUE "Angishti Tojik" - for coal production on area of Ayni rayon of Soghd region, the site Karyerniy of the west part of the deposit Fon-Yagnob. The licence validity is from 01.07.2016 up to 01.07.2021.

More complete information on above mentioned licences, issued in 2015-2016, is given in the relevant Licence Registers (annexes 2, 3, 4).

2.3. Licence registers

Pursuant to the Article 15 of the LoRT "On licensing of certain types of activities" (amended LoRT No. 195 dd. 28.07.2006), the licensing agency maintains a license register, where besides information prescribed in the Article 9 of the LoRT, it should keep the following details:

- information on registration of licences in the license register;
- the reasons and dates of suspension and renewal of license validity;
- the reasons and date of licence termination;
- Other details, determined by the Regulations on specific aspects of licensing of certain types of activities.

In line with this article of the Law, data maintained in the licence register is open for information of individuals and legal entities, whilst information in form of extracts on particular license holders is given to individual and legal entities at a charge. The fee for provided information is one calculation index and it is transferred to state budget (amended LoRT No. 195 dd. 28.07.2006, and No. 435 dd. 06.10.2008). At the same time, information from the License register is available for state authorities free of charge. However, the deadline for provision of information from the Licence register shall not exceed three days from the date of receipt of the relevant request (amended Law No 195, dd. 28.07.2006). The licence register is established in chronological order by the date of registration of a licence and assigning an identification number to it.

The head of the licence agency is responsible for:

- timely and accurate maintenance of licence register;
- Prompt transfer of data from the register upon request of stakeholders.

Tajikistan in frames of preparation of the first National EITI report for 2014 has developed a Single licence register that is accessible to wider public thanks to this Report and on internet through the following websites:

http://minfin.tj/index.php?do=static&page=IPDO

http://www.ijozat.tj/images/spisok.pdf

http://eiti.tj/ru/dokumenty

The register of licences for geological and prospecting surveys is available on the website of the General Directorate of Geology under the Government of RT http://gst.tj/geologiya/litsenzirovanie.html (in Tajik language), where one can find the following informations:

a. Name of the company/organisation
b. Mineral resources
c. Licence holder (enterprise, legal status, rayon)
d. Licence (serial number, type of activity, validity period of a licence)

There is a Unified state register of taxpayers on the website of the Tax Committee of RT http://andoz.tj/ru/register.html, including:

a. Information on taxpayers - legal entities
b. Information on legal entities - representatives of branches and of foreign organizations
c. Information about individual entrepreneurs.

This website keeps data on INN (individual number of a taxpayer), name, date of registration and status. Register operates data on process of registration of a legal entity. In this register there is no information regarding whether the legal entity is granted a licence or not. It keeps records of all legal entities but the subsoil users aren't split into a separate category.

In above mentioned draft LoRT "On subsoils and subsoil use" there are also norms regarding licence register, in particular, in paragraph 2 of the Article 17 of the draft document. The section about competences of the authorised state agency on use of subsoils is updated with a

new paragraph, as follows: "- maintains an open Register of licences for subsoils use in field of geological studies of subsoils, displaying details of every issued license": application date, licence granting date, licence validity period, information about subsoil users - a licence holder, type of activity, location of licensed area".

At the same time, the EITI requirement on disclosure of information about coordinates of the land plot permitted for licensed activity, that cannot be implemented at the moment in line with the paragraph 15 for Article 16 of the Law of the Republic of Tajikistan "On state secrecy" No. 1095 dd. 26 July 2014 that runs *"information in field of industry disclosing results of topographical, geodesic or map-mapping activities of the defence or economic importance are referred to state secrets*".

As it was said earlier, in frames of the project "Increase of private sector competitiveness", financed by the World Bank, in the second half of 2018 it is planned to launch a state-of-art Mining cadaster. It is planned to place on website a complete list of granted licences for subsoil use and more detailed information about the licence holder, an application date, an issuance date, a licence validity period, the coordinates of the land plot, the type of activity, the name of a mineral and any other information associated with the licence. The activities in this direction are carried out by the relevant state structures.

Considering above said, for the second National EITI report for 2015-2016, on the meeting of the EITI Council it was decided (minutes of meeting No 4 dd. 10th of August, 2017), based on the current legislation of RT, including the LoRT "On state secrecy", that the Register will include the following data and related information:

- Name of company

- Name of deposit

- Mineral

- Location of deposit

- Type of activity

Serial number of a licence,

- Date of licence issuance (start of validity period) and end of the licence validity period.

According to the EITI form approved by the Council, the authorised ministries and departments submitted relevant licence registers that are included into the current EITI report.

The registers of licences for the right of geological and prospecting activities, for the right of minerals exploitation and for the production of oil and gas, issued in 2015–2016, are enclosed to this National EITI report (annexes 2, 3 and 4).

Annex 5 presents Unified register of licenses for the right of geological and prospecting activities in the Republic of Tajikistan, issued by the Government of RT.

Annex 6 presents Unified register of licences for minerals exploitation issued by the Government of RT.

Annex 7 demonstrates the Unified register of licenses for the right of production of minerals, including commonly occurring mineral resources.

Annex 8 reflects the Unified register of licences for the right of production of oil and gas, granted by the Government of RT.

Annex 9 shows a consolidated/generic register of licences issued before 2016.

These registers are available and accessible on websites of the relevant ministries and department, in particular:

- http://www.ijozat.tj/images/spisok.pdf
- http://gst.tj/images/docs/Ruykhati-omuzishi-geologi.pdf
- http://eiti.tj/ru/dokumenty
- http://minfin.tj/index.php?do=static&page=IPDO

2.4. Information on contracts, agreements and concessions

Contracts

The soil user, who obtained licence for the right of subsoil use, is to sign a contract for subsoil use in line with the "Rules for calculation of the size of subscription bonus, commercial discovery bonus, and conclusion of subsoil use contracts, approved by the Provision of Government of RT No. 426 dd. 30 August 2011". The contract is to be signed between the competent agency for signing contracts and the subsoil user. The authorised agency in charge for contracts is the Main Department of Geology under the Government of the Republic of Tajikistan.

In order to conclude the contract, the subsoil user has to submit to the Main Department of Geology the notification on signing of contract, a copy of licence, documents confirming approved of resources, and an individual number of a taxpayer.

The Main Department of Geology during a month review the application for subsoil use, drafts contract and sends it for consideration to the Compulsory Tax Review Commission.

After receiving of the expert's tax opinion the Main Department of Geology shall sign the contract with the subsoil user within 15 days. Contract validity is set according to period of the licence validity.

In period of 2015–2016, draft contracts for determination of subscription bonus, commercial discovery bonus and royalty were received by the Mandatory tax expertise commission of the Ministry of finance of RT.

In 2015, the Main Department of Geology has signed contracts for determination of subscription bonus, commercial discovery bonus and royalty in the amount of 42 175 million somoni. The named subscription bonus and commercial discovery bonus are signed with 80 companies.

In 2016, the Main Department of Geology signed contracts for determination of subscription bonus, commercial discovery bonus and royalty in the amount of 97 196 million somoni. Contracts signed with 64 companies.

At the moment there is no information/register on signed contracts in open access. In the letter of the Main Department of Geology No 8-1456 dd. 8 November 2017 it is noted: *"By instruction of the Government of the Republic of Tajikistan a working group out of representatives of ministries and departments under the State committee on investments and state property of RT. The working group is to review the current legislation on licensing and permitting system, to elaborate recommendations on improvement of RT legislation in field of subsoil use, and, in particular on provision of transparency of granting licences, permits and contracts with an aim to rise the investment attractiveness of the economy of the Republic.*

Concession agreements

Concession agreements are governed by the LoRT "On concessions". This law states main principles of concession business activities on the territory of the Republic of Tajikistan and defined legal, economic and other property relations associated with this activity.

The concession agreement foresees an assignment for temporary use lands, other natural resources, enterprises (associations), and other state property to the investor, not prohibited by the legislation.

Assignments of objects under concession does not entail a transfer of property rights on these objects to a concessioner or an assignment of perpetual right to fulfil certain functions of the state.

Products and revenues, gained by a concessioner in result of concession business activity, are his property in volumes defined in the concession agreements.

The Republic of Tajikistan has preferential right to buy products from the concessioner.

Concessions are assigned through tenders and auctions. In exceptional cases, by decision of the Government of the Republic of Tajikistan, the granting of concessions is carried out through direct negotiations between the concession agencies and the potential investors.

As of today, Tajikistan has signed the following concession agreements:

- between the Government of the Republic of Tajikistan and the company "Pamir Energy" on the 24th of May 2002 a concession agreement signed, which was ratified by the parliament of the country on the 26th of June 2002;
- Between the Government of the Republic of Tajikistan and the company HOS Powertech International SDN BHD for thermal power plant "Shurab" on **the 17th of February 2016** a Concession agreement signed, which was ratified by the parliament of the country **on the 15th of April 2016, No. 416.**

Production-sharing agreements

The LoRT "On production-sharing agreements" sets legal grounds of relationship between the state and an investor, arising from domestic and foreign investment activities into sectors of prospecting, exploration and production of mineral resources on the territory of the Republic of Tajikistan in line with the provisions of the production sharing agreement.

The agreement determines all conditions associated with use of subsoils, including conditions and procedures of sharing of extracted products between parties. The reasons for including into the mineral resources deposits list that can be used on the production sharing conditions, are unacceptable conditions for investment of works for operation of these deposits according to the LoRT "On subsoils", a lack of possibility of budget financing for efficient use of these deposits, including:

- a mineral deposit is located in high-mountainous and remote areas, for the development of deposit there is no conditions and other necessary infrastructure;
- The surveying, exploration, estimation and development of mineral deposit requires high-cost technologies and big investments.

The right of subsoil use on production-sharing conditions is granted to the investor on the basis of agreement.

The licensing of subsoil activities in line with the LoRT "On licensing of certain types of activities".

The agreement shall reflect the following investor's obligations with regards to:

- to provide legal entities - residents in the Republic of Tajikistan with the right to participate in activities under the agreement as contractors, suppliers, carriers or any other activities based on agreements (contracts) between him and the investor;
- to employ workers - citizens of the Republic of Tajikistan, the number of which shall make up minimum 70 per cent of total number of workers engaged to execution of works under the agreement;
- To employ foreign workers only on initial stages of works under the agreement or in case of lacking of such workers from the side of the Republic of Tajikistan on the next stages of works.

No production sharing agreements signed in the reporting period.

However, prior to the reporting period, Tajikistan has signed the following three production-sharing agreements with:

- joint CJSC "Somon Oil" (GoRT Provision No 138 dd. April 03, 2012),
- limited liability company "Edgo Energy CA" (GoRT Provision no 437, dd. October 04, 2013);
- "Kulob Petroleum Limited" (GoRT Provision No 237 dd. May 24, 2013)

Investment agreements

For period up to 2016, Tajikistan signed 7 investment agreements in various economy sectors, including three agreements in mining sector.

In 2014, LLC "Tajik-Chinese mining company" started its operations based on the investment agreement between the Government of RT and "Tajik-Chinese mining company" for development of a deposit "Severniy Zarnisor", signed on behalf of the Government of RT by the chairman of the State committee on investments and state property of RT on the 24th of July 2014 and it was ratified by the country parliament on the 25th of February 2015, No 1796. More detailed information about this enterprise regarding details on use of the right is given on the page 73, section 2.7 of this EITI Report.

An investment agreement signed between the Government of the Republic of Tajikistan and LLC "International manufacturing company "Zhontsai Mohir Cement" for construction and commissioning of enterprises for production of cement, gypsum wallboard and sacks in Yavan rayon of Khatlon region, that is approved by the GoRT Provision No. 547 dd. August 29, 2015 and ratified MN MO RT No 259 dd. December 16, 2015.

In investment agreement between the Government of RT and the company "Huaxin Cement Co., Ltd." of People's Republic of China for construction and commissioning of the second and the third lines of enterprises for manufacturing cement in Bobojon Gafurov rayon of Soghd region on the "Danghara" FEZ territory, which is approved by the GoRT Provision No 603 dd. September 11, 2014 and ratified by MN MO RT No. 1765 dd. February 11, 2015.

2.5. Beneficiary Ownership

According to the Requirement 2.5 (f.i.) of EITI Standard, "a beneficiary in relation to the company is an individual (-s), who directly or indirectly own corporate legal entity or controls it". By the 1st of January 2017, MSG shall publish "Road map" (a programme) for disclosure of information about beneficiary right.

Definition of beneficiary ownership (BO) in the legislation of RT

The term "beneficiary" is used in a range of legislative acts of the Republic of Tajikistan, including:

1. Civil Code of RT,
2. LoRT "On banking",
3. LoRT "On islamic banking",
4. LoRT "On insurance of deposits of individuals",
5. LoRT "On micro financial organizations",
6. LoRT "On state registration of legal entities and individual entrepreneurs",
7. LoRT "On anti-money laundering of illegally-earned income and combating of terrorism financing and the spread of mass destruction weapon".

According to the Article 50 of Civil Code of RT, legal entities are divided into *commercial organizations* that pursue the goal of making profit in the result of their activity, and *non-for-profit organizations*, that do not pursue the goal of making profit and do not distribute earnings between participants. It is evident, that for the purposes of this EITI Report only commercial organization are of interest, since non-for-profit organizations cannot have beneficiaries in the present understanding. Commercial organizations, in their turn, according to the Article 69 of the Civil Code of RT, can be opened as:

- business partnerships - in the form of general partnership and special partnership (limited partnership),
- Business entity - are stock companies, companies with limited or additional liability.

Civil code of RT and Instructions of the National Bank of RT No 112 "On non-cash payments in the Republic of Tajikistan" under the definition "a beneficiary" means "a creditor".

In the LoRT "On insurance of deposits of individuals" and a number of other legal documents, the definition "a beneficiary" is used in the meaning of "a gain acquirer». For example, the order of the Minister of finance of RT No 159 "On approval of Budget classification on revenues and expenditures and its promulgation from the 1st of January 2005", dd. 28.12.2004 the term "beneficiary" is mentioned in the meaning of "a gain acquirer". It is noted there, that subsidies and other current transfers can be referred to the tax receipts, collected by one level of state management and directed to other levels. This category includes earmarked and multi-purpose transfers, as well as complementary loans and beneficiary remunerations, received not for forming of basic capital, etc.

In other normative and legal acts (mainly in legislation in field of banking) there are terms "a beneficiary" and "the ultimate beneficiary owner" indicated. At the same time, it means not only individuals but legal entities too. In particular, a beneficiary is indicated in the context of "an ultimate beneficiary with dominating participation interest", as an individual in the articles concerning obtaining of licences (Article 9) and creation of foreign bank affiliates

(Article 12) of the LoRT "On banking activities" dd. 19.05.2009. For instance, the Article 9 "Documents, required for obtaining licence" of this law indicates the banking organizations prior to registration and obtaining a licence, are required to submit to the National bank of Tajikistan an application and other documents, including a certificate that indicates full name, citizenship, permanent address, activity or occupation of the holder of dominating participation interest, including the ultimate beneficiary with dominating participation interest, confirming their financial situation.

It is necessary to note, that the ultimate beneficiary, according to the Article 26 of the Law, may be any individual, including a legal entity, who acts directly or indirectly, through other persons or jointly with them, and willing to obtain a dominating participation interest in the banking organization.

Definition"a beneficiary owner" in the meaning of only individual (one or few) is given in the LoRT "On anti-money laundering of illegally-earned income and combating of terrorism financing and the spread of mass destruction weapon", where definitions "a beneficiary owner" and "A gain acquirer" are identical concepts. Information on the ultimate beneficiary - an individual, according to the Law, cannot be accessible to public[14].

Register of beneficiary owners

At present, there is no functioning Register of beneficiary owners in Tajikistan, that shows ownership share, participation and control interest that would be available to wider public.

By the Provision No. 89 dd. 02.03.2013 "The tendering procedures for the right to exploit subsoils" is approved, pursuant to which the tenderers submit a package of documents, including certified by the designated person of the tender participant the list of stockholders or participants who hold more than 5% of stocks or shares of the tender participant. This list shall contain information on every owner, full name of such stockholder or tenderer and quantity of stocks or size of the share in percentage-wise.

Upon the recommendation of the EITI Council of RT a following amendment was introduced to the draft law "On subsoils and subsoil use" in respect of roles and functions of the designated authority in charge for the Register of beneficiaries: "- maintains open Register of beneficiaries and organizations-subsoil users, indicating complete name of beneficiaries and their participation interest level. The procedures for maintenance of this Register is approved by the authorised state agency".
An article "Main powers and obligations of a subsoil user" of the draft law is updated with an obligation of a subsoil user - "to submit information about charter documents and its beneficiaries to the authorised state agency on geological studies of subsoils and use of subsoils".

In Annex 10 of this EITI Report there are data on founders and their share ownership in extractive companies, that are included into the Register for further reconciliation.

Beneficial ownership road map in the Republic of Tajikistan

For implementation of required preparatory steps and reforms in the 26th of December 2016 the EITI Council of the Republic of Tajikistan approved and published **"Beneficial ownership road map for 2017-2020".** The road map defines main objectives (there are 12 objectives) of

[14] please refer to. Annex "Definition of Beneficiary Right in the legislation of RT"

works, time frames, responsible agencies, costs and financing sources, as well as evaluation of results in the annual report on EITI performance[15].

Under the objective 3, shown in the Road map, there are tasks to review legislation of RT in the context of beneficiary rights and its disclosure. It worth mentioning that with a purpose to collect relevant information on beneficiary participation in Tajikistan, in 2014 the survey of "the beneficiary rights pilot project coverage" was conducted, [16]and in 2015 a survey of "The evaluation of the pilot project on beneficiary rights in Tajikistan" was completed. These surveys completed a brief review of the beneficiary right legislation as well as analysis of the companies readiness to provide necessary data[17]. In 2015 the first National EITI report in Tajikistan for 2014 was prepared.

Amendments made to the named draft law "On subsoils and subsoils use" concerned, inter alia, the introduction of a standard norm that sets the definition of "a beneficiary", as "a beneficiary - is one or more individuals, who, eventually, have the ownership rights, and ultimately controls the client and (or) a person, in whose interests the deal is made (this term includes those persons who ultimately manages the legal entity or organization)".

In frames of implementation of the Beneficial ownership road map, in April-June 2017 a research on review and analysis of the RT legislation in field of beneficiary right and its disclosure was conducted in Tajikistan by the Working group financed by ИОО ФС. Besides, a review of existing definitions of the term "a beneficiary" accepted in the international institutions and foreign countries. In frames of these activities, "The instructions on determination of beneficiary ownership (level and control)" [18]are developed and relevant recommendations are made. The Report is available on websites www.tfd.tj, www.minfin.tj, www.eiti.tj

In view of the requirement 2.5, the EITI Council of RT is to agree the relevant definition of the term "a beneficiary" for the second National EITI Report, these recommendations are discussed on the Council meeting on the 10th of August 2017 (Minutes of meeting No.4) and the following decision was taken:

- During preparation of the second National EITI Report for 2015-2016, to use as a basis the following order and definition of the term "a beneficiary":
    - "Subjects of reporting on beneficiaries in frames of the second EITI Report for 2015-2016 are LLC and JSC, including *with a share of state in the equity capital or number of voting stocks 50 and less percents,* that participate in tenders, operate and invest into assets of extractive sector".

A beneficiary in relation to these subjects is:

- "A beneficiary - is an individual (individuals), who directly or indirectly owns (own) a corporate legal entity or ultimately controls it".
- "Ownership of corporate legal entity or ultimate control" - means independent or through some one, or jointly with the others in the aggregate ownership of 25 and more per cent of capital equity or 25 and more per cent of voting stocks of the corporate legal entity;
- "Ultimate control" also means control carried out by other means, including:

[15]http://www.eiti.tj/ru/otchet/otchet-po-benefetsiarnomu-pravu

[16]http://minfin.tj/index.php?do=static&page=IPDO

[17]http://www.eiti.tj/ru/otchet/otchet-po-benefetsiarnomu-pravu

[18]http://www.eiti.tj/ru/dokumenty

- owns and manages 50 and more per cents of capital equity or voting stocks;
- determination of conditions of operation of legal entity or execution of functions by its executing agency;
- assignment or dismissal of a half and more of the members of managing board of the company;
- Giving a consent for assigning of a person as a member of managing board of the extractive company.

- If a beneficiary is a politically exposed person, his share is subject to disclosure in accordance with approved reporting requirements about beneficiary participation.
- Officially registered at stock exchange companies, including their 100-percent affiliates, should not disclose information about their beneficiary (-ies). They are obliged to indicate name of the stock exchange and make reference to exchange documents, where they are registered as well as submit instructions about how to get access to such information on the stock exchange.
- In case of joint ventures every participant of the joint venture shall disclose its beneficiary (-ies), if he is not registered at the stock exchange or is not a 100% affiliate of the officially registered at the stock exchange company.

The survey findings on review and analysis of the RT legislation in context of beneficiary right and its disclosure were discussed on the 3rd of December 2017 at the meeting of the Working group with the broad engagement of stakeholders , and elaborated recommendations were reflected in the final survey document. Considering this, the updated Analytical report on survey findings was reviewed at the meeting of the EITI Council of RT on the 15th of December 2017 (minutes of meeting No.5).

Also, in May-June 2017 "A survey and comparative analysis of national strategies, programs, plans, ratified international acts, legislation of Tajikistan, as well as of studies, mass media communications in regards to connection between the beneficiary right and national priorities", prepared by the Working group in frames of technical specifications of the project, financed by the Representative Office of the German Development Cooperation Agency (GIZ) in Tajikistan.

Conducted analysis resulted in recommendations on implementation of planned actions of "the beneficial ownership road map" (BORM) and required supplementary measures on disclosure of beneficiary participation in frames of the national strategies, programmes, plans and legislation of RT. So, BR was analysed in context of the National Development Strategy of RT for period up to 2030, poverty reduction and creation of new jobs, fight against corruption and liquidation of shadow economy, improvement of fiscal policy and provision of growth of budget on revenues side, prevention of tax evasion, anti-money laundering of illegally-earned income and combating of terrorism financing and the spread of mass destruction weapon, as well as in the context of providing transparency in mining sector of economy and other aspects.

Based on the conducted study to interconnect BR with the national priorities, as well as to speed up implementation of BR in frames of EITI introduction programme in RT, the Working group presented the following recommendations:

- To elaborate proposals on amendments that concern norms and procedures of BR to legislation in extractive industries and sectoral strategies and for this to create

special working subgroups. For instance, it is necessary to introduce into legislation the definitions of the term "a beneficiary", obligations on provision of the information about beneficiaries by companies , maintenance of the beneficiary owners registries by the authorised state agencies, provide accessibility to information by the public; and in legal acts to prescribe procedures and forms of reporting.

- To lobby establishment of the proposed norms of BR during discussions of the draft law of RT "On subsoils and subsoils use", to make necessary amendments to make clear definition of the term "a beneficiary", as well as to promote the draft law up to its adoption.
- To make modifications and amendments related to the implementation of BR in the legislation of RT into the following legal acts:
  - Regulations on specific aspects of licensing of certain types of activities approved by the GoRT Provision No. 172 dd. April 3 2007 (amended GoRT Provision No. 62 dd. 12.02.2010);
  - The tendering procedures for the right to exploit subsoils, approved by the Provision No. 89 dd. 02.03.2013;
  - Regulations of Main Department of Geology under the Government of the Republic of Tajikistan, approved by the GoRT Provision No. 617 dd. December 28, 2006 (amended GoRT Provision No. 656 dd. 30.12.2007, and No. 389 dd.01.08.2008).
- Further, upon introduction of requirement on disclosure of information on beneficiary owner in the legislation of RT on subsoil use, it is required to review related law enforcement practices in Tajikistan and abroad. Based on this analysis, it is necessary to develop recommendations to revise the approved definition of the beneficiary right and update associated regulative and legal acts of RT.
- To analyse the possibility of harmonization of laws in respect of BR, that would allow to avoid confusion in definitions and to facilitate convergence of requirements for disclosure of information about beneficiary ownership in different sectors of economy.
- To develop mechanisms of acquisition and verification of information on beneficiaries, provided by companies-subsoil users.

In early stages the verification of information can simplify to a certain extent the process of identification of the ultimate beneficiary as the beneficiary himself/herself is interested to provide information, this is why it is necessary to develop the detailed instructions for collection of data about the ultimate beneficiary of companies, working in extractive industry, during registration and/or obtaining a license.

It is important to develop detailed procedures on determination of the indirect beneficiary by indicating the chain of beneficiaries.

- To determine a state agency to be in charge of the implementation of BR in frames of EITI.
- During preparation of the second National EITI Report, to check implementation of recommendations made in the previous reports and the BR studies, especially on revision of the instructions on acquisition of information for reconciliation of payments and regarding the inclusion of the beneficiary participation declaration form into the

general EITI reporting form for 2015-2016as well as holding of clarification workshops for the responsible managers of companies. This will facilitate the preparation of a Report in line with the requirements of the EITI Standard - 2016, that, no doubts, will be rated high by the International Secretariat of EITI.

Relevant reports of two researches are available on the websites www.tfd.tj, www.minfin.tj, www.eiti.tj

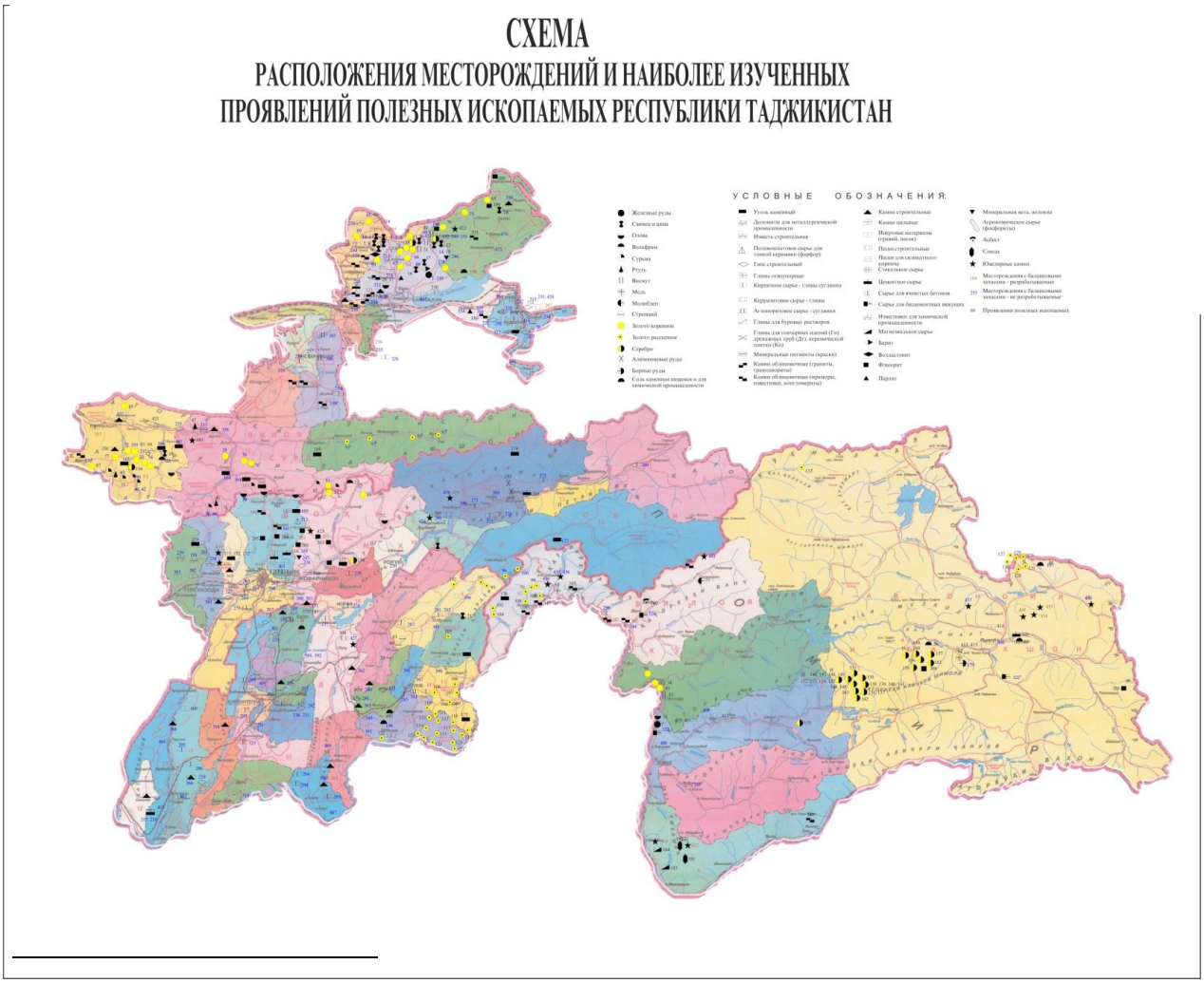
For 2017, 7 events were arranged in all regions of the country (workshops and seminars with stakeholders), during which the BR disclosure was presented on the case of Tajikistan and foreign countries.

In 2017, mass media released 15 publications on BR in frames of EITI.

In the Annual report of the EITI Council for 2016 it was informed about the start of implementation of BR road map.

2.6. Extractive Industries Review

At the present, there are more than 600 deposits discovered and 800 manifestations of minerals explored in Tajikistan, and are partially prepared for industrial development[19]. Tajikistan has abundant mineral deposits: gold, iron, silver, copper, zinc, bismuth, strontium, tungsten, sodium chloride, etc. The mining industry of Tajikistan has a strong mineral resources base, which is sufficient to supply sector growth for long-term period.



[19]From the report of the Chairman of Committee on energy, industry, construction and communication MN MO RT, S. Sharipov on parliamentary hearings on 27.12.2016.

Table 5

Snapshot of mineral resources by regions[20]

No.	*Region*	*Area*	*Description*
1	*2*	*3*	*4*
1	**Soghd**	**26,1 thousand km^2**	There are discovered deposits of lead and zinc, bismuth, molybdenum and tungsten, strontium, gold, silver, iron, tin, mercury, hard coals, oil and gas, rock salt, fluorite, building stone and other kinds of mineral resources for construction industry, fresh, mineral, thermal and industrial subsoil waters, earth wax (ozokerit) and gem stones
2	**Khatlon**	**24,6 thousand km^2**	Deposits of various mineral resources - oil and gas, sodium chloride, materials for construction and cement production, mineral and hot waters, lead and zinc ores, strontium, alluvial gold and a number of other mineral, which are used in industries, the economy of RT
3	**GBAO**	**63,7 thousand km^2**	Promising occurrences of 23 types of minerals, including iron, manganese, copper, vein gold, tin, tungsten, high-alumina raw materials as well as clays for brick production, cement production raw materials, perspective deposits of silver, the largest field of borosilicate glass, salt, molybdenum, bismuth, asbestos, raw materials for lime production, raw materials for the production of agloporite, cement free binders, expanded clay, sand-gravel mix and sand. Besides, there are numerous mineral and thermal waters on the territory of the region
4	**RRS (Rayons of Republican Subordination)**	**28,7 thousand km^2**	There are discovered mineral deposits - raw materials for production of cement, for building needs, mineralized and hot waters; deposits of crystal-bearing and tin-bearing pegmatites, iron (magnetic iron), tungsten, tin, gold, lean, zinc, fluorite, radioactive ores, aluminium, phosphate, fire-clay, quartz sandstone, coals (hard coals and antracite coals), and a range of other minerals. Most of listed kinds of minerals serve as the resource base for operating mining and processing and other industrial enterprises

[20] The provision of GoRT "On the state programme on investigation and estimation of rare metals reserves for 2016-2026" (No. 728, 28.11.2015)

Coal

The Republic of Tajikistan is coal-abundant lying in various parts of its area. There is 22% of hard coal resources of Central Asia (4.5 billion tonnes).

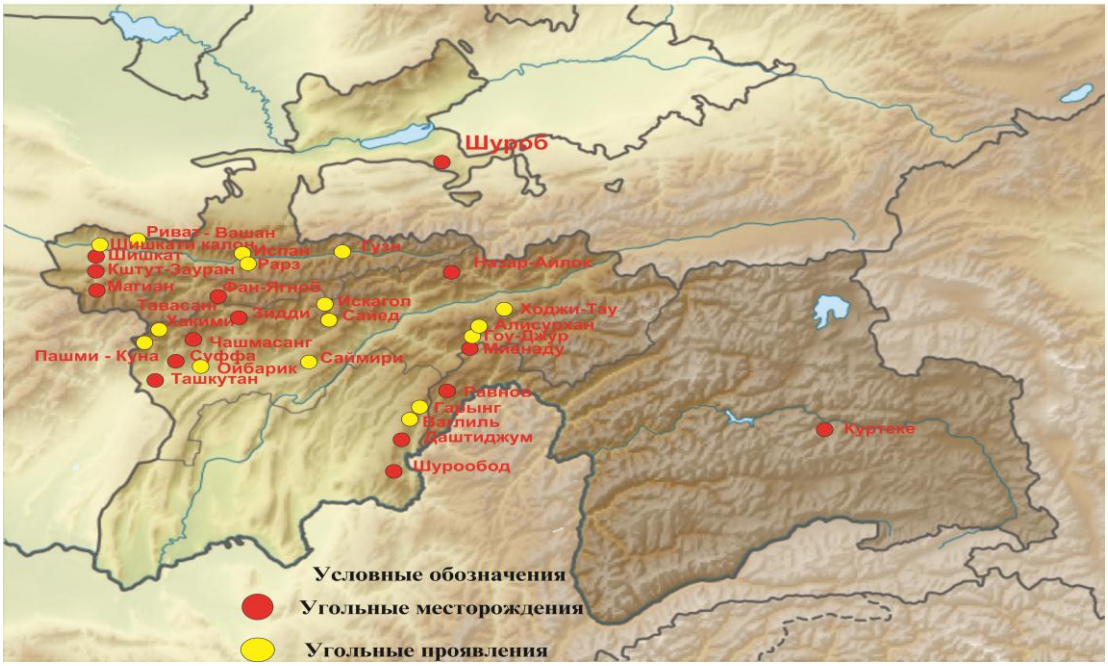
Coal reserves and their geographic location

Proven reserves of coal amount to 4366,5 million tonnes, including industrial - 320,4 million tonnes (73% of total volume), prospective - 408,1 million tonnes (9,3%), probable (forecast) - 3638 million tonnes (83,4%).

Coal deposits of Tajikistan located in two basins: Tajik and Fergana. The first one covers absolute majority of coal sites, located in Central and South Tajikistan. The sites of North Tajikistan belong to Fergana coal basin. Coal-bearing crops of Tajik basin are dominantly opened in the spurs of Tien Shan and the Pamir-Alay, surrounding the Afghan-Tajik basin.

The industrial potential of the basin is huge. Within its boundaries there is a unique deposit Nazar-Ayloq with low-ash and low-sulphur antracites, a large in Central Asia Fon-Yagnob

КАРТА УГОЛЬНЫХ МЕСТОРОЖДЕНИЙ И ПРОЯВЛЕНИЙ ТАДЖИКИСТАНА



deposit and several smaller hard coal sites - of energy and chemical resources. Out of more than 36 deposits and manifestations of coal, known on the territory of Tajikistan, only two of them are investigated: Shurab and Fon-Yagnob. Preliminary exploration and revision works are carried out at a number of deposits.

At different times mining works were conducted and now are being conducted at some of deposits (Ziddy, Nazar-Ayloq, Miyonadu, Magian, Kshtut-Zauran, Tashkutan, Suffa, Shuroabad, and Ravnov). By stocks of coal, deposits of the Republic are referred to the group of not large deposits (capacity up to 50 million tonnes), Fon-Yagnob group is classified as a medium-size deposit[21].

Coal reserves are sufficient for decades not only for purpose of fuel and energy complex of the country, but for development of technological and chemical industry.

[21] Gornyi Zhurnal, ISSN 0017-2278 (special issue, 2016.)

Coal production in 2015-2016

At present, domestic production of coal provides 88% of needs in coal in Tajikistan. Efficient use of state centralized funds and foreign investments give the opportunity to increase production of coal - in 2015 it was 1,041 thousand tonnes, in 2016 Tajik miners produced 1,361 thousand tonnes of coal.

Coal industry, having tight interconnections with other sectors of economy, plays significant role in the development of economy of Tajikistan. Today, 208 industrial and energy enterprises use coal as an alternative technological fuel replacing natural gas. These measures reduced the dependence of the economy of the Republic on import of gas and oil products. According to the data of the Ministry of industry and new technologies of RT, the main buyer of domestic coal is Dushanbe Thermal Power Plant - 2, what consumes almost 50% of the total volume[22].

With the increase of volumes of electricity generated from coal, it is expected that the share of coal in the fuel and oil balance of the country can grow up to 3,3 million tonnes by 2021.

Growth of coal production is expected at the mines "Fon-Yagnob", the subsidiary of SUE "Angishti Tojik", coal mine "Angishti Ziddy", subsidiary enterprise SUE "Angishti Tojik", in LLC "Talco-Resurs", OJSC "Angisht", on basis of which new HPPs are designed[23].

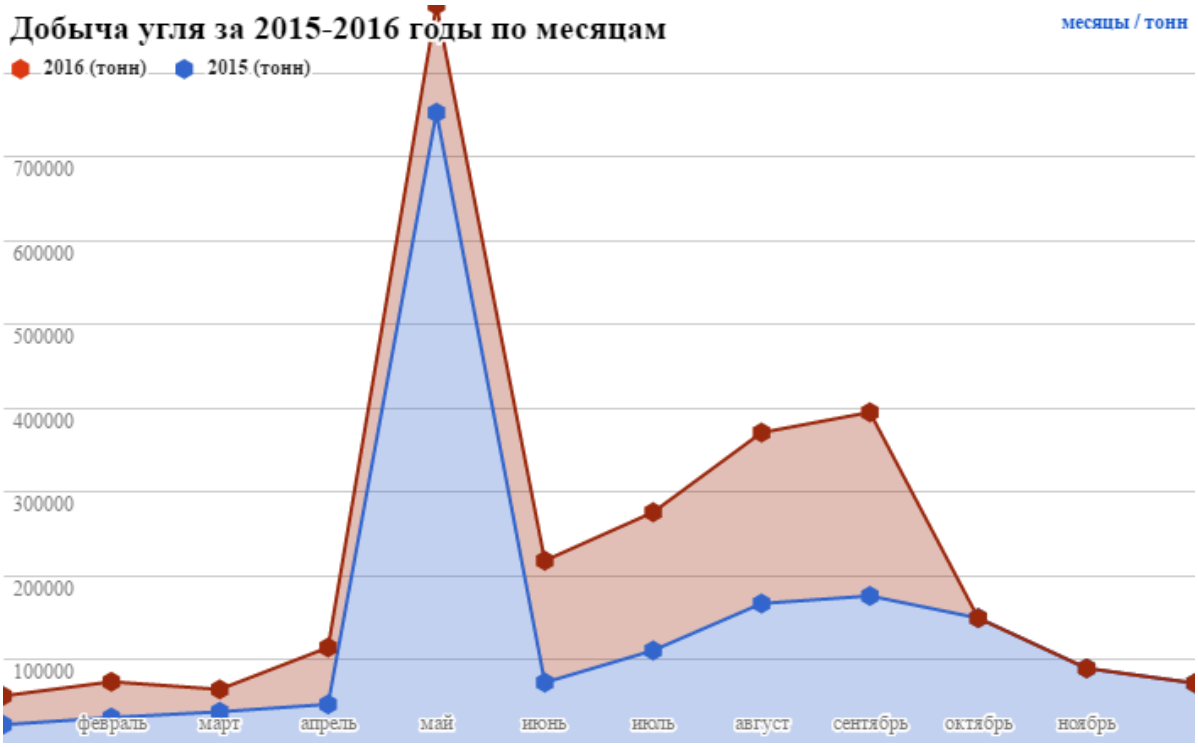
Table 6

Coal production (thousand tonnes)

	2015			2016		
	Total	**hard coal**	**brown coal**	**Total**	**hard coal**	**brown coal**
Total	**1041.9**	**984.5**	**57.4**	**1361.4**	**1311**	**50.4**
GBAO	1.0	1.0	-	-	-	-
Khatlon	2.7	2.7	-	2.0	2.0	-
Soghd	804.1	746.7	57.4	1170.0	1119.6	50.4
RRS (Rayons of Republican Subordination)	234.1	234.1	-	189.4	189.4	-

[22] http://news.tj/news/tajikistan/economic/20161020/tadzhikistan-pobil-svoi-sobstvennii-rekord-po-dobiche-uglya

[23] Gornyi Zhurnal, ISSN 0017-2278 (special issue, 2016.)



Large coal producers in RT

According to the data provided by the Ministry of industry and new technologies of RT, the coal production in Tajikistan is the main activity of 14 enterprises. Main share of coal is produced by the following companies:

- The mine "Fon-Yagnob", the subsidiary enterprise of SUE "Angishti Tojik" (57,7%),
- LLC "Talco-Resurs" (13,1%),
- The coal mine "Angishti Ziddy", the subsidiary enterprise of SUE "Angishti Tojik" (11,2%),
- OJSC "Angisht" (5,6%),
- The coal mine "Nazar-Ayloq", the subsidiary enterprise of SUE "Angishti Tojik" (5%),
- LLC "Sayod" (3,2%),
- 4,2% are extracted by the other enterprises.

OIL AND NATURAL GAS

General background of the oil and gas industry of RT

Oil-and-gas promising lands of Tajikistan are the part of two oil-and-gas-bearing territories located in South-West and North Tajikistan. Tectonically they are located within the boundaries of Afghan-Tajik 29,4 thousand km^2 and West-Fergana basins (5,2 thousand km^2). There are five large-scale geostructural zones in South-West Tajikistan: Dushanbe zone, Kafernigan zone, Vakhsh zone, Obigarm zone and Kulyab zone[24]:

[24] Yushin V.I. Analysis of geological and geophysical materials of South-West Tajikistan. Scientific research report. Proceedings of TO VNIGNY (All-Russian Geological Research and Development Oil Institute). Dushanbe, 1978.

Table 7

Five geostructural zones

Zone	Description
Dushanbe zone	Area of perspective lands of this zone is 1,4 thousand km^2. Projected recoverable oil resources are estimated at 7,0 million tonnes, gas - 37,0 billiard m^3. On the territory of the fore-deep there are three deposits discovered: the oil deposit - Shaambary, and gas fields - Andygen and Komsomolskoe.
Kafernigan zone	The area of its perspective lands is 8,9 thousand km^2. Projected recoverable oil resources are estimated at 17,057 million tonnes, and free gas - 227,4 billiard m^3. This zone is investigated neither by geophysical methods nor by deep drilling method.
Vakhsh zone	The area of perspective lands of Vakhsh fore-deep is 3,7 thousand km^2. Projected recoverable oil resources are estimated at 22,9 million tonnes, and gas - 151,9 billiard m^3. Vakhsh zone is described as being well-studied via drilling works and geophysical investigations, there are three fields discovered in Vakhsh fore-deep: the oil fields - Kamarborik, Safedteppa and a gas field - Surkhsimo.
Kulyab zone	Perspective area of Kulyab zone is 8,6 thousand km2. Projected recoverable oil resources amount to 20,275 million tonnes and almost all of it - 19, 275 million tonnes are localized in paleogenous oil-and-gas-bearing complex. Projected recoverable free gas resources make up 187,0 billiard m3.
Obigarm zone	Perspective area of Obigarm zone is 6,8 thousand km2. Projected recoverable oil resources amount to 15,0 million tonnes and dominant part of it - 9,0 million tonnes are localized in Paleogene deposits. Projected recoverable gas resources are estimated at 198,0 billiard m3. There are no prepared and to be drilled sites in the zone. On the territory of Obigarm zone there is no hydrocarbon fields and, in spite of this, the zone is considered to be highly promising in terms of discovery of large-scale gas accumulation in upper jurassic carbonate deposits.

North Tajikistan[25]

Total initial potential recoverable hydrocarbon resources in North Tajikistan are estimated at 108 million tonnes of oil equivalent, including oil - 47,5 million tonnes, gas - 53 billiard m^3, condensate - 7,5 million tonnes. There are 10 deposits discovered in West Fergana zone with 37 pools in total, 25 of which are - oil fields and other 12 are gas and gas-condensate ones. Currently the oil production is 15 thousand tonnes, and gas production is 3-5 million m^3. The

[25] Mavloni Subhonkul. Oil and gas: main oil and energy potential of RT// Minbari halq, June 2013.

largest deposit is Niyabek - Severnyi Karakchikum. Initial balance oil reserves are 5 057 thousand tonnes. Initial recoverable reserves are 1 564 thousand tonnes.

Natural gas and oil reserves in RT

At present, the hydrocarbon resources of the Republic are not well explored. Proven resources of natural gas account for some 857 billiard m^3, oil reserves exceed 117 million tonnes.Proven initial oil and condensate reserves are estimated at 40 million tonnes, out of which only 11 million tonnes can be referred to recoverable category. At the same time, remaining reserves of liquid hydrocarbons are estimated at 31 million tonnes, including recoverable hydrocarbons make up 3 million tonnes. Similar situation is repeated in respect of natural gas: balance reserves estimated at approximately 3,5 billiard m^3, the remaining ones - 2 billiard m^3.

The hydrocarbon resources are estimated at 1033,76 million tonnes of oil equivalent (prevalent part of these resources are concentrated in South West Tajikistan at 916 million tonnes of oil equivalent, and in North Tajikistan it is 118 million tonnes of oil equivalent), including 857 billiard m^3 of gas, 117,6 million tonnes of oil and 36 million tonnes of gas condensate. However, only small fraction of available resources is put into use.

According to data of the Tajikistan Trade Mission to Germany, Tajik subsoils contain 113,1 million tonnes of oil, 863 billiard cubic metres of gas and 36 million tonnes of gas condensate. Most perspective for development of these resources are the following areas[26]:

Table 8

Areas for exploration of oil and gas resources

No.	*Description*	*Region*	*Projected oil resources*	*Projected gas resources*
1	Vostochnyi Supetau	North Tajikistan	5 million tonnes	15 billiard cubic metres
2	Rengan	South West Tajikistan	-	35 billiard cubic metres;
3	Kashkakum	South West Tajikistan	4,9 million tonnes	-
4	Vostochnyi Olimtoy	South West Tajikistan	3,9 million tonnes	-
5	Yalgizkak	South West Tajikistan	-	up to 20 billiard cubic metres
6	Sargazon	South West Tajikistan	-	30 billiard cubic metres

The reference can be made also to the preliminary assessment of Gazprom International Company, according to which the projected gas resources on the area of Sarykamish are

[26] http://www.news.tj/ru/news/posol-rt-v-rf-resursy-nefti-i-gaza-v-tadzhikistane-vesma-znachitelnye

preliminary estimated at 18 billiard cubic meters, expected oil reserves - 17 million tonnes, gas condensate - 2 billiard cubic m.[27]

The area of Sarykamish, after drilling of prospecting and appraisal well No 1 with depth of 6450 m the evaluation of perspective hydrocarbon resources in Palaeogenic and Cretaceous deposits:

- Total gas resources under category C3 are estimated at 20,9 billiard m3;

- Total oil resources - 8065/1613 thousand tonnes (geological/recoverable).

Production of oil and natural gas in 2015-2016

Annual production of natural gas is 4-6 million m^3, oil - 28 thousand tonnes. Accordingly, volumes oil production in the Republic is not big - three small companies are engaged into oil production in North and South, total capacity is 25-30 thousand tonnes a year. As of 01.01.2015 the production of oil products in the country made up the following: oil - 7,29 million tonnes, gas - 8,16 billiard m^3, gas condensate - 0,49 million tonnes[28].

Table 9

Production of oil (thousand tonnes) and gas (million m^3) in period of 2015 - 2016

	2015			2016		
	Oil	rock gas	natural gas	oil	rock gas	natural gas
Total	**24.6**	**4.1**	**3.8**	**25.0**	**3.2**	**2.9**
GBAO	-	-	-	-	-	-
Khatlon	10.7	2.6	2.7	10.6	1.7	1.7
Soghd	11.5	1.5	2.1	11.7	1.5	1.2
RRS (Rayons of Republican Subordination)	2.4	-	-	2.7	-	-

[27] http://ru.sputnik-tj.com/economy/20160712/1020134332.html

[28] Source: Ministry of energy and water resources in the Republic of Tajikistan

Table 10

Oil and gas production by all extracting companies[29]

Name/year	*2015*	*2016*	*% of plan*
Oil	24631 tonnes	25123 tonnes	80,5%
Gas	4111 thousand. m³	2979 thousand. m³	60,3%

There are 8 companies that operate in the oil and gas industry of RT, including 2 state-owned companies (OJSC "Naftu gas" and OJSC "Sughdnaftugas"), 1 joint company (JLLC "Petroleum Sughd") and 5 private companies (LLC "Salosa", LLC "Azimi", LLC "Setos", CJSC "Khasan C" and LLC "Amon").

Performance indicators for oil and gas production for period 2015-2016 (*in breakdown by companies*)

Table 11

Oil and gas production in 2015 in breakdown by companies

Company name	*Indicator*	*Planned 2015*	*Actual 2015*	*% of completion*
OJSC "Naftu gas"	Oil production (tonnes)	4 600	2 208	48.0
	Gas production (thousand m³)	1 675	2 636	157.4
LLC "Salosa"	Oil production (tonnes)	9 000	9 034	100.4
LLC "Setos"	Oil production (tonnes)	-	225	-
CJSC "Khasan and C"	Oil production (tonnes)	300	-	-
	Gas production (thousand m³)	500	-	-
LLC "Azizi"	Oil production (tonnes)	1 500	1 650	110.0

[29]"A survey and comparative analysis of national strategies, programs, plans, ratified international acts, legislation of Tajikistan, as well as of studies, mass media communications in regards to connection between the beneficiary right and national priorities". Dushanbe, 2017 (under support of GIZ, Tajikistan).

OJSC "Sughdnftugas"	Oil production (tonnes)	700	56	8.0
JLLC "Petroleum-Sughd"	Oil production (tonnes)	14 550	11 346	78.0
	Gas production (thousand m³)	1 600	1 475	92.2
LLC "Amon"	Oil production (tonnes)	350	112	32.0
Total	**Oil production (tonnes)**	**31 000**	**24 631**	**79.5**
	Gas production (thousand m³)	**4 275**	**4 111**	**96.2**

Table 12

Oil and gas production in 2016 in breakdown by companies

Company name	*Indicator*	*Planned 2016*	*Actual 2016*	*% of completion*
OJSC "Naftu gas"	Oil production (tonnes)	3 200	2 295	71.7
	Production of gas (thousand m³)	2 400	1 442	60.1
LLC "Salosa"	Oil production (tonnes)	9 100	9 114	100.2
LLC "Setos"	Oil production (tonnes)	1 000	274	27.4
CJSC "Khasan and C"	Oil production (tonnes)	500	-	-
	Production of gas (thousand m³)	500	-	-
LLC "Azizi"	Oil production (tonnes)	1 600	1670	104.4
OJSC "Sughdnftugas"	Oil production (tonnes)	1 500	33	2.2

JLLC "Petroleum-Sughd"	Oil production (tonnes)	14 000	11732	83.8
	Production of gas (thousand m^3)	1 538	1537	99.9
LLC "Amon"	Oil production (tonnes)	300	6	2.0
Total	**Oil production (tonnes)**	**31 200**	**25 124**	**80.5**
	Production of gas (thousand m^3)	**4 938**	**2 979**	**60.3**

GOLD MINING INDUSTRY OF RT for 2015-2016

General background of the gold mining sector

Speaking about the gold mining sector in RT in general, it is worth saying that the Republic has considerable gold-bearing ores resources. Main metallogenic potential of gold in the Republic is focused on the perspective areas of North and Central Tajikistan and South Pamirs. The explored resources are concentrated on the silica gold deposits of Dzhilay-Taror and Turkestan-Chorinskyi ore zones of Central Tajikistan and silica gold and gold sulphide sites of Karamazar. There are more than 150 hardrock gold sites discovered in the Republic, most of which are not well investigated[30].

Tajikistan ranks 67 in the rating of 100 biggest countries - holders of gold reserves in the world. Gold and foreign exchange reserves for 90% is comprised of pure gold and for 10% is comprised of foreign exchange. Gold and foreign exchange reserves of Tajikistan annually grow by 40% in average.

Gold production in 2015-2016.

According to data of the Ministry of industry and new technologies, the gold production in the country in 2015 increased by 31,6% compared to that of 2014. Outcomes of 2015 there is a volume of gold and foreign exchange reserves in the country increased by 28%, compared to that of previous year . Total volume of gold production amounted to 4591.2 kg in 2015.

In 2016 production of gold in Tajikistan increased by 8% compared to that of 2015. Tajikistan produced 4962,0 kg of gold in 2016.

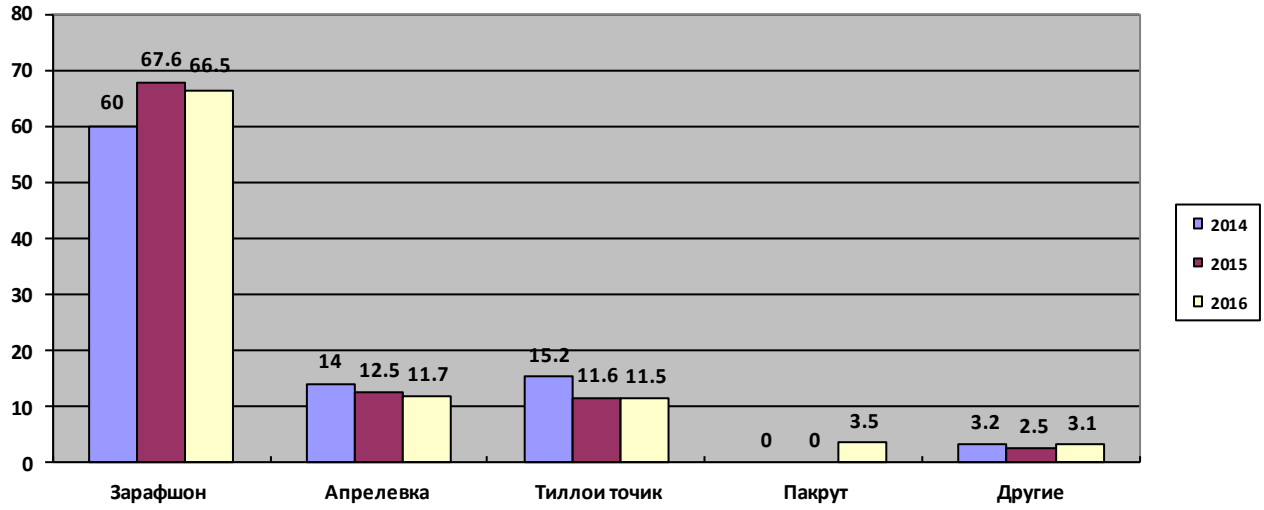
Increase of precious metals production volumes was possible to reach thanks to increase of rates of operations at all gold producing enterprises of the country.

Companies for extraction and production of gold in Tajikistan

[30] Gornyi zhurnal, ISSN 0017-2278 (special issue, 2016)

LLC JV "Zerafshan", STK LLC "Aprelevka", SPRE "Tilloi Tojik", PA"Odina", LLC "Pakrut", LLC "Naziri", LLC "Ganj", LLC "Barakati istiqlol", LLC "Takom Gold" and LLC "Shimsho" are working in the gold extraction and production in Tajikistan.

Figure 1. Main producers of gold (extraction - in percentage):



The biggest gold mining enterprise in Tajikistan is the Tajik-Chinese JV "Zerafshan", the company produces approx. 70% of total volume of gold in the Republic. For the last 9 years the Chinese mining company that owns 75% of shares of LLC JV "Zerafshan" invested into modernization of the enterprises 306 million dollars, constructed two ore processing plants, as well as a gold refinery. A new ore processing plant was also constructed.

In Tajikistan there are enterprises extracting a medium level of extraction - it is STK LLC "Aprelevka", state public republican enterprise "Tilloi Tojik" as well as small enterprises and prospector's artels.

The processing plant LLC "Pakrut" was put into operation in June 2016 in Vahdat city. This plant for processing of gold-containing minerals, is built with assistance of foreign investments and cooperation with the specialists of the People's Republic of China. According to the conclusion of experts, the gold reserves in the region are sufficient for 35 years. In the first stage the company will process 1800 tonnes of ore per day, which is an annual volume of processed ore 660 thousand tonnes of ore.

At the ceremony of opening of the enterprise it was noted that in the first stage the company would produce 1,3 thousand kg of pure gold per year, and with the launching of the second production line the production of gold will reach more than 2 thousand kg[31].

The state commission of Tajikistan on mineral reserves recorded the deposit Konchoch in the State balance of the Republic at the end of 2015. The reserves of gold of the Konchoch is 32 tonnes, silver - almost 14 tonnes. The deposit Konchoch with gold, antimony, silver, mercury and other minerals reserves originally was considered only as a mercury deposit due to the sublatitudinal crash zone in paleozoic shales. This zone located on the right slope of river valley, blocked by rock-fall in its upper part, that resulted in formation of protected Iskanderkul lake.

[31] http://avesta.tj/2016/06/04/v-vahdate-s-uchastiem-prezidenta-zarabotalo-predpriyatie-tsvetnyh-metallov-pokrud-2

At the end of November 2015, the Government of RT approved the proposal of "TALCO" regarding development of Konchoch group of deposits on territory of Ayni rayon of Sughd region. Tajik aluminium company ("TALCO") at the moment is carrying out search of most suitable partners for development of Konchoch group of deposits, which will be financed jointly this non-core big-scale project. In December 2016 the company was granted a licences for 25 years, which gives her the right to develop of the gold deposits Skalnoe and Konchoch, located in Ainy rayon of Sughd region.

Figure 2. Total reserves of Konchoch group of deposits

"TALCO" plant to process up to 900 thousand tonnes of ore annually at Konchoch deposit group[32]. Kochoch deposits group consists of three sites: Chulboi (gold and silver), Konchoch (gold, silver, mercury, and fluorite), Shahkon (gold, antimony, arsenium, and fluorite).

According to the business-plan for integrated development of the deposits group, developed by the company, a mining company will run its operations based of the explored ore resources after completion of the preparatory-development operations. It will allow reaching the output of the enterprise up to 900 thousand tonnes of ore per year, and production of the complex metal concentrate (gold, silver, mercury, antimony, etc.) on the processing plant and further metallurgical treatment at their own metallurgical factory. Such production volumes will boost the growth of economy of Tajikistan. The company plants to build a processing plant and a metallurgical factory on the area of deposits.

In October 2016 the Chinese company LLC "TBEA Dushanbe mining industry" completed geological exploration works on the gold mine Verkhniy Kumarg. The following stages foresee designing and obtaining licences for development of the deposit. After completion of the named works, the candidate company receives a permission for construction of a processing plan and for production of minerals[33].

[32] Payrav Chorshanbiev. "TALCO" found the way how to assure "big growth of Tajik economy //*Tajikistan > Metallurgy, mining > news.tj, 4 January 2016 >* No.1605518

[33]According to M. Dzhumazoda, the head of the Main Department of Geology of Tajikistan. Press conference 10.01.2017

Table 13

Production of gold in 2015-2016 in breakdown by companies

No.	Company name	2015	2016
1.	LLC JV "Zerafshan"	3105,7 kg	3301,2 kg
2.	STK LLC "Aprelevka"	575,5 kg	581,5 kg
3.	SPRE "Tilloi Tojik"	452,1 kg	492,4 kg
4.	LLC PA "Odina"	267,8 kg	3105,7 kg
5.	LLC "Pakrut"	-	177,0 kg
6.	Other companies	190,2 kg	223,2 kg

Silver and other minerals in RT in 2015-2016

Silver: General background

The Republic of Tajikistan is rich of silver resources. The main explored reserves of silver ores are concentrated in North Tajikistan - in Zarnisor and Central-Karamazar ore district with well developed mining industry.

Reserves and volumes of silver production

Proven and forecasted silver reserves amount over 100 thousand tonnes. Mainly they are concentrated in the North of the country - in the mining rayon of Karamazar there are polimetallic deposits like Bolshoy Konimansour, Konimansour, Kanjol and other[34]. Bolshoy Konimansour, one of the biggest silver deposits is a deeply explored one[35], which stores by various estimations, 50-70 thousand tonnes. It was explored as early as in1970-80s.

According to the latest data of Main Department of Geology, the Bolshoy Konimansour reserves, recounted by an international company Micon.Int, amount to 70 thousand tonnes of silver. Besides silver, the mine is rich of lead and zinc. Ore reserves on the deposit exceed 1 billiard tonnes, approximate content of silver is 49 grams per 1 tonnes of ore, lead - 0,49% and zinc - 0,38%. International Finance Corporation (IFC), a member of World Bank Group acts as an advisor. The technical expertise was conducted by the company Micon. Int[36].

The silver reserves on the deposit Yakchilva of Murghab rayon are approved by the State commission on reserves in amount of 204 tonnes 920 kg (according to data of the State Commission on reserves as of the 12th of July 2016). Under category C1 they amount to 113,14 tonnes (silver content - 791 grams per 1 tonne of ore), under category C2 - 93,34

[34]According to M. Dzhumazoda, the head of the Main Department of Geology of Tajikistan. Press conference 10.01.2017

[35] Gornyi Zhurnal, ISSN 0017-2278 (special issue, 2016.)

[36]https://news.tj/ru/news/bolshoi-konimansur-zatyazhnoi-kasting-ili-neudachnye-smotriny

tonne (silver content - 488 grams per 1 tonne of ore)[37]. In its silver content a tonne of ore from Yakchilva deposit can be many folds higher compared to the indicators of Bolshoy Konimansour.

State balance of Tajikistan in 2016 was replenished with some mineral reserves, including silver resources are refreshed with 205 thousand kg.

In 2015 the extractive companies produced 3014,2 kg of silver, compared to that of 2014 by 61.2%.

In 2016 the silver production amounted at 2665,5 kg which is a decrease by 11.5%, compared to that of 2015.

Main silver producers

Table 14

Main silver producers in 2015-2016.

No.	Company	Production in kg	
		2015	2016
1	STK LLC "Aprelevka"	1596.6	1612.8
2	LLC JV "Zerafshan"	1370.7	1009.4
3	SPRE "Tilloi Tojik"	29.9	23.5
4	LLC PA "Odina"	17.0	10.8
5	Other companies	-	9.3

Other minerals in RT[38]

Lead and zinc

The Republic of Tajikistan holds the leading position in Central Asian region by reserves of lead and zinc containing ores. Industrial resources for mineralization are located in scarns, correlated mainly with the cutting contacts of granitoid dykes in carbonate deposits, as well as in significant scales in stock works and hydrothermal veins in propylitized upper-paleozoic vulcanites of Central Karamazar. Considerable perspectives for poly-metalls are linked with the south border of Fergana depression, where the large stratiform deposits are expected to find in terigenous carbonate Devonian deposits. More than 90% of explored reserves of these metals are concentrated in Karamazar ore rayon. It is sufficient to note that only in deposits Bolshoy Konimansour and Altyn-Topkan ore field sites, more than one billiard tonnes of lead and zinc ores are explored, most part of which can be extracted by open-cut mining. Beside

[37] According to M. Dzhumazoda, the head of the Main Department of Geology of RT. Press-conference 12.07.2016

[38]Gornyi Zhurnal, ISSN 0017-2278 (special issue, 2016.)

lead, zinc, silver, bismuth, cadmium in extracted volumes of these ores, there is a range of other valuable products[39].

At deposit Vostochniy Konimansour, there is a lead and zinc mining enterprise "Adrasman", the company is a 100% state-owned enterprise which is approved by the decision of the Economic court of Dushanbe city dd. 09.11.2016. This entity focuses on mining and processing of silver-containing lead ores for production of lead concentrate which further is sent for reprocessing to Shimkent metallurgical plant (Kazakhstan). The resource base for the company is Vostochniy Konimansour deposit. Enrichment technology includes crushing, two-stage grinding, intermediate, rough and re-cleaner flotations, aftertreatment operations, concentration and filtration. Content of lead in resulted concentrate reaches 31-34%, silver - 2200-3300 g/t, with extraction of 78% and 73% accordingly. The sites constructed on deposit are underground mines, an enrichment plant, a motor pool, an electrical shop, etc.

The main extractive company for lead ore and zinc is LLC "Tajik-Chinese mining company", operating on the basis of an investment agreement dd. 24.11.2014 (validity period up to 08.09.2021). The extracted company of lead and zinc in 2015-2016 from total volume of production is 100%.

LLC KKM "Takob" has the licence for production of fluorite and lead on the fluorite deposit Teppahoi Surhi on the territory of Varzob rayon (licence validity from 27.07.2016 till 27.07.2022).

Antimony

Mercury-antimony belt embraces Shing-Magian, Konchoch, Dzhikrut and Yagnob-Zakhob ore fields. Mercury-antimony fields are gold-bearing that increases their productive importance.

Most considerable ore reserves are focused in Dzhikrut and Konchoch ore fields. Antimony is presented on 72 sites, 42 out of them are located in Pendzhikent geological and economic area (GEA), 4 - localised in GEA of Kuhistoni Mastchoh, the rest are located in GEA of Ainy of Soghd region.

Production and processing is carried out by two companies TA LLC JV "Anzob" (antimony concentrate) and LLC "Anzob metallurgical company" (metallic antimony) accordingly.

Tajik-American LLC JV "Anzob" holds a licence for production of antimony at mercury-antimony deposit of Dzhizhikrut on the territory of Soghd region (validity period from 26.03.2015 till 26.03.2027). In 2015 this company produced 467 thousand tonnes of ore and accordingly in 2016 - 457 thousand tonnes of ore.

Copper

A copper mineral deposit Shirgtugan is discovered in GBAO as well as a considerable number of copper ore manifestations. Copper is a accompanying component in polimetallic (group of deposits of ore field Altyn-Topkan), copper-bismuth-silver (Almadon and Konimansour), tungsten (Maykhura), copper-gold (Taror, Burgunda) and silver-polimetallic ores (deposits of ore field Kanimansour). In South-West Tajikistan the copper sandstones are well developed. Ore bodies form bedding plane deposits and lenses with capacity up to 20 m. There is a copper & cobalt & nickel mineralization within Gishun area.

[39] http://www.tajik-gateway.org/wp/?page_id=25430

In 2015, extracted by LLC "Tajik-Chinese mining company" copper amounted at 100% from the total volume of production, in 2016 – 81,6%%, and the other –18,4% in 2016 are produced by JV "Zerafshan".

Tungsten

The biggest deposit of tungsten - is Maykhura, it is located on the south slope of Gissar Moitains, 80 km from Dushanbe city. The deposit has been developed as the site for tungsten ore. In the result of follow-up explorations, there are 19 industrial ore bodies detected with length 50–425 m and capacity of 2–22 m. Average content of tungsten trioxide - 0,91%. Besides tungsten, ores contain in recoverable quantities zinc, bismuth and cadmium. The main ore minerals of the deposit are sheelit, sphalerite, pyrrhotite, chalchopyrite; there is no zone of oxidation on the site.

In 2017 LLC "Talco Fluorite" obtained a licence for production of tungsten at deposit Maykhura of Varzob rayon (licence validity is from 27.05.2017 till 27.05.2042).

Iron

Iron & bismuth deposit Shohqadambulak is located in industrially developed region of the country, not far from Khujand city. The reserves of magnetite ores of this site on the state balance are amounted at 100 million tonnes. There is a perspective of growth of iron ores reserves up to several million tonnes. Average content of iron in ores is 40%. The value of the site increases due the presence of bismuth, gold, silver and some other elements sufficient for industrial-scale production. The issue of integrated work out of the deposit Shohkadambulak and organization of production of ferrous metals is under consideration.

Deposits of magnetite ore: Barch - in vicinity of Khorog city, GBAO, the proven resources of which are estimated at 270 million tonnes f ore with the content of iron up to 52%, and the deposit Kharangon in Varzob[40].

In period of 2015-2016 through direct negotiations OJSC "Cementi Tojik" was issued a licence (geological studies of iron on the manifestation Buvak in Varzob rayon, licence validity from 28.08.2015 till 29.08.2020).

Tin

The most important deposit of tin - is Mushkiston, located in Zerafshan valley. On the basis of this site a mining company (Broadtec) was constructed. It is referred to the list of primary metal of Central Tajikistan and Pamir. LLC "Broadtec investment co, LTD" started its geological surveys of the area of Pasirud (GBAO, Murghab) in 2010 and by 2015 it presented findings. It resulted in approval of reserves by the State Commission on Reserves under category C1 - 537 tonnes and under category C2 - 4 thousand and 900 tonnes.

Rare metals

In line with the Article 8 of LoRT "About state forecasts, concepts, strategies and programs for social & economic development of RT", the Government of RT has approved the State programme on investigation and estimation of rare metals reserves for 2016-2026 (No. 728 28.11.2015). The main goal of the Programme is to expand the mineral resource base of rare

[40] Gornyi Zhurnal, ISSN 0017-2278 (special issue, 2016.)

metals, based on the recovery of mining enterprise of rare metals and the construction of new enrichment plants. The Programme considers the issues of prospecting, exploration and estimation of rare metals reserves in pegmatites and a detailed milestone plan for geological and exploring works corresponding to capacities of the Geological services of Tajikistan.

By the present, the balance of mineral deposits reserves of Tajikistan does not include rare metals. At the same time, one manifestation occurs at every three metals ore points, and 10 out of which are expected to be perspective ones. These are manifestations Gapirov, Alexandrov, Zorburulyuk, Khadango, Vanjrud, Yasnogor, Rodnikovoye, Tutek, Samzhon, and Dzhindon.

Tantalum and niobium mineralization is discovered only in two geologic and economic areas: in Central and South East (Pamir). In the result of geological studies, conducted in period from 1958 up to 1994, another 13 pegmatites fields have been discovered besides Namangut field, which are potentially perspective ones in respect of availability of strategically important recoverable reserves of tantalum, niobium, beryllium, caesium, lithium, tin, cerium subgroup rare earth elements. They include: Kolkhozabad - Taglikhas, Pish-Khidordzhev, Vezdara, Kurustyk-Centralnoe, Kurustyk- Glavnoe, Pordzhuz, Shevchor, Yasnogor, Agadzhan, and Shazud - Duzakhdara and Bagchigir.

The prospecting and prospecting-estimating works for rare metals and accompanying elements (cerium subgroup rare earth elements) will be conducted stage-by-stage and financed from state budget[41].

MDG conducts studies and geological investigations of perspective areas. According to the preliminary estimations, there are 12 such perspective sites on the territory of the Republic, which are located on the territory of GBAO and Zerafshan valley. Currently, geological works are being conducted on three sites. Demand and price for these types of metals grow every year. Earlier, the main exporter of these kinds of precious metals was China. But, for recent years Chine stopped this export. Now, the big importers are looking for other markets to buy these metals.

GEOLOGICAL EXPLORATION WORKS CONDUCTED IN 2015-2016

In 2015-2016 the geological explorations were conducted in line with the State programme for geological sector development of the Republic of Tajikistan for 2012-2020.

Main Department for Geology of Tajikistan completed the following geological exploration works[42]:

- in 2015 for amount of more than 22,340 million somoni,
- In 2016 for amount more than 24,441 million somoni.

Geological exploration works based on agreements and contracts are conducted at the account of state budget, as well as using own resources and in frames of the agreement projects.

Finance from state budget, the cost of works completed in frames of 33 projects, made up to:

- in 2015 - 11 million somoni,

[41] GoRT "On the state programme on investigation and estimation of rare metals reserves for 2016-2026", No. 728, 28.11.2015.

[42] According to the data of the Main Department for Geology of RT

- in 2016 - 13 million somoni.

Cost of works conducted under agreements in frames of 32 projects made up:

- in 2015 - 11,340 million somoni,
- in 2016 - 11,441 million somoni.

In 2015, the contract drafts are submitted to set subscription bonus, commercial discovery bonus and royalty to the commission for mandatory tax expertise under the Minfin of RT, .

In **2015** the Main Department for Geology signed contracts for setting subscription bonus, commercial discovery bonus and royalty for the amount of more than 42,175 million somoni. The named subscription bonus and commercial discovery bonus are signed with 80 companies.

N **2016** the Main Department for Geology signed contracts for setting subscription bonus, commercial discovery bonus and royalty for the amount of more than 97,196 million somoni. Contracts signed with 64 companies. It is worth noting that the subscription bonus is a one-time fixed fee paid by a subsoil user for obtaining the right for subsoil use on the contracted territory.

The list of sites, where the geological exploration works are conducted and financed from the state budget funds, as given below:

Table 15

Implementation of the State programme for development of geological sector of RT for period of 2015-2016

No.	Description of sites	Sum (somoni) 2015	Sum (somoni) 2016
	Soghd region		
1	Additional site exploration of mineralization perspectives of mercury and antimony deposits and manifestations of Shing-Magian ore field	720,000	720,000
2	Detailed exploration of gold on the ore area in Oshoba of Asht rayon	340,000	330,000
3	Prospecting and evaluation works on the fluorite manifestation on the ore area Kaznok of Ayni rayon	280,000	520,000
	Total	**1 340 000**	**1 570 000**
	Khatlon region		
1	Exploration of alluvial gold in between of rivers Chashmai Latif and Shohkamon (Muminabad, Shuroabad and Baldzhuvan rayons)	950,000	1 000 000

2	Prospecting and evaluation works on the lead and zinc manifestation on the ore area Yokundzh of Khovaling rayon	650,000	430,000
3	Prospecting and evaluation works on the lead and zinc manifestation on the ore area Surbiyon of Baldzhuvan rayon	200,000	600,000
	Total	**1 800 000**	**2 030 000**
	GBAO		
1	Detailed exploration of raw gemstones in South-West Pamirs, in Roshtkala rayon	280,000	350,000
2	Preliminary exploration of bottom level of the deposit Barfi of Murghab rayon	520,000	800,000
	Total	**800,000**	**1 150 000**
	RRS (Rayons of Republican Subordination)		
1	Prospecting and evaluation works on the iron manifestation on the ore area Kuhandara of Vahdat rayon	1 010 000	1 061 000
2	Prospecting and evaluation works on raw gemstones manifestation in Gissar rayon	300,000	150,000
3	Prospecting and geological and chemical works for gold in between of rivers Karatag and Luchob, scale 1:25000 (south slope of Gissar Mountains)	100,000	683,000
	Total	**1 410 000**	**1 894 000**
1	Hydrogeology, engineering geology, geological ecology, geological physics, radioactive waste and industry-specific works	5 650 000	6 356 000
	Total:	**11 000 000**	**13 000 000**

In 2016, the Scientific and Technical council of Main Department for Geology have reviewed 29 projects for prospecting exploration works, 28 reports on progress of geological prospecting works and 6 informative reports. The State Commission of Tajikistan on mineral reserves approved 43 reports and approved mineral reserves.

In result of completed works the reserves on corresponding categories are approved and the state balance is renewed by the following types of mineral resources[43]:

[43]Annual report - 2016 of the Main Department for Geology of RT

Table 16

Implementation of the Programme for geology sector development in 2015-2016

Mineral resources	Measurement unit	Category	
		C_1	C_2
Silver	kg	111,610.00	93 310,0
Limestone	m^3	10 361 652,00	2 217 825,0
Clay	m^3	1 728 725,61	872,253.0
Sand and gravel mixtures	m^3	1 757 867,50	523,054.3
Gypsum	m^3	429,931.40	

In 2015, 25 geological reports on mineral resources were studied and the following reserves are approved (by various categories):

Antimony - 333 517 tonnes,

Mercury - 8 237 tonnes,

clay – 1 368 779,50 m^3,

limestone – 4 024 734,70 m^3

sand and gravel mixtures- 1 753 568,35 m^3 [44].

2.7. Contribution of extractive industry into country economy

Industry, as an important sector of production that has a decisive impact on the level of economic development of the country and is a material basis of the industrialization of economy, it brings in its contribution into development of national economy sectors.

The importance of industrial sector for national economy is emphasized in NDS-2030, where the task is to create backgrounds for reformation of national economy from agro-industrial into industrial-agrarian one.

The share of industry in GDP for 2014 made up 12,1%, in 2015 - 13,3%, and, according to the preliminary data of the Agency on statistics under the President of RT, in 2016 this indicator already reached 15,1%[45].

According to the role of industry belongs to the mining industry, the share of which in total industrial production increased from 13,3% in 2014 to 19,9% in 2016[46]. The share of mining

[44] Annual report 2015 of the Main Department for Geology of RT

[45] The statistical data for 2016 are presented according to the preliminary assessment of the Agency on Statistics of RT under the President of RT

[46] According to data of the Agency on statistics under the President of RT

sector in GDP was 3,4% in 2015, in 2016 it increased by 2,1 percentage points and reached 5,5%.

The development of the mining sector is an essential condition to provide sustainable growth of RT economy, and for high-mountainous rayons, in fact, it is an only way of improving social and economic well-being of population.

In his messages to parliament, Founder of peace and national unity, Leader of the nation, the President of Republic of Tajikistan Emomali Rahmon have emphasized the necessity of revival of mining industry several times. So, in the Message of the President of RT of Majlisi Oli of the Republic of Tajikistan in 2015 it runs: In the current climate an effective and efficient exploitation of mineral resources of Tajikistan, financing of production and processing of mineral resources, geological and exploration works, opening of new deposits by attracting of domestic and foreign investments is considered as one of the important of directions for development of industry and solving of social problems, especially creation of new jobs[47].

In 2015-2016 the volume of tax and other compulsory payments to budget from extractive sectors in Tajikistan demonstrates a sustainable tendency to growth. So, in 2015 the state budget revenues from the extractive sector is 815,1 million somoni, which is 6,4% in total tax, non-tax and grants receipts to the state budget revenues of the Republic of Tajikistan. So, in 2016 the state budget revenues from the extractive sector is 1054 million somoni, which is 7,5% in total tax, non-tax and grants receipts to the state budget revenues of the Republic of Tajikistan.

The industrial production growth rate in 2014-2016 is 143,2%, so the production growth rate in extractive industry is 214,3% for the same period (Table No.17).

Table 17

Production growth rates, in %

	2015/2014	**2016/2015**	**2016/2014**
All industry	113.4	116	143.2
Mining	117.9	153.3	214.27
Extraction of energy materials	90.9	119	97.80
Extraction of non-energy materials	123	156.7	236.77

[47]http://www.president.tj/ru/node/8137

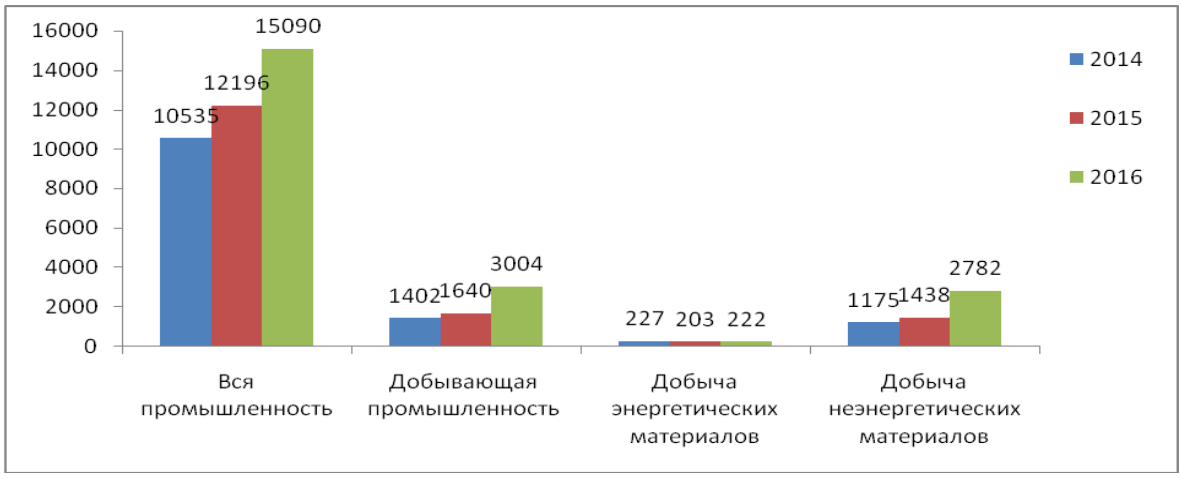
Table 18

Main indicators of mining industry of RT for 2015-2016[48]

	Number of enterprises		Volume of products (million somoni)		The number of employees working in sector (thousand of people).	
	2015	**2016**	**2015**	**2016**	**2015**	**2016**
Industry - total	**2310**	**2043**	**12196**	**15090**	**81.2**	**80.9**
Mining sector	**214**	**232**	**1640**	**3004**	**8.7**	**9.7**
Production of energy materials, including:	**34**	**31**	**203**	**222**	**1.5**	**1.4**
Coal production	19	19	155	179	0.9	0.8
The oil and natural gas production; services associated with oil and gas production, except exploration works	14	12	48	43	0.6	0.6
Extraction of non-energy raw materials, including:	**180**	**201**	**1437**	**2782**	**7.2**	**8.3**
Extraction of metal ores	*18*	*20*	*1335*	*2658*	*5.3*	*6.3*
Other sectors of mining sector and development of quarries	*162*	*181*	*102*	*124*	*1.9*	*1.9*

The extraction of energy materials in 2016 compared to that of in 2014 decreased by 5 million somoni, non-energy materials is increased by 2,37 times (Figure 3).

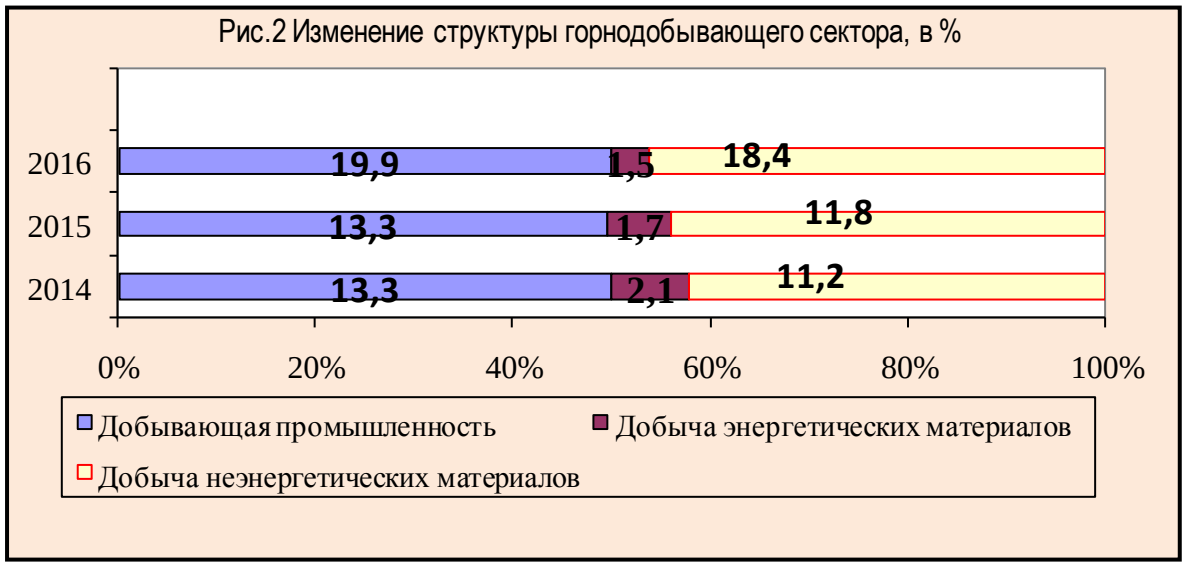
Figure 3. The volume of industrial production, million somoni



[48] According to the Agency under statistics under the President of RT.

The share of extractive industry in total volume of industrial production in 2014 made up 13,3% which is comprised of 2,1% - the fraction of energy materials and 11.2% -the fraction of non energy materials. The share of production of energy materials had a tendency to decrease, but non-energy materials - tends to gradual growth (figure 4).

Figure 4. Changes in the structure of mining sector, in %



In the extractive industry there a tendency of growth of number of enterprises is observed. So, if in 2014 the number of enterprises amounted to 154 entities (33 for extraction of energy materials and 121 for extraction of non-energy materials), by 2015 their number increased to 214 entities (34 and 180 accordingly), and by 2016 they amounted to 232 companies (31 and 201 accordingly).

According to data of the Agency on statistics under the President of RT, the exports of mineral products in 2016 was estimated at 307,2 million USD, which is by 1,5 times higher than in 2015. Although in 2015 the share of mineral products export was 22,9% of the total volume of export, the share of exports of mineral products in 2016 in total exports volume increased by 11,3 percentage points and made up 34,2% of the total volume of exports. Including, lead, zinc, antimony, copper and silver concentrates were exported in the amount of 239,1 million USD, which is by 1,6 times more compared to that of in 2015. If in 2015 the total volume of exports of all types of ores and their concentrates amounted to 202,7 thousand tonnes, by 2016 these figures totalled to - 297,1 thousand tonnes.

The cost of produced mineral resources per capita in 2015 was 192,9 somoni, and in 2016 - it already was 345,3 somoni.

Taking into account the availability of given share of informal sector in mining industry, the Government of the country is taking steps to regulate the activities of informal sector legally.

The LoRT "About precious metals and gems" (as amended LoRT No 186 dd. 29.04.2006; No. 311 dd.30.07.2007; No. 465 dd. 31.12.2008; No. 552 dd. 5.10.2009; No.743 dd. 28.06.20; No. 1049 dd. 28.12.2013; No.1156 dd. 27.11.2014) defines the organizational and legal framework for regulation of relations in field of geological studies and exploration of deposits of precious metals and gems, their extraction, production, processing, use and turnover (civil turnover).

Besides, it stipulates legal norms in relation of informal sector regarding extraction of precious metals and gems. According to the law, free mining and individual mining methods - are methods of organization of extraction of alluvial minerals, carried out by individual entrepreneurs and legal entities, based on the permission given by the authorised state agency, on the subsoils sites with not estimated resources and not registered in the state balance of mineral reserves of the Republic of Tajikistan.

Free mining is the method of organization of works for extraction of precious metals and gems by engagement of workers off-home for more than four months. At the same time there is no expenditures made out of relevant budget for the construction and maintenance of social infrastructure objects on area of works.

Individual mining - it is when the discovered and produced precious metals and gems voluntary are given to the state.

Production of precious metals - it is the extraction of precious metals from root (ore), alluvial and technogenic deposits and producing concentrates and other semi-products containing precious metals. Production of gems - it is the extraction of gems from root (ore), alluvial and technogenic deposits as well as sorting, primary classification and primary estimation of gems.[49]

The production of alluvial mineral resources by free mining and individual mining methods can be carried out by individual entrepreneurs and legal entities based on permission obtained in accordance with the procedures set by the LoRT "On regulatory/authorisation system". The requirements for obtaining a permission for production of alluvial mineral resources are defined in accordance with the rules set by the Government of the Republic of Tajikistan *(as amended LoRT* No 1049 *dd. 28.12.2013)*.

The right of legal entities and individuals for carrying out activities of extraction of precious metals and gems, production of precious metals enters in force from the moment of obtaining of a license till the end of its validity period *(as amended LoRT No 1049* dd. 28.12.2013*)*.

The biggest development of informal sector is observed in the Kulyab region, where a number of people produce gold on river banks, to the North from Khovaling, in mountain gorge, in villages of Shugnova. In these hard-to-reach places, along Yakhsu river banks, people used to produce gold since 19th century.

For recent years, the inhabitants of Kulyab region are actively engaged into gold washing. The production of the precious metal is carried out manually. The work season of gold miners on the gold-bearing Yakhsu river banks starts in June up to beginning of cold season - which is usually up to October. Mainly young men of age 20-35 years old are working here. Collected metal is sold by the gold miners to a buying-up centre that is opened in Siyahfarq.

[49] Article 2 3 LoRT "On precious metals and gems"// http://mmk.tj/ru/legislation/legislation-base/

In Muminabad rayon of Khatlon region, a place called Langar, there are sites where people living there used to produce metal.

To control these activities, the Ministry of finance of RT submitted the draft document "Procedures for issuance of permits for production of alluvial mineral resources by free mining and individual mining methods" for discussion to relevant agencies of the country in 2016. The draft proposes to assign the Ministry of finance as an authorised agency on issuance of permitting documents to legal entities and individual entrepreneurs for production of alluvial mineral resources by free and individual mining, for legalization of the process of production of alluvial gold and gems by gold miners and local people. When a relevant decision is taken, citizens of the country can freely carry out production of gold on the sites with unproven mineral reserves of RT, based on permitting documents which is supposed to be granted by the Ministry of finance of RT.

The list of alluvial mineral resources, the production of which is planned to be permitted to free and individual mining, includes gold, rock tin, precious and semiprecious stones, eluvial, deluvial and colluvial antimony, fluorite and other minerals placers. This step gives the opportunity for individuals to develop the areas with small-scale placers, not attractive for large-scale enterprises (with non recoverable gold reserves). It is planned to open buying-out shops for produced precious metals and gems on the banks of gold-bearing rivers.

The production is planned to be developed on territories which do not belong to any company on the right of licences and which will be announced as zones free for gold miners.

Agency on statistics under the President of RT does not maintain information in respect of informal sector mining activities. In case of adoption of "The permits granting procedures for production of alluvial mineral resources by free mining and individual mining methods", production of precious and non-precious metals by free and individual mining methods will be under control of the Ministry of finance of RT.

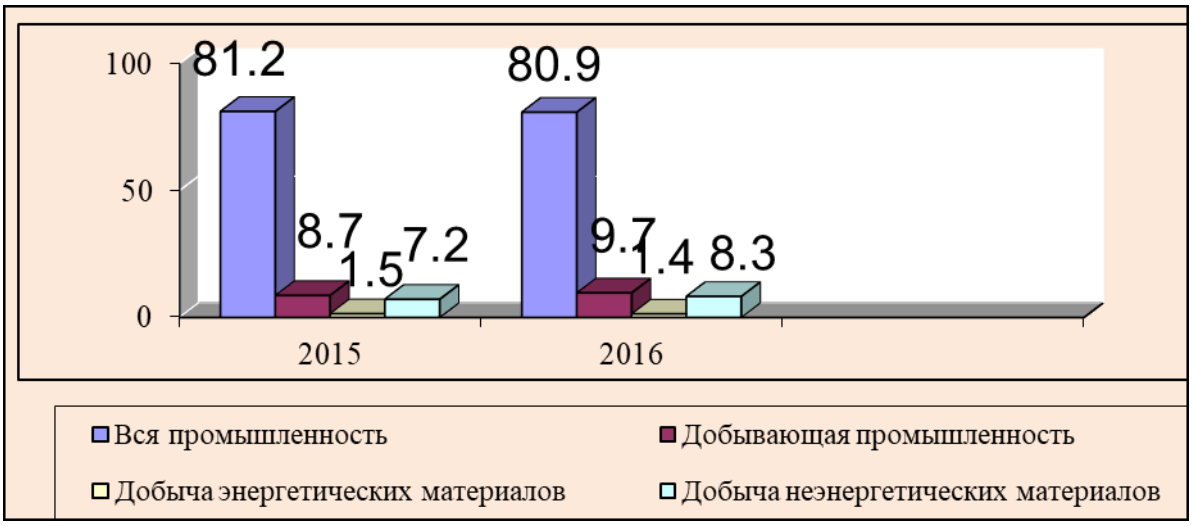
In 2016 informal sector produced/sold to the state the following products:

- gold - 1,663 kg in amount of 328 549 somoni;
- silver - 0,992 kg in amount of 3 304 somoni;
- ruby - 7,793 g in amount of 5 447 somoni;
- Other precious metals - 3923,92 g in value of 530 471 somoni.

Employment

In general industry engages approximately 8% (80,9 thousand people) of employed population of the country; significant number of economically active population is involved in main sectors, which provide development of industrial complex in the country. The extractive industry in 2015engaged 10,7% of total industrial employment or 8,7 thousand people, and in 2016 - 12% of total industrial employment which is 9,7 thousand people.

Figure 4. Dynamics of employment in extractive industry (thousand people).



Private sector is one of the biggest sources of high-qualified work places in many countries of the world. In Tajikistan the official employment in private sector makes up only 13% of total employment.

In the message of the President of RT Emomali Rahmon to the parliament of the country on 20.01.2016, it was highlighted that in 2015 in frames of the public and sectoral programmes allowed to create 205 thousand new jobs[50]. At the same time, in 2015 the extractive sector opened 2222 work places.

In the economy of RT a tendency of employment in informal sector is observed. According to forecasts the share of employees in informal sector in general in national economy of RT is expected to grow: 37% by 2020, 35% - by 2025 and 30% - by 2030.[51]

Agency of statistics under the President of RT conducted labour force surveys in 2004 and in 2009. According to the survey conducted in June-July 2009, [52] the number of people informally employed in 2009 in the country economy amounted to 470,5 thousand people. This figure includes: in industrial sectors - 198,7 thousand people, and in mining sector - 2,7 thousand people.

According to the methodology applied in this survey, to determine units of informal sector the following criteria were selected: no state registration as a legal entity (not registered legally); no complete reporting; less than 5 employees; non-agricultural activity; no transfers to social insurance fund, no official labour contract and seasonal, irregular type of work.

In July–August 2016, the Agency on statistics conducted a new labour force survey, official results of which are not yet published, but preliminary findings witness the change of the situation with the informal sector in Tajikistan. So, in 2009 the share of informal employees

[50] http://www.president.tj/ru/node/10587

[51] http://medt.tj/documents/main/strategic_national_programm/strategic_national_prog_ru.pdf

[52] The situation on the labour market of RT according to the labour force survey findings, June-July 2009. Dushanbe. Agency on statistics 2010. - page 159.

in extractive industry in relation to the industry of the country is 4,59%, and in 2016 (July-August) there is tendency towards decrease - which is 2,4%[53].

Key production regions

Out of total volume of coal production in 2016, 85,9% is produced in the north of the country, in Soghd region. The second important region in respect of coal production are the rayons of Republican subordination, that presented by 13.9%. Considering the gradual growth of country needs in coal, its production has increased by 62 times in 2016 compared to that of in 2000.

Production of lead, zinc, antimony, copper and silver ores is carried out by the enterprises located in Soghd region.

So, the main region on extraction of energy materials and various types of ores is Soghd region, that produced in 20168 5.9% of total volume of coal produced and almost 100% of all types of ores (silver, zinc, lead, copper and antimony) produced.

Main region where the production of most part of non-ore non-energy materials is focused are the rayons of Republican subordination. So, 45,3% of all non-ore construction materials is produced here: 26,6% of sand and gravel mix; 46,6% of stone; 70,8% of gravel.

The second main producer of non-ore non-energy materials is Khatlon region.

GBAO is rich of various kinds of mineral resources deposits, however their development requires significant investments.

So, for instance, the silver reserves on the Yakchilva deposit of Murghab rayon are registered by the State Commission on Reserves in volume of 204 tonnes and 920 kg. Yakchilva in its content of silver per one tonne of ore can exceed multi-fold those of Bolshoy Koni Mansour deposit, the biggest silver deposit in Central Asia, but no one knows when the production at one of the largest silver deposits starts.

Period of development of Yakchilva deposit is 12,5 years. First information about the existence of such deposit in Murghab was obtained in 1962, and geological explorations started in 1984–1991, these works afterwards continued in 2007–2013 by Kazakh company C.A. MINERALS.

The company C.A. MINERALS will continue their operations on geological explorations and at same time can be granted a subsoil use licence. However, this rayon of Murghab is quite difficult to access and low temperature rules for 6 months, up to 30 degrees below zero. At the current stage the challenge is the issue of electricity supply. Further on, it is planned to elaborate designs and feasibility studies of the project in which the discussion of the deposit development feasibility will be opened.

Hard accessibility and lack of energy supply are the main challenges that the other company faced when it intended to launch production of tin here in Murghab.

LLC “Broadtec investment co, LTD” started geological exploration on the area of Pasirud in 2010 and in 2015 the company presented its findings. In the result, the state commission of Tajikistan on mineral reserves have approved the following reserves: 537 tonnes under category C1, and 4 thousand and 900 tonnes under Category 2.

[53] According to data provided by the Labour and employment department of the Agency on statistics under the President of RT.

This deposit is located approximately 50 km from Yakchilva, and the donor company faced the same problems – lack of infrastructure and energy supply which brings to zero the effectiveness of production works.

Construction of a small-scale HPP on Murghab River is considered impossible because of extremely low temperature in winter period, so, at the temperature -30°C the river freezes for 5-6 months. Application of energy generators run on fuel will increase the production cost of metals at these deposits. In spite of this, investors continue to work over development of feasibility studies.

Investments to mining sector

Subsoil use is one of the priorities for development of national economy in nearest future, and development of mining sector is directly linked with the attraction of investments into the subsoil use sector.

In their turn, the attraction of investments with the purpose of rational use of mineral resources of RT on current stage highly depends on improvement of normative and legal base in field of subsoil use.

Attraction of foreign and domestic investments is one of the highest priorities of economic policy of the country. Majority of tasks aimed at improvement of investment attractiveness of Tajikistan is reflected in NDS-2030.

The country also has the Midterm Development Program of RT for period of 2016-2020 (hereinafter MtDP-2016-2020).

In nearest future, Tajikistan plans to implement the transition to new model of economic growth, based on investments, exports and imports substitution. This task is a required condition for implementation of NDS-2030. The biggest burden of efforts for transition to the new growth model is largely congruent with the period of MtDP-2016-2020.

In order to strengthen the investment climate, a new version of Tax Code is adopted, laws of the Republic of Tajikistan "About investments" and "About free economic zones" are adopted in new wording as well as the Concept of state policy for attraction and protection of investments in the Republic of Tajikistan. There is also a Advisory Council to the President of the Republic of Tajikistan on the investment climate development which is established and efficiently functioning.

Currently, 68 state investment projects with a total value of 2,4 billion US dollars are implemented in the Republic of Tajikistan[54].

Along with the boosting of domestic investments for launching of a new growth model, according to MtDP, it is required to strengthen the attraction of foreign direct investments (FDI). Their annual inflow shall grow up to 10% in relation to GDP, i.e. two-fold compared to the average level for period of 2004–2013. This level of FDI has already been reached in some years, but it related to the implementation of large-scale infrastructure projects. Now, the diversification of investments is required, that includes not only infrastructure and production of mineral resources, but this will include projects in field of agriculture, processing industry, service sector and other sectors of economy.

[54] MtDP-2016-2020.

NDS notes that *for improvement of the investment and entrepreneurship climate in industrial sectors, it is required* to improve the investment and entrepreneurship climate in extractive industry, as well as development of sectoral reviews (White papers) for attraction of investments to priority sectors.

One of the sources of public investments is foreign aid provided to Tajikistan. The importance of the role of public investments for the economic growth of Tajikistan is very high. At the same time, it is necessary to note that this source is reducing and addresses mainly agricultural sector.

Economic interests of the Republic of Tajikistan in long-term perspective will highly depend on condition of mineral and raw material base. The field of subsoils use shall become a natural competitive advantage of the national economy and industrial sector of the Republic of Tajikistan, one of the drivers that provides an accelerated development and diversification of the national economy and growth of population well-being.

In long-term perspective for balanced development of regions of the Republic, there is a need in development of high-mountain rayons, which present some 93% of its area. These rayons have limited potential to be included into the economy turnover, and the sphere of subsoil use can play a decisive role in their development.

According to the data provided by the Agency on statistics under the President of Republic of Tajikistan, for period from 2007 till 2015, the inflow of foreign investments into economy of the Republic of Tajikistan valued at 6 billion 663,0 million US dollars, out of which 2 billion 876,5 million US dollars are direct investments, 3 billion 784,7 million US dollars – are presented by other investments* and 1,8 million US dollars – are portfolio investments[55].

Table 19

Foreign investment receipts in RT for 2007-2016 (million US dollars)

Attracted investments by years	*Attraction of investments*			*Total*
	direct	*Other*	*portfolio*	
2007	388.4	472.2	-	860.6
2008	425.7	563.6	-	989.3
2009	89.4	293.8	-	383.2
2010	238.9	228.2	-	467.1
2011	161.4	164.0	-	325.5
2012	391.4	355.0	0.1	746.4
2013	341.1	670.6	0.1	1011.9

[55] http://gki.tj/ru/nvestitsii_v_rt/nformatsiya_i_statistika/analiz_/

2014	377.4	530.4	0.2	909.2
2015	470.9	506.9	1.4	977.8
2016	434.2	408.4	0.0	842.7
Total	**3 318,7**	**4 193,1**	**1.8**	**7 513,6**

Out of total volume of received direct foreign investments for period 2007–2015 to energy sector valued at 596,8 million US dollars, to mining industry - 700,3 million US dollars to industry - 200,3 million US dollars.

From total volume of other investments for period 2007–2015, 64,9 million US dollars are addressed to mining industry, 66,5 million US dollars - to energy sector, and total into industry - 244,4 million US dollars.

At the seventh session of Regional platform for public-private dialogue on "Legislative framework for subsoil use" (May 2016), SCI noted that Tajikistan for the last nine years have attracted DFI in amount $765 million to the subsoils use sector[56]. The Government of Tajikistan has signed six agreements with large investors in field of subsoil use with the purpose of development of deposits, production of cement, development of metallurgy, etc.[57]

For period of 2007–2015 foreign funds from 51 countries were invested into economy of the Republic of Tajikistan; the biggest investors are: China - 1 billion 449,4 US dollars (communication, construction, financial services, **geological prospecting and surveying**, assembling of technical equipment, industry, etc.), Russia - 1 billion 400,7 US dollars (construction, communication, **geological exploration**, financial services, health care, industry, construction, trade, energy sector, tourism, etc.), Great Britain - 453,4 million US dollars (**geological prospecting and surveying**, construction, financial services, industry, trade), Kazakhstan - 522,7 million US dollars (financial services, **geological prospecting and surveying,** industry, trade), USA - 438,0 million US dollars (comminucations, financial services, education, agriculture, health care, rehabilitation of infrastructure and river embankment works, construction, **geological prospecting and surveying**, industry), UAE - 159,3 million US dollars (financial services, **geological prospecting and surveying,** industry, trade) and other countries - 813,3 million US dollars.

In 2015, the biggest volumes of aid from donor countries addressed energy sector at value of 151,291 thousand US dollars, which is 48.7% of total aid provided by donor countries for 2015. Main donors of energy sectors are: People's Republic of China that provided aid in amount of 146,015 thousand US dollars or 96,5%; European Union which provided support in amount of 2,801 thousand US dollars, which is 1,9% of total amount of payments made to the sector for 2015; Switzerland - 1,239 thousand US dollars which is 0,8%. The aid provided by PRC projects "Construction of the second line of TPP-2 in Dushanbe" in amount of 141,175 thousand US dollars, And "Reconstruction of substation Regar - 500 kV" in amount of 4,840 thousand US dollars[58].

[56] Tajikistan for three years attracts DFI in amount of $1 to subsoils use sector// Asia plus 25/05/2016

[57] Tajikistan for three years attracts DFI in amount of $1 to subsoils use sector// Asia plus 25/05/2016

[58] External aid report. Dushanbe, 2016.- p.21 // http://amcu.gki.tj/images/FAR_2015/far_2015_ru.pdf

Out of total direct foreign investments received in 2015, 20,72% were directed **to mining sector and for geological exploration activities.** For instance, a subsidiary "CA Minerals" for geological studies and explorations have received financing in amount of 37,8 thousand US dollars from the Netherlands, from Kazakhstan - 56,0 thousand US dollars, And 38,5 thousand US dollars from China. JCJSC "Somon oil" for geological explorations received direct investments from Switzerland in amount of 323 thousand US dollars. LLC "Pakrut" have received financing for studies and exploration activities 57428,4 thousand US from dollars.

UK allocated 358,8 thousand US dollars of direct investments to the Representative office of Joint stock company LLC "Kulob Petroleum Limited" for the production activities; Singapur allocated 1 230 thousand US dollars To CJSC "Tajik Emerat British Mining"; China - JV "Zerafshan" - 14 500 thousand US dollars; Russia - LLC "Komintek" - 13,9 thousand US dollars; Kyrgyzstan allocated 187,67 thousand US dollars to LLC "Representative office of Victoriapetrol in RT"; China - 146,12 thousand US dollars - LLC "Din Shin He ShSK" China for geological exploration in Khatlon region allocated to the subsidiary "BCHP INK China National Petroleum Corporation in RT" 10 900 thousand US dollars. Russia allocated to CJSC "Gazprom" for production of oil and gas in RRS direct investments in amount of 7 326,8 thousand US dollars.

Among other investments for geological studies and explorations in 2015 no foreign investments were directed to

For the first six months of 2016, the country received 45 million US dollars as investments for mining sector, and, it mainly addresses development of LLC "Pakrut" and for construction works of metallurgical factory of Tajik-Chinese mining company, which is developing lead and zinc deposit Zarnisory Shimoli. The first line of the plant will be put into operation in 2017[59]. More than $100 millions have been spent on for more than 10 years of activities on this deposit.

In 2016, the receipts of direct foreign investments to the Republic reduced and made up, according to preliminary data of the Agency on statistics, 434 152,09 thousand US dollars and 408 442,7 thousand US dollars - other.

In 2016, according to the preliminary data of Agency on statistics of RT, out of total direct investments 49% (211,9 million US dollars) were allocated for geological studies, explorations and production.

Main countries, invested into mining sector, are UK, China, Iran, Russia, Switzerland, France and others. From the total volume of other investments into the national economy 0,76% were invested into mining sector by China and Britain.

So, in Dushanbe city, direct investments in amount of 52,6 thousand US dollars are allocated by United Kingdom to the company "Petroelum Limited", by China - 14,9 thousand US dollars to the subsidiary "CA Mineralis", by Russia - 121,9 thousand US dollars to LLC "Spetcstroyburenie Tojikiston", by Switzerland - 35 thousand US dollars To LLC "Somon Oil"

In June 2007 LLC "Tajik-Chinese mining company" was established on the basis of Department of minerals Altyn-Topkan and officially started its operations. The company in August 2007

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[59] Tajikistan. China> Metallurgy, mining > news.tj, 28 July 2016 > № 1847736// http://hl.mailru.su/mcached?q=Добыча%20минералов%20в%20Таджикистане&qurl=http%3A%2F%2Feasttime.ru%2Fnews%2Ftadzhikistan%2Fo-perspektivakh-dobychi-zolota-v-tadzhikistane%2F5616&c=14-1%3A398-

started rehabilitation works on mineral resources deposits. From 2007 up to the 1st of April 2015 the volume of investments valued at 121,4 million US dollars made by this company.

In September 2014 the Memorandum of Cooperation was signed in frames of project "Industrial zone of Tajikistan and China". The purpose of this document is - development of mining industry, attraction of foreign investments, use of new production technologies, commissioning of new production capacities, creation of new jobs, provision of local citizens with work, production of final goods, development of industrial zone infrastructure, growth of production of imported industrial goods.

China plants to build a large-scale metallurgical plant in the north of Tajikistan at value of $200 million[60]. The plant is expected to be opened in Istiqlol town. It will focus on production of lead and zinc. With commissioning of this big industrial facility in the nearest future approximately 1,3 thousand people will be provided with well-paid work places, where 90% of employees will come from local population. It is expected that later on the enterprise will have the capacity to produce lime stone together with lead and zinc. In initial stage, construction works are carried out by more than 80 local employees and 20 Chinese specialists.

In period of 2016-2018 it is planned to construct two oil refineries (with a capacity of 2 million tonnes), three cement plants (with a capacity of more than 3 million tonnes) and three chemical factories. It is planned that construction of enterprises for processing of non-ferrous metals (with the capacity of 1,4 thousand kg of gold), a large metallurgical plant (with a capacity of 50 thousand tonnes of zinc and 50 thousand tonnes of lead), as well as one metallurgical company (with a capacity of 400 thousand tonnes). Successful implementation of these projects will create more than 4 thousand work places and will attract more than $1 billion of direct foreign investments into the national economy[61].

On the site of the State committee on investments and state property of the Republic of Tajikistan there is a list of investment project in field of mining industry which are in need of financing[62].

Table 20

Projects in need of financing

Project name	Field/sector
Shurab brown coal deposit	Soghd region
Construction of cement plant on the base of OJSC "Construction materials and structures plant" of Spitamen rayon	Soghd region
Production of charred coal and other products of industrial and national economic significance from Fon-Yagnob deposit	Soghd region

[60] The Chinese construct lead and zinc factory in Tajikistan// *China. Tajikistan > Metallurgy, mining > metalbulletin.ru, 15 June 2016 >* № 1791427

[61] Tajikistan for three years attracts DFI in amount of $1 to subsoils use sector// Asia plus 25/05/2016

[62] http://www.gki.tj/ru/investkarta/

Project name	Field/sector
Construction of glass factory	Soghd region
Construction of small-scale plant for production of ceramic brick with the capacity of 5 million pieces per year in Baldzhuvan rayon	Khatlon region
Antracite deposit in Nazar-Ayloq of Rasht rayon	Rayons of Republican subordination
The survey for production of alumina from Kurgovad mineral resources deposit (West Pamir) for production of aluminium	Gorno-Badakhshan autonomous region

2.8. Production (production volumes)

The mining industry of Tajikistan has a rich mineral resources and raw materials base sufficient to provide the growth of industry in long-term perspective. The National Development Strategy of RT up to 2030 in respect of extractive industry foresees the highest growth of production volumes - by 5.7 times according to the industrial scenario and by 6.4 times according to industrial and innovation scenario. Oil, gas and coal production is included into the target goals of NDS-2030[63] (Table 20).

Table 21

Oil, coal and gas production forecasts

Description of indicators	Measurement unit	2015	Industrial scenario			Industrial and innovation scenario		
			2020	2025	2030	2020	2025	2030
Oil production	thousand tonnes	24.6	25.0	30.0	36.0	30.6	37.5	45.0
Gas production	thousand m3	4102	4600	5000	6000	5750	6250	7500
Coal production	million tonnes	1.04	4.05	6.9	10.4	5.3	10.3	15.1

Traditionally the mining companies of the Republic used to produce ores and its primary processing with production of concentrates, and metallurgical treatment/extraction takes place out of the country. Lack of capacities for production of final product significantly affects development of the sector. For recent years this situation is getting improved.

[63] National Development Strategy of the Republic of Tajikistan up to 2030.

Production of stone and brown coal, oil and gas is carried out in the country among other energy materials, and non-energy materials along with ore materials, and non-ore construction materials, sand and gravel mix, sand, rock stone, gravel and salt and metal ores[64].

Fig. 5. Volume of coal extraction, in ths. tons

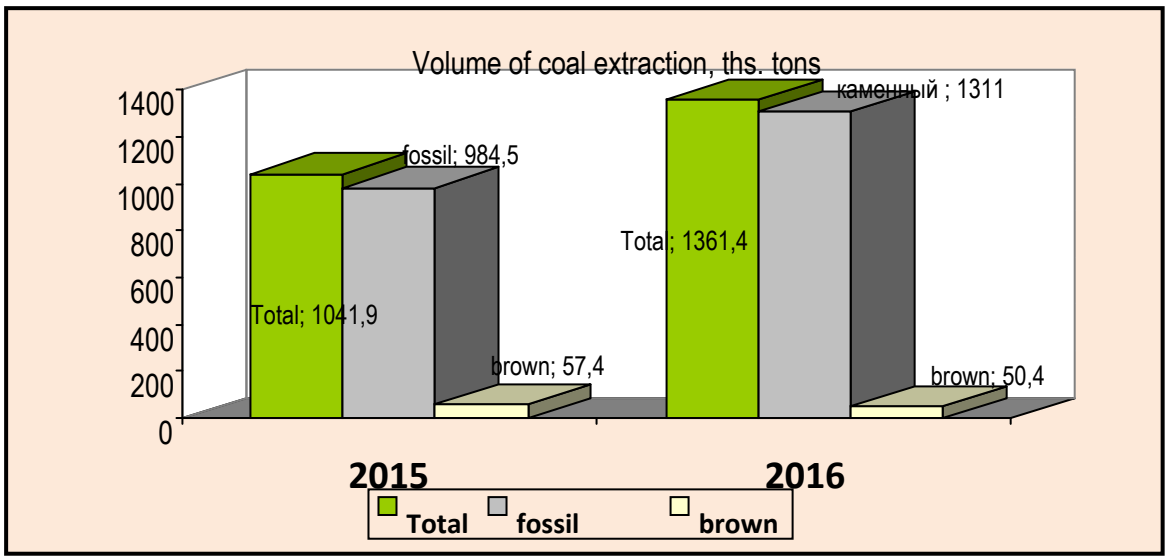
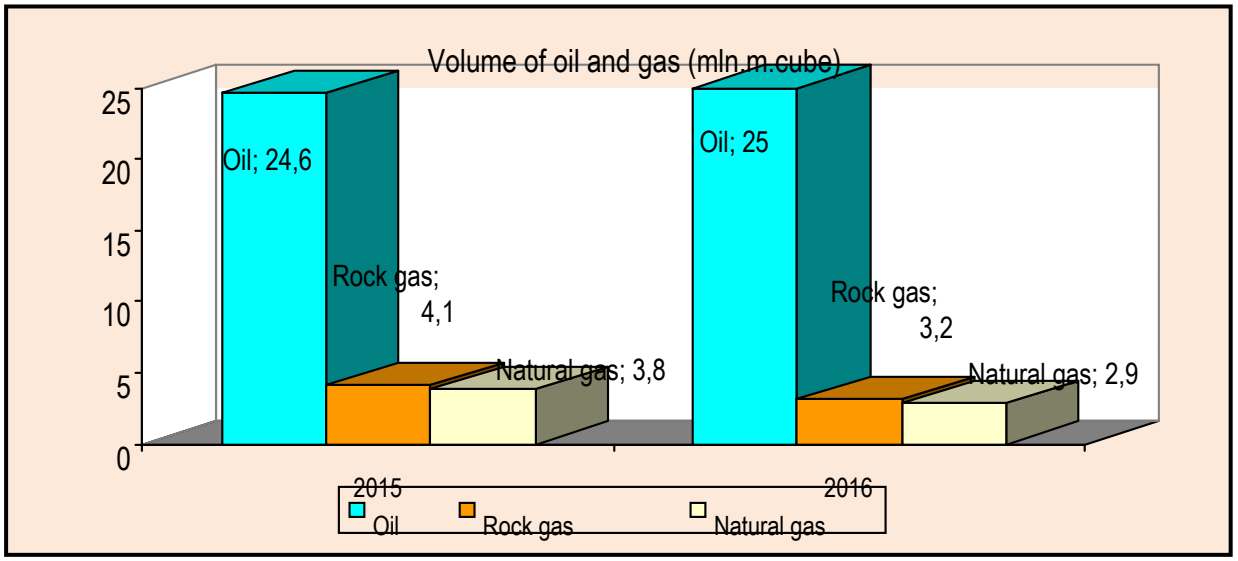


Fig. 6. The volume of oil and gas extraction, mln.m^3



The total extraction of oil and gas amounted to 24,631 tons of oil and 4,111 ths.m^3 of gas in 2015 and 25,123 tons of oil and 2,979 ths.m^3 of gas in 2016.

[64] According to the data of the Agency of statistics under the President of RT.

Table 22

Extraction of energy materials by regions of the country (ths. somoni)

Value of extraction		Sughd region	RRS	GBAO	Khatlon region	TOTAL
Brown coal	2015	14 408,3	-	-	-	14 408,3
	2016	13 204,3	-	-	-	13 204,3
Fossil coal	2015	104 371,2	35971,1	234,5	656,2	141 233,0
	2016	120 825,3	19744,9	0	425,4	140 955,6
Oil	2015	25 010,1	895,8	-	9 132,1	35 038
	2016	20 852,1	1178,1	-	9 072,0	31 102,2
Natural gas	2015	440	-	-	1 069,5	1 509,5
	2016	540	-	-	522	1 062
Rock gas	2015	639,6	-	-	1 069,5	1 709,1
	2016	640,6	-	-	652,2	1 292,8

In the Message of the President of the Republic of Tajikistan to the Parliament of the country as of December 22, 2016 it was stated that the extraction of coal is going to be increased up to 2 million tons until 2018 through the construction of new coal mining enterprises.

Due to the lack of gas resources, more than 200 large enterprises of Tajikistan use coal as fuel. The increase in coal production in the country is associated with the transition of large industrial enterprises of the country from natural gas to coal. Moreover, coal-fired companies have been put in operation. The population of the country is also a large consumer of coal. Due to the lack of electricity during autumn and winter periods as well as due to imposing of a limit on electricity consumption, the rural residents use coal for heating and cooking purpose. According to preliminary estimates, the real demand of the country for coal - including industrial demands, population and CHP amounted to more than 1.8 million tons in 2017.

Taking into account the gradual increase of the country's demand for coal, its production made up 1041.9 thousand tons in 2015 and 1361.4 thousand tons in 2016.

The average daily extraction of this type of fuel in the country is about three thousand tons. The largest coal deposits that are currently being developed are Fon-Yagnob, Ziddi, Nazar-Aylok, Shurob and Sayed.

In general the extraction of non-energy and non-metallic building materials also significantly changed in the Republic of Tajikistan during 2015-2016 (Figure 7-8).

Fig. 7. Extraction of non-energy materials by regions of the Republic of Tajikistan for 2015 (ths.m^3)

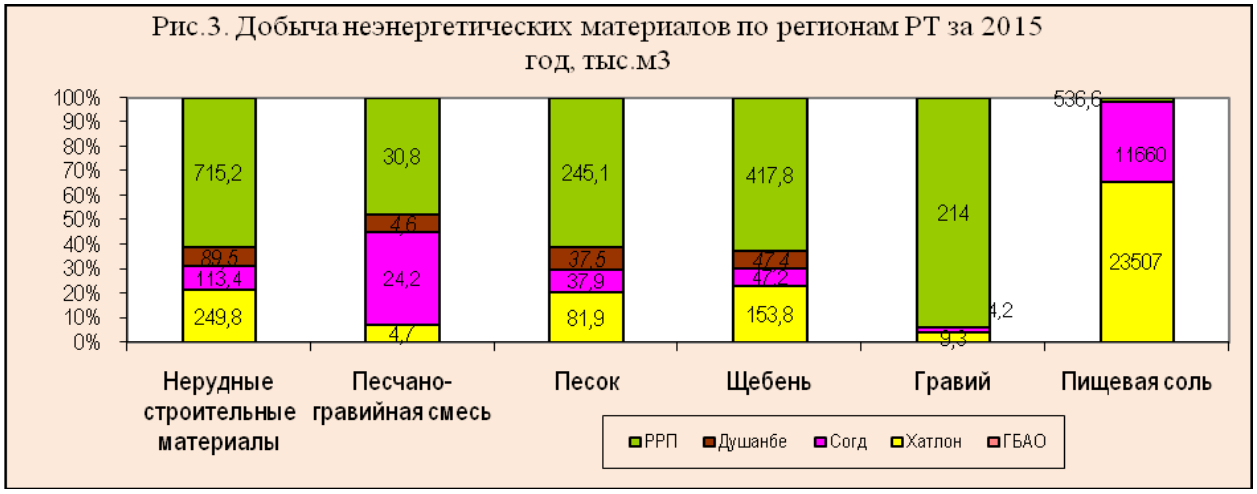
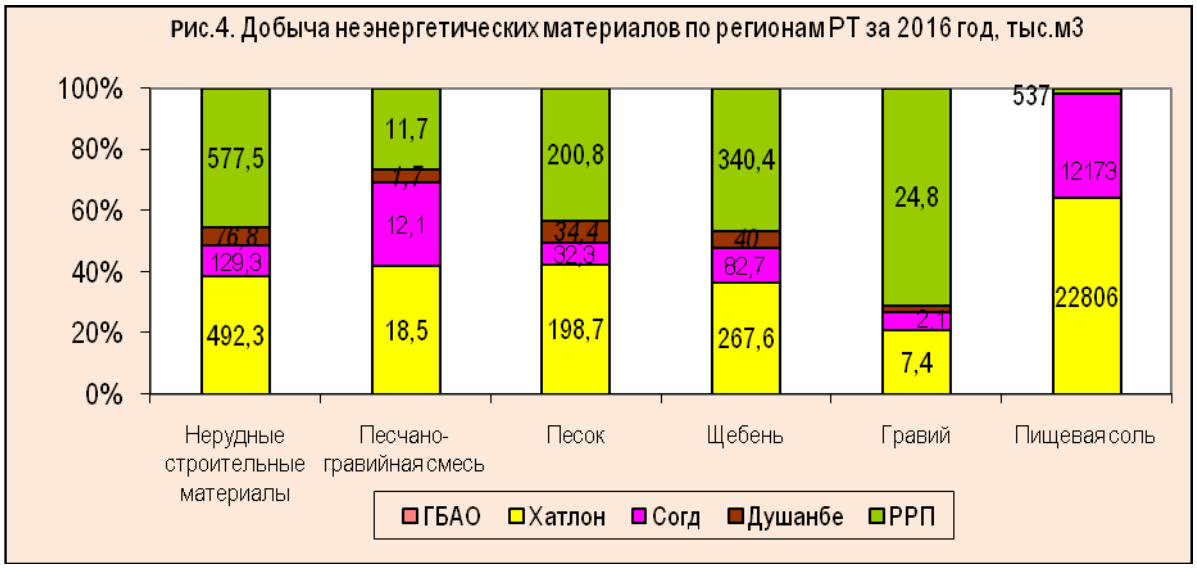


Fig. 8. Extraction of non-energy materials by regions of the Republic of Tajikistan in 2016 (ths. m3)



Gold production

According to the data from the Ministry of Industry and New Technologies, gold extraction in the country in 2015 increased by 31.6% compared to 2014. The total volume of gold production in 2015 amounted to 4591.2 kg. In 2016, 4962.0 kg of gold was produced in Tajikistan, mainly gold is mined in the north of Tajikistan.

The cost of gold mined in somoni:

2014	74176,2 ths.somoni
2015	1068757,3 ths.somoni
2016	1413367,3 ths.somoni

Silver production

In 2015 the mining companies mined 3,014.2 kg of silver, which compared with 2014 made up 61.2%.

In 2016, silver extraction compared with 2015 decreased by 11.5%, the total volume of which amounted to 2665.5 kg.

The cost of silver mined in somoni:

2015	10 549 700 somoni
2016	9 329 250 somoni

Production of other mineral resources

The results of the activities of the mining companies which have a license for the extraction of lead, zinc, copper and antimony in 2015 compiled the following indicators: lead concentrate - 59,294.4 tons, zinc concentrate - 99,621.3 tons, copper concentrate-6,969.6 tons, antimony concentrate - 29,036.2 tons and metal antimony - 725.5 tons.

These indicators were assessed positively in 2016 and are as follows: lead concentrate – 84, 623.0 tons, zinc concentrate – 145,964.5 tons, copper concentrate – 12,580.0 tons, antimony concentrate – 60,026.7 tons and metal antimony – 2,143.3 tons.

The production of various types of concentrates in 2016 increased significantly compared with 2015 (please see Table 22). The production of lead concentrates has increased by 1.43 times, antimony concentrates by 2 times and 1.54 times in all types.

Table 23

Production of concentrates in 2015 - 2016 (ths. tons)

Types of concentrates	2015		2016	
	ths.tons	mln.TJS.	ths.tons	mln.TJS.
Lead	59,294	425,48	84,623	824,59
Zinc	99,621	356,18	145,964	809,13
antimonous	29,036	109,23	60,026	262,89
copper	6,969	70,89	12,58	126,67
silver	0,6	1,41	0,05	8,35
Total ores	**195,52**	**963,18**	**303,243**	**2 031,62**

2.9 EXPORTS OF PRODUCTS OF MINING SECTOR (EXPORTS VOLUME)

Public Program for Promotion of Export and Import Substitution of the Republic of Tajikistan (PPPEIS) for 2016-2020 was adopted based on the Government Resolution of the Republic of Tajikistan dated January 28, 2015, №21.

PPPEIS is developed in line with the main provisions of the NDS-2030 and the Mid-term Development Program of the Republic of Tajikistan for the period of 2016-2020 in order to detail it in terms of implementation of priority goals, tasks and mechanisms to be achieved in foreign economic activity.

The targets goals of the PPPEIS include the following: ensuring the growth of import-substituting and export production through the measures on promoting potential exporters and investors; development of cooperation, value chains and clustering; creation of modern logistics centers and expansion of international communication, transport and economic corridors.

The sources of financing of activities for the implementation of the Program are: funds of the Entrepreneurship Support Fund of the Republic of Tajikistan, consolidated loan portfolio of the banking sector, including targeted and long-term borrowings, budgetary funds for public procurement of goods and services, technical aid and support of development partners, certain budget funds of sectoral ministries and departments, as well as local executive bodies, Public Investment Programme (PIP) funds and foreign direct investments, own funds of the private sector.

As per this program, it is planned to establish the export promotion institutions, in particular the creation of the Export Bank with a mandate to issue preferential and long-term loans to exporters; formation of the Export Promotion Agency; creation of the Consolidated Register of Exporters and Investors of Tajikistan with the allocation of a cohort of “reliable market actors”; establishment of the Ombudsman institution for Rights of Investors and Exporters (Entrepreneurs) under the President of the Republic of Tajikistan.

As a result of the PPPEIS implementation, it is planned to increase the foreign trade turnover of the Republic of Tajikistan from 5050.0 million USD in 2015 to 6520.0 million USD in 2020 or

by 29.1%. At the same time, the volume of exports of goods and services from the Republic of Tajikistan in 2020 is forecasted at 1860.0 million USD or 79.4%, more than the results of 2015. Accordingly, the volume of imports of goods and services in the Republic of Tajikistan in 2020 is forecasted at 4660.0 million USD or by 16.1%, more than the results of 2015.

The foreign economic policy carried out by the Government in the field of extractive and processing industry is aimed at reducing the dependence of the country's economy on imports of coal, cement and other types of building materials and creating a base for their export.

The implementation of the PPPEIS activities will allow to change the structure of the export products. The forecast of exports and imports dynamics of Tajikistan assumes that the number of products for export will be increasing with sufficiently rapid paces and can reach 150-170 types by 2020. Import will be also expanded, but less intensively and will reach 240-250 types in 2020.

The extractive industry is critical to export and affects the dynamics of the development of the country's export structure. According to the Statistical Agency under the President of the Republic of Tajikistan, the value of mineral products exports in 2016 was estimated at 307.2 million USD, which is 1.5 times more than in 2015. If in 2015 the share of export of mineral products was 22,9% of total exports, in 2016 the share of export of mineral products in total increased by 11.3 points.

Fig. 9. Volume of exports (mln. USD)

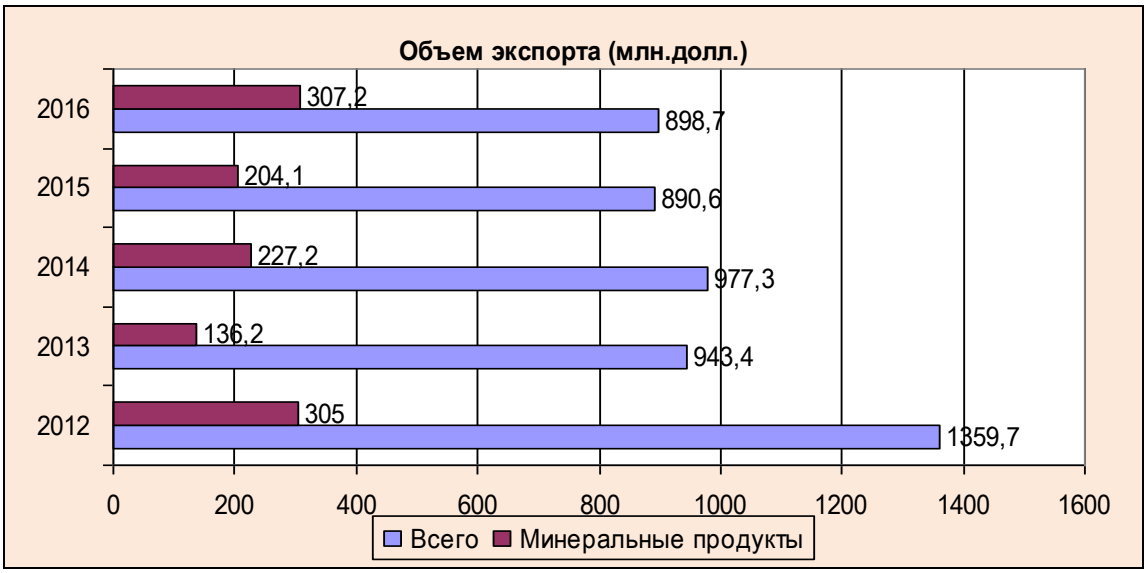
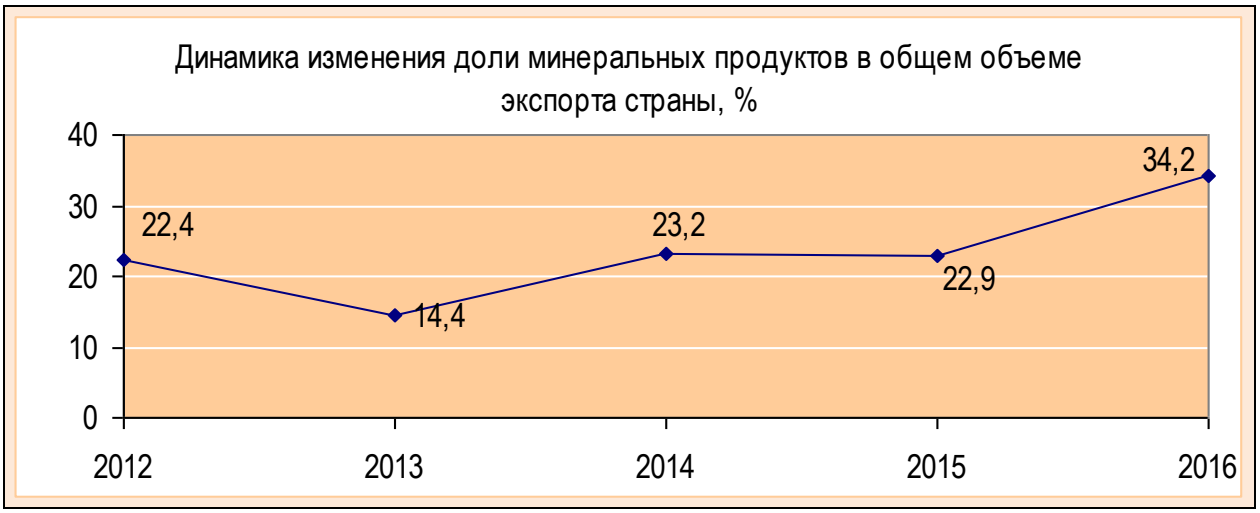


Fig. 10. Dynamics of the share change of mineral products in total exports of the country (in %)



***(preliminary data for 2016)**

The Statistical Agency under the President of the Republic of Tajikistan in the digest "Foreign Economic Activity" specifies exports of ore and concentrates together. The dynamics of the change of commodity export of the extractive sector is given in table 24.

Table 24

Export concentrates index for 2015-2016

	2015		2016	
	ths.$	ton	ths.$	ton
Lead concentrate	68 519	64 590	101 712	93 715
Zink concentrate	57 991	114 143	94 334	164 588
Antimonial concentrate	14 764	16 362	26 224	27 454
Copper concentrate	11 130	7 636	16 253	11 352

According to the Statistical Agency, the precious stones, gold and silver were exported during 2015-2016 in the following volumes:

Table 25

№	Name of product	2015		2016	
		Value in kg	Value in USD	Value in kg	Value in USD
1	Gold (unwrought, semimanufactured or in the form of concentrate)	1834	69 351 350	2456	98 035 300
2	Silver (unwrought, semimanufactured or in the form of concentrate)	3013	1 564 000	2155	1 182 400
3	Precious stone	3834	59500	48	35800

In accordance with Article 353 of the Customs Code of the Republic of Tajikistan, the custom value of goods exported outside the customs territory of the Republic of Tajikistan is defined based on the transaction price actually paid or to be paid when selling for export. Thus, the exporter of the products of the extractive sector determines the value of the goods itself, based on the price of the transaction of goods.

However, if there is no transaction price, the custom value of the exported goods is defined based on the extract provided by the declarant from the accounting documents of seller-exporter on the costs associated with the production or acquisition, storage and transportation of the exported goods.

In case the information confirming the declared custom value of the exported goods is absent, the custom value of such goods is defined based on the information on identical or homogeneous goods available with the custom body, including information provided using the results of an independent expertise.

According to the Article 235 of the Tax Code of the Republic of Tajikistan, the royalty taxation base for extracion during the tax period is their cost defined based on the prices of supply or, if there is no supply, based on the cost of the first commercial product extracted from the mined minerals as a result of primary processing (enrichment, treatment), without value added tax. The cost of precious (gold, silver and platinum) and other metals mined by the subsoil user during the tax period is estimated on the basis of the average prices of supply of these metals formed during the tax period at the London Metal Exchange and the London Stock Exchange of Precious Metals.

The export of lead concentrates has increased by 29,125 tons. If in 2015 the average price per 1 ton amounted to 1061 USD, then a ton of this type of concentrate was already sold in 2016 at the average price of 1085 USD per ton. The main supplier of lead concentrates in 2016 was LLC “Tajik-Chinese Mining Company”.

Export of zinc concentrates has increased by 50,445 tons. The average price per ton in 2015 made up 508 USD while in 2016 – 573 USD. The main producer and exporter of this type of concentrate was LLC “Tajik-Chinese Mining Company”.

Export of antimony concentrates has increased 1.68 times. The price per ton has increased from 902 USD to 955 USD. The main supplier of this type of concentrate was TA LLC JV “Anzob”.

Export of copper concentrates has increased by 1.49 times. The price per ton fell from 1458 USD to 1432 USD per ton.

The structural changes occurred in the export of goods in the extractive sector during 2015-2016. Thus, the largest share in the export of concentrates falls to the export of lead concentrates, while their specific weight decreased from 44.96% in 2015 to 42.54% in 2016, i.e. at 2,42 points. The share of export of zinc concentrates increased from 38.05% in 2015 to 39.45% in 2016; antimony - from 9.68% to 10.97%. The share of copper concentrates fell from 7.30% to 6.80%.

Changes have occurred in the geographical structure of exports. If in 2015, among the CIS countries, the products were exported to Kazakhstan and Russia, then in 2016 they were already exported to Uzbekistan and Kazakhstan.

Among the far-abroad countries, the products in extractive sector in 2015 were exported to China and the Netherlands and in 2016 - to the UK.

The main share of exports of total volume fell on Kazakhstan (79.17% in 2015 and 76.54% in 2016) and China.

In 2015, 21 tons of stone coal was exported for the amount of 5 thousand USD, in 2016 they sold 9 times as much, i.e. 190 tons for the amount of 7 thousand USD. All exports of stone coal fall on China.

Export of mineral products is carried out by Tajikistan mainly via rail and freight transport through the Sughd Region.

The remote location of Tajikistan from world markets and major transport arteries leads to the fact that transport costs and expenses for infrastructure development become factors that hamper the extraction and export of mineral resources. Accordingly, the works are being carried out intensively in the country on improving the transport infrastructure.

2.10 STATE PARTICIPATION IN EXTRACTIVE INDUSTRIES

In accordance with the Law of the Republic of Tajikistan "On State Enterprises" (as amended by the Law[65] of RoT No.426 as of October 6, 2008, No.659 as of December 29, 2010), the state enterprises are:

I. State unitary enterprises which own state property on the right of economic management;

II. State government enterprises with the right of operational management.

The State Unitary Enterprise (hereinafter – SUE) is a commercial organization that is not endowed with the right of property ownership vested by the owner.

The state unitary enterprise may be created equally as the earlier created and operate in the following areas of activity: extraction, production, transportation, processing, burial, sale of uranium and other radioactive materials in an amount exceeding the norms of their use without the need to use the special protective means. The state unitary enterprise is maintained through the income from its own activities.

The state government enterprise (hereinafter – the SGE) can be established and act to:

- Perform the mine rescue and other special works in extraordinary and emergency situations, protection from fires, floods and other natural disasters;
- Perform topographic and geodetic and cartographic works;
- Implement industrial and economic activities in the field of health, nature protection, education, social protection, science, culture and sports;
- Implement other production and economic activities, as envisaged by the plans for socio-economic development of the Government of the Republic of Tajikistan.

Only the state unitary enterprises have the right to establish subsidiary state enterprises.

The subsidiary state enterprise that belongs to the republican property is created with the consent of the owner of the parent enterprise.

[65] Law "On State Enterprises"//http://mmk.tj/ru/legislation/legislation-base/

The subsidiary state enterprise is created in the form of a state unitary enterprise and enjoys the rights established by this Law for this type of state enterprises.

The state ownership conditions are reflected in the charters of enterprises, investment agreements, concessions agreement and production sharing agreements.

The enterprises with a certain state share that operate in the extractive sector include 26 enterprises (Table 25).

Table 26

List of enterprises with a certain share of state property

name of company		The share of state property	
		2015	**2016**
1	JSC “Tajik Cement”	100%	100%
2	JTC LLC “Aprelevka”	51%	51%
3	JSC “Chamast”	100%	100%
4	OJSC “MK Adrasmon”	0%	100%
5	Republican state budget-supported enterprise “Tilloi Tojik”	100%	100%
6	Fon-Yagnob Mine, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
7	Coal Mine “Angishti Ziddi”, subsidiary enterprise “Angishti Tojik”	100%	100%
8	Coal Mine “Angishti Shuroabad”, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
9	Coal Mine “Angishti Istiklol”, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
10	OJSC “Angisht”	100%	100%
11	SUE “Vostokredmet”	100%	100%
12	Coal Mine “Nazar-Aylok”, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
13	LLC “GOK Takob”	100%	100%
14	OJSC “Oil&Gas”	100%	100%
15	LLC JV “Zarafshan”	25%	25%
16	JLLC “Petroleum Sughd”	42,5%	42,5%
17	LLC “ Talco Resource”	30%	30%
18	State Commission for Mineral Reserves of the Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
19	Unitary Enterprise “Pamir Geological and Exploration Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%

20	Unitary Enterprise "Magian Geological Exploration Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
21	Unitary Enterprise "South-Tajik geological prospecting expedition", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
22	Unitary Enterprise "Southern Geophysical Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
23	Unitary Enterprise "Southern Hydrogeological Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
24	Unitary Enterprise "Kairakum Complex Geological Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
25	Unitary Enterprise "Geological Exploration and Survey Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
26	Unitary Enterprise "Central Laboratory", Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%

As can be seen from the data in Table 26, the changes in the level of the state participation in 2016 occurred in the "Adrasman" Mining Enterprise on the extraction of lead and zinc. According to Decision of the Economic Court of Dushanbe dated November 4, 2016, No.8/97 and the enforcement order No. 2-217/16, K-88/17, 100% of the shares of the Open Joint-Stock Company "Adrasman" were returned to the state on behalf of the Ministry of Industry and New Technology Republic of Tajikistan.

The change in shares by forms of ownership is registered in the Unified State Register of Legal Entities, which is compiled in the Tax Committee under the Government of the Republic of Tajikistan[66].

The Unified State Register for each enterprise, regardless of the sector of the national economy, specifies the following information:

- organizational and legal form of a legal entity;
- full (if any or acronymed) company name of the legal entity in the official language of the Republic of Tajikistan;
- information on changing the company name of a legal entity;
- location (address) of the legal entity (head of the legal entity), its contact details, as well as information on the changes;
- the way of formation of a legal entity (creation or reorganization);
- the date of the state registration of the creation of a legal entity;

[66] http://www.andoz.tj/ru/registry-legal.html

- information on the founders (in relation to joint-stock companies – information on the holder of the register of shareholders) and the head of the legal entity (name of the legal entity and document details which identity individual);
- information on the state registration of a legal entity created by reorganization (form of reorganization, date of the state registration of a legal entity created by reorganization (if any));

- information on branches and representative offices of a legal entity (decision to create or liquidate a branch and representative office, document details which confirm identity of the head of a branch or representative office, his/her contact details), their location (address), the date of entering information about them into the Unified State Register;
- information on the authorized capital;
- information that the legal entity is in the process of liquidation;
- information on the liquidation of a legal entity;
- the main type (main types) of activities that the legal entity intends to implement;
- information on the authorized state management body concerning the state enterprise and information concerning the person authorized to perform the state functions delegated based on the right of fiduciary management during the state service of its share of ownership in the authorized capital of commercial organizations, as well as the information on the guardian and trustee of the founder (founders) of the legal person of minor age (Law of RoT dated 14.05.2016, No.1319)[67].

According to the Law of RoT "On State Enterprises", as well as in accordance with international requirements (for state enterprises the state's share is 50 + 1%), it has been established that 23 state enterprises currently operate in the extractive sector of the country (please see Table 27), including 22 of them with 100% state share and one enterprise, where the state share is 51%.

Table 27

List of the state enterprises for 2015 – 2016

Name of enterprises		Share of state ownership	
		2015	2016
1	2	3	4
1	JSC "Tajik Cement"	100%	100%
2	JTC LLC "Aprelevka"	51%	51%
3	JSC "Chamast"	100%	100%
4	Republican state budget-supported enterprise "Tilloi Tojik"	100%	100%
5	"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	100%	100%

[67] Law on State Registration of Legal Entities and Individual Entrepreneurs. http://mmk.tj/ru/legislation/legislation-base/2009/

6	Coal Mine “Angishti Ziddi”, subsidiary enterprise “Angishti Tojik”	100%	100%
7	Coal Mine “Angishti Shuroabad”, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
8	Coal Mine “Angishti Istiklol”, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
9	OJSC “Angisht”	100%	100%
10	SUE “Vostokredmet”	100%	100%
11	Coal Mine “Nazar-Aylok”, subsidiary enterprise SUE “Angishti Tojik”	100%	100%
12	LLC “GOK Takob”	100%	100%
13	OJSC “Oil&Gas”	100%	100%
14	OJSC “MK Adrasmon”	0%	100%
15	State Commission for Mineral Reserves of the Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
16	Unitary Enterprise “Magian Geological Exploration Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
17	Unitary Enterprise “Pamir Geological and Exploration Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
18	Unitary Enterprise “South-Tajik geological prospecting expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
19	Unitary Enterprise “Southern Geophysical Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
20	Unitary Enterprise “Southern Hydrogeological Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
21	Unitary Enterprise “Kairakum Complex Geological Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
22	Unitary Enterprise “Geological Exploration and Survey Expedition”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%
23	Unitary Enterprise “Central Laboratory”, Main Department of Geology under the Government of the Republic of Tajikistan	100%	100%

SUE “Angishti Tojik” has 100% of share in the following enterprises:

1. Subsidiary enterprise “Fon-Yagnob Mine”.

2. Subsidiary enterprise “Coal Mine “Angishti Ziddi”.

3. Subsidiary enterprise “Coal Mine “Angishti Shuroabad”.

4. Subsidiary enterprise “Coal Mine “Angishti Istiklol”.

5. Subsidiary enterprise “Coal Mine “Nazar-Ailok”.

Information on the company’s activities can be found on the following websites:

1) Main Department of Geology under the Government of the Republic of Tajikistan – https://www.gst.tj/

2) Coalitions of Civil Society Organizations of the Republic of Tajikistan “Transparency for Development” – www.tfd.tj

Republican state budget-supported enterprise “Tilloi Tojik” located in Khovaling district of Khatlon Region is a gold mining company operating based on the charter. It was established in 2008 on the basis of liquidation of the “Darvoz” Joint Tajik-British Enterprise by the Resolution of the GoT dated October, 1, 2008, No.508, as amended on February 7, 2008, No.58. According to this Resolution, all property of the liquidated “Darvoz” Joint Tajik-British Enterprise was transferred to the balance of RSBSE Tilloi Tojik. The Charter of the RSBSE “Tilloi Tojik” states that the founder of the State Budget-Supported Enterprise is the Government of the Republic of Tajikistan (GoT) while the authorized body for public administration of the State Budget-Supported Enterprise is the Ministry of Finance of the Republic of Tajikistan. The State Budget-Supported Enterprise is mainatned and funded at the expense of the republican budget.
The State Budget-Supported Enterprise was established with the purpose to produce and extract placer (schlich) gold, gold nuggets and other related precious metals from the Yakhsu placer gold deposit, to perform works and provide services. The State Budget-Supported Enterprise carries out the following activities:

- geological exploration and development of placer gold:
- conducting of survey work;
- extraction of placer gold at gold placer deposits;
- processing of gold-bearing ores;
- storage and transportation of products from the processing of gold placer deposit;
- reception and purchase of precious metals from the placer miner, individual gold miner and other individuals and legal entities in accordance with the procedure established by law;
- import into the Republic of Tajikistan of the necessary materials and equipment for production activities.

The State Budget-Supported Enterprise is a legal entity. The main output products are gold, which is affined at the refinery of the country’ to produce chemically pure gold. Mine gold is mainly used to replenish the gold reserve stock in the country.

The State Budget-Supported Enterprise hands over all the extracted precious metal to the State Valuables Depository under the Ministry of Finance of the Republic of Tajikistan within the time and amount established by the authorized body.

The authorized fund of the State Budget-Supported Enterprise comprises the property of “Darvoz” Joint Tajikistan-British Enterprise liquidated by the Decision of the GoT which is

transferred to the balance of the state budget-supported enterprise in accordance with the established procedure.

In 2015-2016, "Tilloi Tojik" Enterprise produced and provided the state with gold in kind. "Tilloi Tojik" Enterprise is a budget organization and all production costs are financed from the republican budget. It hands over all the extracted placer gold to the State Valuables Depository under the Ministry of Finance for replenishment of the State Fund.

Thus, in 2015, "Tilloi Tojik" Enterprise was financed from the budget in the amount of 75.2 million somoni, it produced and handed over the placer gold to State Depository for Precious Metals in the amount of 452.1 kg (in monetary terms it equals to 105.4 million somoni) .

In 2016 "Tilloi Tojik" Enterprise was allocated 75.0 million somoni from the state budget, it produced and handed over placer gold to State Depository for Precious Metals in the amount of 492.4 kg (in monetary terms it equals to 159.2 million somoni).

JSC "Chamast" is the only enterprise that conducts prospecting, exploration and extraction of stone-colored raw materials in Tajikistan. It is located in the territory of Roshtkala district of GBAO of the Republic of Tajikistan. With the nearest settlement – Shuvoz (Leskhoz) village, the deposit is connected with road and tractor crossing (30 km) followed by the asphalted highway with the regional center – Khorog city (90 km) and the capital of the republic – Dushanbe (627 km).

The main areas of development are the following:

- development of new deposits of minerals;
- increase in ore extraction, ore processing volumes in the developed deposits;
- construction of productions for the extraction of final products.

The increasing industrial needs (the annual consumption of lapis lazuli varies from 5 tons to 40 tons) necessitates to undertake mining work on exctraction of jewelry and ornamental lapis lazuli.

There are more than 10 deposits in the balance of SUE "Chamast", but the development is carried out only on two ones. This activity does not bring tangible revenue to the treasury yet. For instance, the SUE "Chamast" is working at Snezhny deposit which is located in Murghab district, at an altitude of 4.5 thousand meters above sea level. Only physically very strong people are able to work in such difficult climatic conditions and only in summer.
The enterprise is not developing since the funds are not allocated sufficiently to it.
Annually, about 400 thousand somoni (0.09 million USD) are allocated for its development[68].

State Unitary Enterprise "Kairakum Complex Geological Expedition" is located in Syrdarya settlement of Kairakkum town, Sughd Region, in the north of the republic. It was created in 2001 by way of merger of three previously existing Expeditions: the Kayrakum Geological Exploration Expedition (KGEE), the Northern Hydrogeological Expedition (NHGE) of the Tajikgeology Production Association and the Hydrogeological Expedition of the Hydro Special Geology Production Association. The main objective of the Expedition is to meet the requirements of the national economy of the Republic of Tajikistan in mineral resources.

The enterprise has several units: ore and non-metallic geological exploration party, hydrogeological party, complex chemical laboratory and other auxiliary units.

[68] V. Kasimbekova. Unclaimed Treasures. Why the Tajik mineral resources do not serve the people?// Asia Plus. 11:52 20.09.2009// Источник - Asia-Plus; permalink of the article - http://www.centrasia.ru/newsA.php?st=1253433120

The expedition is carrying out detailed prospecting and geological work for gold at the Oshobinsky ore deposit (Asht district), studying the level and condition of groundwater on the objects "Maintaining the State Water Cadastre in Syrdarya and Zarafshan River Basins", geoecological survey of environmental pollution in Khujand, Chkalovsk, Kayrakkum and B.Gafurovsky district, the state service for tracking dangerous exogenous geological processes on the territory of Sughd region, the groundwater survey to supply water to facilities intended for social needs, health care and education in Sughd region.

The abovementioned facilities are funded from the state budget. The expedition also works on contractual basis with many foreign companies (joint ventures) and firms, individuals, dehkan farms.

The main objectives of the contract works are detailed exploration of lead-zinc of Zarnisori Shimoli deposit, work with JTC LLC "Aprelevka", work with enterprises for production of building materials (limestone, dolomite, marble, clay, tuff and tuff breccia, sand-gravel mixture, sand, etc.). Currently more than 155 people work in the Expedition.

The amount of financing for geological exploration work and their sources are given in the section "2.6. Extractive Industries Review", in the part "Geological and exploration work conducted in 2015-2016".

The State Unitary Enterprise "Magian Geological and Exploration Expedition" was established by the Resolution of the Council of Ministries of the Tajik SSR in 1948. It was originally based in the Magian River Basin, in the homonymous settlement and since 1963 the expedition's base is Geologists settlement in Panjikent (currently B. Holmurodova village) town. It is located in B.Kholmurodov settlement within the south-western part of Panjakent town. The territory of work of the UE "MGEE" covers Zeravshan River basin: from the east the upper Zarafshan River – the Gorno-Matcha District, in the middle – Aina District, in the west – Penjikent District to the border with the Republic of Uzbekistan, from the north – the southern slope of the Turkestan Range, from the south – the northern slope of the Hissar Range. Thanks to the merits and accomplishments of the SUE MGEE specialists, the large mining enterprises are operating today in Central Tajikistan, such as TA LLC JV "Anzob" on antimony mining, "Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik" on coal mining, LLC JV "Zarafshan" – on gold mining.
The expedition operates in two areas: geological and exploration work at the expense of the state financing and contractual geological and exploration work, which are funded by the foreign and local companies. There is comprehensive analytical laboratory, motor depot, mechanical workshop, subsidiary farm, kindergarten and a hostel in Expedition.
The Pamir Geological and Exploration Expedition is exploring certain types of minerals in Pamir, such as gold, silver, lead, copper, lapis lazuli, spinel, rubies. During the state geological survey, ore mineral occurrence Ellis and the borosilicate ores deposit Akarhar have been opened.

As a result of the work done, a significant part of the Pamir territory is covered with a geological survey of a scale of 1: 50,000. As a result of the work done, it has been discovered significant fluorspar occurrence (Jambaysk), a number of ore manifestation of tin and tungsten forming the Pshart ore field, as well as Akarkhar ore field (lead, zinc), ore manifestation of tungsten Kirsheit, Zarechnoye tin deposit. In parallel with the production of geological surveys, the specialized exploration works for tin, tungsten, gold, silver, copper, rare metals (beryllium, lithium, tantalum, niobium, etc.), molybdenum, mercury, aluminum, lead, zinc, iron, boron, fluorite, asbestos, phlogopite, muscovite, talc, gypsum, coal, rock

salt, building materials have been conducted. The deposit of tin and tungsten Trzubets-Yubileynoe have been studied and assessed.

Gold-tungsten deposits of Ikar, Khuf, Rankulskoye gold deposit, a number of promising silver ore occurrences in the Yakchilvinsky and Marjanaisky ore fields have been discovered and studied, prospective manifestations of Darai-Tang copper, copper and nickel Khukas, Gishun have been identified, ore occurrences of rare metals (beryllium, lithium, tantalum, etc.) have been identified and pre-evaluated, the prospects of Shugnan, Yuzhno-Alichursky and Namadgut pegmatite fields for rare metals have been established. The ore occurrence of molybdenite Sungat has been revealed and positively evaluated. The exploration works on mercury have been carried out, as a result of which prospective zones for mercury and antimony have been identified.

A number of iron ore occurrences have been identified in Pamir territory where the most important from them is Barch. The greatest discovery of this period is discovery and exploration of the unique Akarhar boron deposit. The specialized prospecting works were also carried out for fluorite, as a result of which a significant amount of fluorite ore occurrences have been discovered, a number of them were transferred to the rank of deposits.

Presently, prospecting and evaluation work is carried out on the area of copper-nickel ore occurrences Gishun and Khukas. Work is carried out for manganese mineralization (Northern Pamir) and the preliminary exploration for silver is carried out in the Yakchilvinsky ore field. The materials on ore and nonmetallic minerals of Pamir are being prepared for attraction of local and foreign investors.

According to the Statistical Agency under the President of the Republic of Tajikstan, the mining enterprises engaged directly in extraction are divided according to the forms of ownership as follows (Figure 11)

Fig. 11. Ratio of mining enterprises by form of ownership, in%

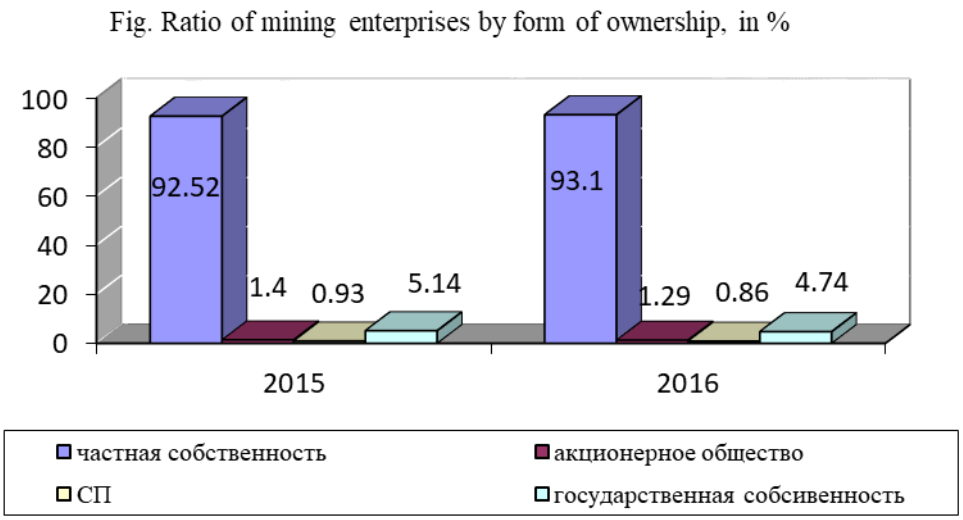
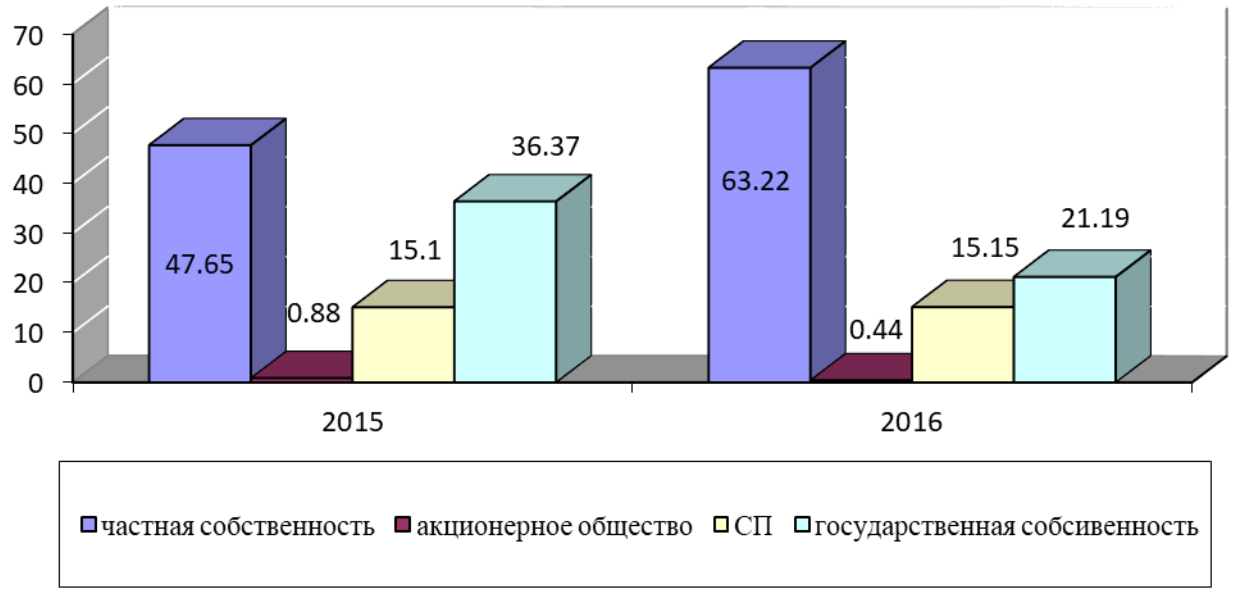


Fig. 12. The structure of the volume of production outputs at the mining enterprises by forms of ownership, in%



According to Article 2 of the Law "On the State Budget for 2016", the total expenditures of the state budget of the Republic of Tajikistan was determined in the amount of 18594.4 million somoni, including 121.2 million somoni for financing extraction, processing of minerals, extractive industries and construction[69].

The financial rules and practice are regulated by the laws of the Republic of Tajikistan on the state budget of the Republic of Tajikistan, on the state finances, on the state enterprise, on the joint-stock company, the Tax Code and the Civil Code of the Republic of Tajikistan, which do not stipulate any specific features for mining enterprises.

Financial relations of the state enterprise are based on the relationship between: the state enterprise and the budget in terms of payment to the budget and receipt of funds from the budget; state enterprise and state off-budget funds; state enterprise and the state represented by the State Committee on Investment and State Property Management of the Republic of Tajikistan.

The head of the state enterprise of the extractive industry is appointed by the Government of the Republic of Tajikistan on behalf or the Ministry of Industry and New Technologies of the Republic of Tajikistan, or the Ministry of Energy and Water Resources of the Republic of Tajikistan or the Main Department of Geology under the Government of the Republic of Tajikistan, respectively.

All property of the state enterprise, as well as profit and other financial resources received from its use belong to state. In cases stipulated by law, the unitary enterprise may be

[69] Law on the State Budget of the Republic of Tajikistan.

established on the basis of operational management – state-owned public enterprise by the Decision of the Government of the Republic of Tajikistan based on the state-owned property.

The constituent document of the state-owned public enterprise is its charter approved by the Government of the Republic of Tajikistan, which defines: statutory reporting on the forms established by the Government of the Republic of Tajikistan; personal responsibility of the head for the results of economic activity; obligation to use public funds for the intended purpose; types of activity and the order of distribution of profits.

The production and economic activities of a state unitary enterprise (SUE) are carried out in line with the plan-order and the development plan of the enterprise.

The body authorized by the Government of the Republic of Tajikistan annually approves and provides to the enterprise a plan-order, taking into account the enterprise development plan which are mandatory for implementation and agreed with the Ministry of Finance of the Republic of Tajikistan, Ministry of Economic Development and Trade of RoT based on identified needs for products (works, services), produced by the enterprise, in order to ensure supplies for the state needs, fulfill the state order and concluded contracts.

The development plan is elobarated independently upon agreement with the authorized body. At the same time, the authorized body exercises control over the implementation of the plan-order and development plan based on submittion of accounting and statistical reporting by the enterprise.

Products produced according to the plan-order are sold at prices set by the authorized body. The payroll for the employees of the enterprise for the scope of the plan-order is determined on the basis of the tariff scale on employee compensation recommended by the state.

Financing related to the implementation of the plan-order and the enterprise development plan, its production and social development is made from the revenues of the sale of products.

In addition, during the reporting period, 91.5 million somoni was allocated from the republican budget for the development of the extractive sector and 91.3 million somoni in 1991, including:

- Republican state budget-supported enterprise “Tilloj Tojik” – 75.2 million somoni in 2015 and 75 million somoni in 2016 – for gold mining and, accordingly, all the extracted precious metal is handed over to the State Valuables Depository under the Ministry of Finance of the Republic of Tajikistan in terms established by the authorized body and volumes at no cost;
- for OJSC “Oil & Gas” – 5.4 million somoni and 4.6 million somoni in 2015 and 2016 respectively – for drilling operations;
- 10.9 million somoni in 2015 and 11.7 million somoni in 2016 – to the Main Department of Geology under the Government of the Republic of Tajikistan, as the main administrator of financial resources for conduction of exploration and geological work, including through expeditions.

Table 28

Subsidies for the maintenance of expeditions of the Main Department of Geology (million) for 2015-2016

	2015	2016
State Commission for Mineral Reserves of the Main Department of Geology under the Government of the Republic of Tajikistan	0,15	0,16
Unitary Enterprise "Magian Geological Exploration Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	1,0	1,35
Unitary Enterprise "Pamir Geological and Exploration Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	1,83	1,6
Unitary Enterprise "South-Tajik Geological Prospecting Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	1,8	1,73
Unitary Enterprise "Southern Geophysical Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	0,33	0,37
Unitary Enterprise "Southern Hydrogeological Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	0,72	1,0
Unitary Enterprise "Kairakum Complex Geological Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	0,63	0,6
Unitary Enterprise "Geological Exploration and Survey Expedition", Main Department of Geology under the Government of the Republic of Tajikistan	1,94	2,2
Unitary Enterprise "Central Laboratory", Main Department of Geology under the Government of the Republic of Tajikistan	0,05	0,06

During the period under consideration, the wages of the state enterprises were not withheld by the Government of the country; there was no financing of the state enterprises by the third parties.

The acquisition of a right by investor to use land plots, other natural resources is carried out in accordance with the legislation of the Republic of Tajikistan. According to Article 16 of the Law of RoT "On Investments" when transferring the right of ownership for buildings and structures together with these objects, the right to use land plots also passes to the investor in the manner and under the conditions provided by the legislation of the Republic of Tajikistan.

During the period under consideration (2015-2016), the Government of the RoT did not provide loans and loan guarantees to the mining enterprises.

According to the Law of RoT "On Investments", reinvestment is an investment to objects of entrepreneurial activity in the territory of the Republic of Tajikistan from the revenues or profit of investors received from investments in the Republic of Tajikistan. They are also regulated by the Tax Code. The investor, at its own discretion, after paying taxes, can use the profits received for reinvestment in the territory of the Republic of Tajikistan. When reinvesting, the investor fully enjoys legal defense, guarantees and benefits established by the Law "On Investments" and the Tax Code of the Republic of Tajikistan. The reinvestment is fixed on the basis of a contract and agreement with third parties.

In accordance with the information provided by the Ministry of Finance of the Republic of Tajikistan during the preparation of this National EITI Report, there was not such practice in 2015- 2011.

Tax, customs and other benefits are provided to investors in the manner and under the conditions established by the legislation of the Republic of Tajikistan, investment agreements, treaties and international legal acts recognized by Tajikistan.

The size of taxes and tax benefits are regulated by the Tax Code and the Custom Code (information is provided in the relevant section of this Report).

A list and quantity of goods imported by the Tajik-Chinese Mining Company to Republic of Tajikistan for the construction of a metallurgical plant in Istiqlol city of the Sughd region with a production capacity of 50,000 tons of lead per year, which are exempt from VAT and customs duties has been defined by the Resolution of the GoT dated February 25, 2017, No.99.

In order to ensure compliance with item 9.3 of Article 9 of the Investment Agreement between the Government of the Republic of Tajikistan and the LLC "International Production Company Zhongtsai Mohir Cement" on the construction and commissioning of enterprises on producing cement, drywall and bags in Yavan district of Khatlon region as of September 4, 2015, the list of goods imported by this LLC exempted from the payment of value added tax and customs duties has been approved by the Resolution of the GoT dated July 1, 2016.

According to the Resolution of the GoT, No.591 as of September 25, 2015 "On Amendments to the Resolution of the GoT "List and quantity of materials, equipment and vehicles imported to Tajikistan within implementation of the gas pipeline project "Tajikistan-China" and exempted from customs duties and value added tax", the latter is amended with items 12-52.

State grant-in-kind can be provided to investors by the Government of the Republic of Tajikistan through the state authorized body in the field of investment within the framework of investment and other contracts. The size of the state grant-in-kind, terms of use and its transfer to ownership, as well as the return of a state grant-in-kind in case of early termination of the contract are determined by agreement between the investor and the authorized state body in the field of investment.

The public debt management issues and disclosure of transactions, if any, are regulated by the Ministry of Finance of the Republic of Tajikistan.

The legislation of the Republic of Tajikistan for economic activities of the state enterprises does not provide for any separate tax regime or the provision of special preferential loans, except for financial aid from the republican budget.

Meanwhile, the recovery of payment from net profit is established by the Law of RoT "On Other Obligatory Payments to the Budget" as of August 28, 2006, No.197 (as amended by the Law of RoT dd. November 14, 2016, №1368).

Thus, the payment from the net profit is recovered from the net profit of the state enterprises and business entities, 100 percent of the authorized (share) capital which belongs to the state. The payment from the net profit received for the reporting period by these enterprises (companies) is determined in line with the tax accounting and is paid once a year upon payment of the profit tax.

Joint – stock companies, whose state's share is 100 percent or less, are obliged in accordance with the Law of RoT "On Joint Stock Companie", at least once a year to make decision on the payment of dividends. When taking a decision to pay dividends, the amount of dividends is paid in accordance with the legislation of the Republic of Tajikistan.

The payment rate from the net profit of the state enterprises and business entities whose 100 percent of the authorized (reserve) capital belongs to the state is determined by the Government of the Republic of Tajikistan. According to the Resolution of GoT No.499 as of November 2, 2013 (as amended by the Resolution of the GoT as of April 30, 2016 №206), the payment rate from net profit to the income of the republican and local budgets is 10 percent.

According to the Consultant's Report on thresholding and the processing of data on the basis of information of the Tax Committee under the Government of the Republic of Tajikistan, many companies, following the results of 2015-2016 did not have a profit or had a low profit where in this regard the amount of payment from net profit is not significant.

2.11 QUASI-FISCAL EXPENDITURES OF STATE COMPANIES

The study was completed in 2016 and the report "Quasi-fiscal expenditures of state enterprises in the extractive sector of Tajikistan" was prepared and posted on the website of the Ministry of Finance of the Republic of Tajikistan (http://minfin.tj) and the EITI Board of the Republic of Tajikistan (http://eiti.tj). This report attempts to investigate the situation with quasi-fiscal expenditures in the extractive industries of Tajikistan.

In particular, it is noted that ccording to the Resolution of GoT No.454 as of September 19, 2008 the Department for Monitoring of Financial and Economic Activities of Major State Enterprises (DMSE) under the Ministry of Finance has been established. This Department has started to identify possible financial risks and issuance of the Fiscal Risks Report related to state enterprises.

Initially, the DMSE carried out the monitoring of financial indicators of 10 major SEs, however after the reorganization of several enterprises, the scope of monitoring was expanded to 16 SEs and about 130 branches of these enterprises. In 2013, another 8 SEs were added to the list of enterprises involved in the monitoring process.

Currently, DMSE has published 5 fiscal risks reports related to SEs for 2011-2015 fiscal years.

The content of these reports is limited only by fiscal risks associated with contingent liabilities, quasi-fiscal activities and arrears of major SEs that are in the category of "Public Interest Entities" as defined by the Law of RoT "On Accounting and Financial Reporting" dated March 25, 2011, No.702.

On the basis of the Resolution of the GoT "On Additional Measures for Regulating Accounting and Financial Reporting" dated April 3, 2012 No.154, organizations (excluding budget organizations and dehkan farms) fall into the category of "Public Interest Entities", whose financial and quantitative indicators for the previous reporting year meet to at least one of the following indicators:

- Gross income, including all taxes, not less than 30 (thirty) million somoni.
- Number of employees, at least 1000 (thousand) people.

As it is noted in the report "Quasi-fiscal expenditures of state enterprises in the extractive sector of Tajikistan", in order to solve the issue of reflecting the QFE of state mining enterprises in the EITI report, there are following favorable conditions in Tajikistan:

- This is the existence of the DMSE under the Ministry of Finance of the Republic of Tajikistan, which deals specifically with studying and monitoring of the fiscal risks of SEs, collecting information about them, as well as quantitative assessment of such risks;
- Preparation of annual reports by DMSE on fiscal risks related to SEs. Since quasi-fiscal activity (QFA) is a type of fiscal risk, the report for 2015 already contains some general information on the QFA SE in Tajikistan;
- DMSE has already developed and tested mechanism for collecting information, monitoring and quantitative assessment of the fiscal risks of SEs, as well as it has already sufficient experience in this area. It is possible to expand the list of SEs involved to monitoring through the state mining enterprises;
- The definition of QFA already exists in the fiscal risks reports related to the state enterprises developed by the DMSE, which means the adoption of this definition by both the Ministry of Finance and the Government of the country. The MSG can also use this QFA definition for the EITI Report;
- "Champion" that is, the authorized body for the promotion of the EITI in the Republic of Tajikistan is the Ministry of Finance, which is responsible for the preparation and execution of the state budget, while the DMSE is accountable to this ministry.

One of the recommendations of this Report related to expanding the list of SEs involved involved in monitoring of fiscal risks in extractive industries and attracted to the EITI process. According to the information of the Ministry of Finance (No.7.18-26/457 as of July 24, 2017) presently two enterprises from the extractive sector are involved in monitoring: OJSC "Oil & Gas" and JSC "Tajik Cement". It should be noted that the draft of the relevant Resolution of the GoT prepared according to the reccomindation by IMF to include the SUE "Angisht" to this list is under consideration. The work on expanding the extractive companies in monitoring will be continued.

From the above-mentioned state enterprises listed in Table 27, the following companies were selected for payments reconciliation;

1. Republican state budget-supported enterprise "Tilloi Tojik".
2. "Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik".
3. "Nazar-Ailok" Coal Mine, subsidiary enterprise SUE "Angishti Tojik".
4. OJSC "Oil&Gas".
5. JSC "Tajik Cement"
6. JTC LLC "Aprelevka"

According to the information provided by the companies, in 2015 and 2016 the mentioned state enterprises undertook quasi-fiscal expenditures in the amount of 982,159 somoni and 1,624,007 somoni, respectively.

Table 29

Breakdown by companies that have incurred quasi-fiscal expenditures in 2015-2016

Enterprise	2015		2016	
	Amount in TJS	Purpose and place of expenditure	Amount in TJS	Purpose and place of expenditure
Republican state budget-supported enterprise "Tilloi Tojik"	-			
"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	12 350	Material aid to social institutions	380 041	Material aid to social institutions
"Nazar-Ailok" Coal Mine, subsidiary enterprise SUE "Angishti Tojik".	-		-	
OJSC "Oil&Gas"	5 880	Material aid to social institutions	-	
JSC "Tajik Cement"	-		-	
JTC LLC "Aprelevka"	963 929	Financial aid to budget organizations, military units, schools, low-income families	1 243 966	Financial aid to budget organizations, military units, schools, low-income families

As reported by the Main Department of Geology under the Government of the Republic of Tajikistan, the state enterprises related to this body incurred quasi-fiscal expenditures in 2015-2016 for a total of 130,000 somoni, mainly for social purposes, such as aid to boarding schools, disabled persons and aid to population suffered from natural disaster.

2.12 SOCIAL EXPENSES OF EXTRACTIVE COMPANIES

The EITI standard requires disclosure of information related to revenue and expenditure management, enabling stakeholders to assess how and to what extent the extractive sector brings the desired results and socio-economic consequences.

In the course of the preparation of the first and second National EITI Reports, it was revealed that subsoil use companies, besides the taxes and other obligatory payments, frequently make so-called social payments and transfers to the government or local authorities and local self-government body, communities, NGOs or other third parties. The majority of companies working in the extractive industry, to some extent undertake a commitment on financing and implementing special programs for the integrated development of the regions where they run their business activities.

Such payments are called variously – "social costs", "soc"al payments" or""social investments", and may take different forms: donations, grants, including cash payments and transfer of assets, for the construction of roads, schools, sports and cultural facilities, supporting education and social infrastructure, provision of services through trainings, medical services and charitable purposes. Sometimes it is just not feasible to find and justify

their specific sizes. These costs can be based on legal or contractual obligations, but often are voluntary contributions of companies provided both on their own initiative and in response to requests from authorities or designated third parties.

During the preparation of this report the analysis showed that there no such formulated concepts of “social commitments”, “social costs” in the laws of the Republic of Tajikistan. Moreover, there are no regulations that oblige subsoil use companies to make social costs and deliver report on such expenses.

At the same time, in this context, one may note the Resolution of the GoT No.89 as of March 2, 2013, “Procedure for Conducting Competitions for the Right to Use the Subsoil”, according to which the bidders submit a package of documents, including a “form of the financial proposal of the bidder which reflects the proposed size of the subscription bonus and **its obligations to spend money for the socio-economic development of the region, the development of its infrastructure and the training of national personnel”.** The winner of the bidding is determined by the government commission based on the following main criteria:

- competitor's c’mpliance with all legal, financial and technical requirements for participation in the competition;
- the proposed size of the subscription bonus to be paid by the bidder to the government revenues;
- the amount of expenditures for the social and economic development of the region, the development of its infrastructure and the training of national personnel.

However, this document does not define how and to what extent these obligations are expressed, if there is any accountability for their execution and how this will be monitored. Presently, there is no mechanism in the country for accounting for the company's a’ditional expenses for the social and economic development of the regions, while Tajikistan's l’gislation does not contain provisions requiring extracting companies to report on their social expenditures under the EITI Standard. At the same time, there are also no regulatory and legal obstacles to companies to participate in the EITI process. Based on the results of the first EITI National Report for 2014, the Independent Administrator noted in one of the recommendations: “It is necessary to define the state bodies responsible for provision of information on each line of payments in the sections “Additional Company’s Expenses” and “Other Substantial Payments” and vest them with authority legislatively to collect and process this information received from companies”.

In view of the above recommendation of the first EITI National Report, the following new article was introduced into the Draft Law “On Subsoil and Subsoil Use”: **“Provision of Information by Authorized State Bodies under the EITI”, according to which “the authorized state bodies annually submit, under the EITI, in the manner and forms of reporting approved by the Government of the Republic of Tajikistan: ... - Au-horized state bodies in the field of education, labor and employment, health and social protection, culture, local executive bodies of state authority - on-costs to support education and social infrastructure required by law or under contract with the Government”.**

Moreover, the article of this draft law, which concerns the basic rights and duties of the user of the subsoil additionally indicates the following obligation of the companies: “**provision of non-confidential information related to the fulfillment of contractual obligations in the field of local development, as well as the costs for training local specialists and**

expenditures for the social and economic development of the region and development of its infrastructure.

The enabling legislation adopted in such a way would undoubtedly contribute to a better fulfillment of the disclosure requirements. Designation of specific executors in the law - st-te bodies that collect and provide information on the extractive sector with a description of their main functions and powers is a good recommended practice as it allows the least complicated level of reporting.

Subject to clause b of requirement 6.1, which states that: "MSG is encouraged to develop a reporting process to achieve transparency commeasurable with the transparency of other payments and revenues. When reconciliation of key transactions is impossible (for example, when company payments are "in kind" or are made by a third party), MSG may wish to consider unilateral disclosure of data by companies and/or the government". In view of the foregoing, the EITI Board of RoT during the meeting (minutes No.4 as of August 10, 2017) made a decision to collect information on social expenditures for the second EITI Report directly from the extractive companies which were audited and covered by this report as well as which participate in the reconciliation of payments. A special developed reporting form was submitted to the companies participating in the reconciliation for its completion.

The information on social expenditures was provided by 13 companies that passed the threshold of materiality and audit. Table 30 shows the social expenditures of companies that have passed the threshold of materiality and audit.

Table 30. Social costs incurred by companies that are included in the reconciliation for 2015 - 20-6

№	Company	For 2015			For 2016		
	*	Total (somoni)	*Education support* (somoni)	*Social infrastructure support*, somoni	Total (somoni)	*Education support* (somoni)	*Social infrastructure support*, somoni
1	LLC "Tajik-Chinese Mining Company"	680 063	-	680 063	1 299 386	-	1 299 386
2	LLC JV "Zarafshan"	3 395 030	-	3 395 030	3 249 855	-	3 249 855
3	JTC LLC "Aprelevka"	54 038	54 038	-	77 051	77 051	-
4	"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	13 527	13 527	-	11 625	11 625	-
5	JLLC "Petroleum Sughd	21 468	7 900	13 568	23 150	-	23 150
6	LLC "Bokhtar Operating Company B.V"	2 112	2 112	-	-	-	-
7	OJSC "Combinati Masolehi Binokorii Isfara"	38 000	12 369	25 631	39 450	10 812	28 638
8	LLC "B.Samadov Cement Plant", Isfara	31 588	-	31 588	51 147	-	51 147
9	OJSC "Oil&Gas"	6 000	6 000	-	7 012	7 012	-
10	CC "Odina Gold-Mining Cooperative"	1 950 456	1 113 115	837 341	2 087 177	1 343 247	743 930
11	LLC "Barakati Istiklol"	15 000	-	15 000	20 000	-	20 000
12	LLC Pakrut"	60 000	-	60 000	150 000	-	150 000
13	TA LLC JV "Anzob"	112 459	24 944	87 515	659 967	104 473	555 494
	Total	**6 379 741**	**1 234 005**	**5 145 736**	**7 675 820**	**1 554 220**	**6 121 600**

As can be seen from the table, all revealed social expenditures of companies were divided into 2 groups: education support and support for social infrastructure (infrastructure development). These social expenditures were incurred on the development of local areas.

Despite the fact that the share of social expenditures as the general expenses of companies mainly is insignificant, however, it plays an important role in supporting local development. Thus,

- From 2014 up to the present the company "EPA.at Beteiligungsgesellschaft m.b.H is building a school building for the amount of 6.5 million USD in Farhor district of Khatlon Region. At present, 70% of the construction is completed[70].
- LLC EdgoEnergy. CA. undertook an obligation (Order No.25 as of May 23, 2016) on the training of personnel of oil and gas industry due to which 25 thousand USD is spent annually for this purpose (currently one student is studying abroad at the expense of LLC Edgo Energy)[71].

According to the agreements reached between the Government of the Republic of Tajikstan and the Chinese Company Tabian Apparatus Stoc Co (TVEA), the company will build five educational institutions in different regions of the country[72]. According to the Ministry of Education and Science of the Republic of Tajikistan as well as according to the documents, all 5 schools should be built before the end of 2017. These facilities are located in Dushanbe and Vahdat cities, as well as in the districts of Dangara, Faizabad and Rudaki. They are generally designed to admit 4, 320 thousand students and will be handed on a turn-key basis. For the Chinese energy company TBEA, which has been operating in Tajikistan for more than 6 years, these social projects are one of the term of the agreements reached with the Government of Tajikistan. The construction of these facilities is funded at no cost. The total amount allocated for the construction of schools was **80 million somoni**. The first secondary school from five scheduled schools was commissioned in August 30, 2016 with the participation of the President of the country, the Ambassador of the PRC in Tajikistan, representatives of the company TVEA in Dushanbe.

- Within the frame the project for the reconstruction of the "Regar-500" substation the company Tabian Apparatus Stoc Co (TVEA) has established an automated object management system. The TBEA facility contractor prepared and trained specialists to manage the upgraded substation (2015-2016). Currently, the substation is managed by local specialists.
- As a result of the effective implementation of economic reform and the creation of favorable investment climate, "Zeravshan" Joint Venture has been operating profitably in recent years. From 2005 up to present this enterprise provided support to the social sectors in the amount of more than 3 million somoni in Penjekent[73].

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[70] According to the data of Ministry of Energy and Water Resources of the Republic of Tajikistan

[71] According to the data of Ministry of Energy and Water Resources of the Republic of Tajikistan

[72] http://avesta.tj/2016/09/05/kitajskaya-tvea-dostraivaet-dve-shkoly-v-tadzhikistane

[73] Speech at the opening ceremony of the ore mining and processing plant of the Joint Venture "Zarafshon" 03.08.2011, 19:00, Penjikent //http://president.tj/ru/node/1235

During the reporting period no expenses were made through the third party in the Republic of Tajikistan, all expenses were made directly to the beneficiaries.

In August 2017 the members of the EITI Board from among the representatives of the Coalition of Civil Defense initiated an application for a project at the OSI FS of the RoT, according to which the existing practices of social expenditures of extractive companies (quasi-fiscal expenditures for state enterprises) and their accounting in local budgets of the regions of the Republic of Tajikistan have been conc111onsideredthin the framework of this research, it was studied what information is available and provided in Tajikistan on social and quasi-fiscal expenditures of companies, revenues from these payments to local budgets, the weaknesses and the necessary steps have been identified to promote greater transparency and, thus, to achieve disclosure of this information through EITI reporting.

Based on the results of this study, an Analytical Note was prepared "Review of existing practices of social (quasi-fiscal) expenditures of companies in the extractive industry and their accounting in local budgets of the regions of the Republic of Tajikistan, as well as the practice of issuing licenses".

The Analytical Note noted that in order to study the real practice of accounting and reporting on social and quasi-fiscal expenditures of extracting companies, a survey and consultations with representatives of concerned ministries, departments, local executive authorities (hereinafter - LE-) and companies in the extractive industry have been conducted. As the survey showed, the obligation to bear social expenses is set out in the contracts of companies in general terms, that is, without specifying projects, objects, amounts, etc., and subsequently it is not specifically controlled by anyone. There is no separate form or separate column in these forms of statistical reporting.

Individual companies enter into agreements with LEA for a period of one year, which already indicates specific social infrastructure facilities (mainly schools, roads) where the company participates in the construction or repair or indicates specific amounts of expenses. For example, the Tajik-Chinese Mining Company signed such contract with the LEA in Guliston (Sughd Region) town.

Thus, it may be affirmed that the social and quasi-fiscal expenditures of companies operating in the extractive industries of Tajikistan are largely voluntary. In most cases, companies make social expendures according to the appeals of the chairmen of oblasts, cities and districts. These appeals are sometimes based on the directives of the Messages of the President of the Republic of Tajikistan or the speeches of the Leader of State on attracting business structures to solve issues of social and economic development of the territories and charitable activities.

In other cases, the reference are made to provisions of the Laws of the RoT on local government bodies and self-government bodies of settlements and villages on the creation of local development funds, attract funds for the implementation of socio-economic development programs, employment promotion programs, addressing issues of local importance, etc. On content, such appeals are in the form of a request and can, either contain the name of specific objects or the amount of the requested amounts, or be of a general nature. At the same time, since these costs are not stipulated in contracts, companies have to coordinate this issue with their head offices that are located outside the republic.

Expenditures accounting is carried out episodically, most often when preparating the annual reports of heads of local administrations, at the request of the devisions and departments of statistics or industry of LEA. Information in the reports is summarized, in general for all companies, without breakdown by industry and individual enterprises. At the same time, the database accumulated in such way, allows, in case of a request from the authorized body, namely the Ministry of Finance, to obtain relevant information for the EITI report. Almost all respondents, both civil servants and company employees, expressed their willingness to provide information upon receipt of such a request. For example, during a conversation in the cities of Penjikent, Guliston, Istiklol, Kulyab, Bokhtar, it was found that in a number of cases, the repair of medical or educational institutions was carried out by companies, after which the Acceptance Certificate is signed, which may be the basis for reconciliation in the future.

In general, the respondents expressed their support for the idea of disclosure of information on social and quasi-fiscal expenditures, proposals on legislative recognition of the obligations of extractive companies to execute such expenses by indication their size as a percentage from profits, arrangements for accounting and reporting on social and quasi-fiscal expenditures. Taking into account the current legislation, it is proposed at the present stage to collect and provide information on the basis of the request of the authorized state body, preferably with the instruction of the Government. According to lawyers' opinion, regulation of reporting is possible through the Government Resolution with the requirement to provide information regardless of the form of ownership and the scope of subsoil user activities.

During the consultations, it was possible to collect additional information on the social costs incurred by the extractive companies. For example,

- JV Aprlevka in 2016 provided the aid for the amount of more than 1 million 815 thousand somoni to the social sector of Kansai settlement. Last year in order to support the local population and development of the region, the JV Aprelevka allocated funds for the following purposes: - repair and operation of the residential complex – 111,000 somoni; - greening and landscaping of gardens and land plots - 500,000 somoni; - supporting veterans and disabled veterans of the Great Patriotic War – 19,000 somoni; supporting victims and elimination of consequences from natural disasters – 387 000 somoni; - training and professional development of employees – 67,500 somoni. Moreover, funds have also been allocated for the maintenance and development of the company's own social facilities: - a kindergarten -96,000 somoni; - school, boarding school, hospitals -120,000 somoni; - organization of summer holidays for children in camps – 75,000 somoni; - therapeutic and prophylactic purposes -90,800 somoni.
- The "Sughdnafutuz" Enterprise allocated funds in 2016: a) to support the local population and development of the region to: - repair the school – 600 somoni; - greening and landscaping of gardens and land plots – 6,500 somoni; - support veterans of the Great Patriotic War and low-income persons with disabilities – 1,600 somoni; - support victims and eliminating the consequences of natural disasters – 4,500 somoni. B) funds are allocated to support and develop social facilities and infrastructure: - a kindergarten -600 somoni; - boarding school -800 somoni; - repair and operation of the residential complex – 500 somoni; - repair of the hospital – 1800 somoni – repair of the road – 2000 somoni.

- The subsidiary enterprise “Koni Angisht”, which is engaged in coal mining on the territory of Shokhin district of Khatlon Region, currently has become one of the leading enterprises in the region, which provides substantial aid in solving local problems. SE “Koni Angisht” in 2016 in order to support the local population and the development of the region allocated funds for more than 27,000 somoni. These costs were directed to repair the road; greening and landscaping gardens and land; support veterans and disabled veterans of the Great Patriotic War; supporting victims and eliminating the consequences of natural disasters, training and upgrading the skills of workers; as well as the maintenance of social facilities.

The materials of this study can be found at the following sites: www.tfd.tj, www.minfin.tj, www.eiti.tj

2.13 DISTRIBUTION OF REVENUES FROM THE MINING INDUSTRY

The Republic of Tajikistan in budgeting process uses the requirements of the “State Financial Statistics of 2001” of the International Monetary Fund which are used in the “Classification of Revenues and Expenditure of the State Budget of the Republic of Tajikistan and Instructions for its Application”[74] approved by the Order of the Minister of Finance of the Republic dated June 13, 2012, No.40.

In accordance with the requirements of the Law of RoT “On Public Finance of the Republic of Tajikistan” dated 28.06.2011 № 723[75] it is determined that local taxes are fully transferred to local budgets and the distribution of the taxes at the national level between the republican budget and local budgets is the competence of the Government of the Republic of Tajikistan and is annually approved by the Law of RoT “On the State Budget” for the next financial year.

According to Article 4 Law of RoT “On Other Obligatory Payments to the Budget” dated July 28, 2006, No. 197, the types of obligatory payments and their relations to the republic-wide and local have been determined.

In accordance with Article 237 of the Tax Code of RoT the procedure for establishing and paying royalties for production in kind is established. In accordance with this procedure, the subsoil user transfers to the recipient as payment the royalties for production and the recipient within a specified period transfers to the budget an amount equal to the royalty for production in monetary form. In any case, taxes are paid to the budget in monetary terms and all taxe and custom payments, other mandatory state payments and fees are made only in the national currency - somoni and go to the state budget in full.

Thus, all types of these payments to the state are included as revenue to the state budget.

In 2015-2016, the volume of tax and other obligatory payments to the budget from the the extractive industries in Tajikistan had a steady upward trend. Thus, in 2015, the revenues to the state budget from this economy sector amounted to 815.1 million somoni, which in the

[74] http://minfin.tj/downloads/files/Klass-ya%20rusi.pdf.

[75] http://www.mmk.tj/ru/legislation/legislation-base/2011

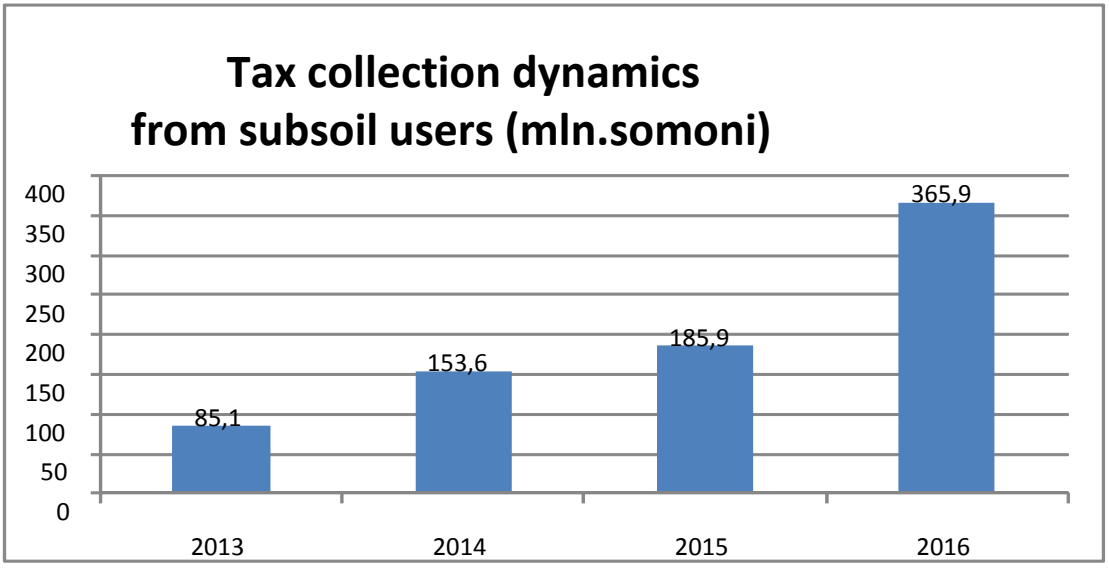
total revenues of the state budget of the Republic of Tajikistan is 6.4% at the expense of tax, non-tax revenues and grants.

In 2016, the state budget revenue from the mining sector amounted to 1054 million somoni, which is 7.5% of the revenues of the state budget of the Republic of Tajikistan due to tax, non-tax revenues and grants[76].

The collection of taxes from subsoil users (subscription bonus for geological study of subsoil, subscription bonus for extraction, commercial discovery bonus, royalties for production), except for royalties for water, amounted to 185.9 million somoni in 2015, which is 21% more than in 2014; in 2016 the collection amounted to 365.9 million somoni, which is 97% more than in 2015.

A significant increase in the collection of taxes for natural resources is associated with an increase in the volume of extraction of natural resources and strengthening of measures of tax control and tax administration.

Fig. 13. Tax collection dynamics from subsoil users (million somoni)



Total types of payments paid by mining companies, which include tax and non-tax mandatory payments, such as income tax, social tax, land tax, VAT, excise taxes, mandatory payments to the budget, etc. (in general, depending on the taxable operation, the object of taxation, mining companies can pay up to 38 types of payments), are generally reflected in Articles 5, 13, and 19 of the State Budget of the Republic of Tajikistan for 2015-2016[77].

In accordance with Section XII of the Tax Code of the RoT, taxes for natural resources are paid to local budgets at the location of the deposit. In Article 13 of the laws on the state budget for 2015 and 2016, the ratio of tax and non-tax revenues to the republican and local budgets is established, without using a special formula.

In accordance with Article 5 of the Law of RoT "On Other Obligatory Payments to the Budget", republic-wide other mandatory payments are directly paid to the revenue of the republican budget, other local mandatory payments are directly paid to the revenue of the

[76] http://minfin.tj/downloads/zakon01032016.pdf

[77] www.mmk.tj/ru/legislation/legislation-base/budget

relevent (district or city) budgets. Deductions from other mandatory payments to the budget are determined in accordance with the law on the state budget.

Taxes such as taxes on transportation, land, real estate, royalties for production, subsurface user's subscription bonus are directly paid to local budgets. In 2015, these transfers from mining sector amounted to 199 million somoni, in 2016 – 375.9 million.

Other tax and non-tax revenues to the republican and local budgets in 2015-2016 were distributed in accordance with Article 13 of the state budget.

In addition, transfers are provided from the republican budget to local budgets, without allocation depending on the type of tax or payment received from the mining sector or other sectors of the economy. The volume of general transfers (subventions) is approved annually by the law on the state budget. The Article 10 of the laws of the Republic of Tajikistan on the state budget for 2015 and 2016 defines target funds (subventions) allocated from the republican budget to local budgets.

In 2015, 91.5 million somoni were allocated from the republican budget for development of the extractive sector and in 2016 – 91.3 million somoni.

2.14 REVENUE AND EXPENDITURE MANAGEMENT

- Budgetary and audit processes

(a) Budget processes in RoT

Budgetary processes in Tajikistan are regulated by the following legislative acts:

Table 31

Normative legal act that regulate budget process

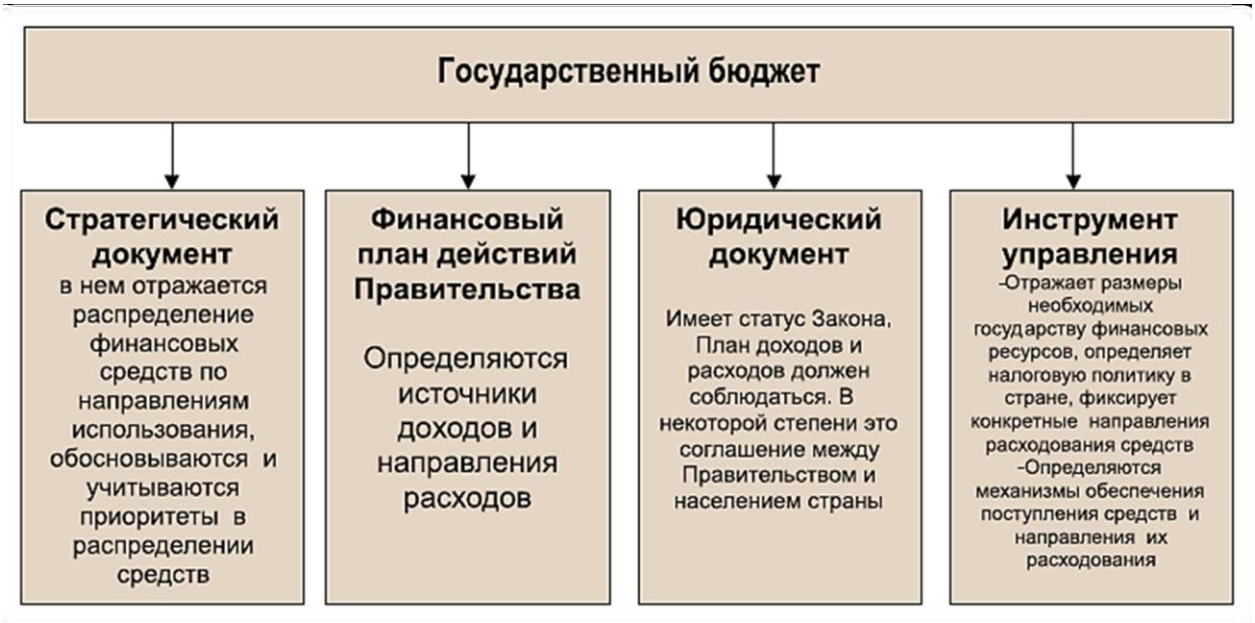
Laws and Codes of the Republic of Tajikstan	– On public finances of the Republic of Tajikistan – On the state budget – On state financial control – On Treasury – On Accounting Chamber – On state and state-guaranteed borrowing and debt – On state forecasts, concepts, strategies and programs of social and economic development of the Republic of Tajikistan – On public procurement of goods, works and services – On the right of access to information – On self-government bodies of settlements and villages – On state statistics – Tax Code – Customs Code
By-laws	– Decrees of the President of the Republic of Tajikistan – Regulations of the Government of the Republic of Tajikistan

	– Orders of the Government of the Republic of Tajikistan – Orders of the Minister of Finance of the Republic of Tajikistan – Public Finance Management Strategy of of the Republic of Tajikistan for the period of 2009-2018
Normative legal act regulating settlement arrangements, expenditure levels, procedures for submitting documents, etc.	– Instruction of the Ministry of Finance of the Republic of Tajikistan on formation of the main areas of the financial policy and the state budget of the Republic of Tajikistan for *certain years* (the first phase instruction) – Instruction of the Ministry of Finance of the Republic of Tajikistan on the formation of the state budget of the Republic of Tajikistan for 2015 and the forecast of the state budget indicators *for certain years* (the second phase instruction)

The state budget of the Republic of Tajikistan has a two-level system:

The state budget system of the Republic of Tajikistan

First level	**Republican budget**	**Budget of state trust funds**
Second level	**Local budget**	



The state budget is compiled for the next financial year and for the next two years (Annex 11). The fiscal year meets to a calendar year and lasts from January 1 to December 31. The state budget is adopted in the form of the Law on the State Budget of the Republic of Tajikstan for the next fiscal year. It is approved by the MN MO RoT upon submission by the Government of the Republic of Tajikistan.

Committee for Economy and Finance of MN MO RT, in accordance with the Resolution of the Council of Majlisi Namoyandagon performs the following:

- conducts preliminary consideration of draft resolutions, laws and other normative legal acts and gives its opinion;
- organizes parliamentary hearings;
- gives a conclusion and submits proposals on the draft law on the State Budget of the Republic of Tajikistan;
- organizes a public discussion of individual draft law

The Committee on Economy and Finance of the MN MO RT executes other powers provided for by the Constitution of the Republic of Tajikistan, the Constitutional Law on the Majlisi Oli of the Republic of Tajikistan and other constitutional laws. On the website of this committee - http://pbo.tj/ru/analyses/ one can get acquainted with the analytical notes on the execution of state budgets (in particular, for 2016).

According to Article 38 of the Law of RoT "On Public Finance of the Republic of Tajikistan", the state budget is prepared in two stages.

Table 32

Stages of the state budget preparation

Stages	***Process***	***Responsible persons***
FIRST	Development of the main area of the state financial and budgetary and tax policy for the period of budget planning	Ministry of Finance of the Republic of Tajikistan
	Presentation of the main areas for consideration to the Permenent Budget Commission under the Government of the Republic of Tajikstan	
	Decision making to approve the main areas taking into account the necessary changes and additions, as well as the decision on their publication	Government of the Republic of Tajikistan
	Bringing the expenditure ceilings on aggregative indicators of budget classification to the main administrators of budgetary funds	Ministry of Finance of the Republic of Tajikistan
SECOND	Preparation of medium-term strategies for budget expenditures of the relevant sectors and allocation of budget expenditures in accordance with the budget classification, the formation of budgetary applications. Submission of documents to the Ministry of Finance of the Republic of Tajikistan.	The main administrators of budgetary funds
	Presentation of draft local budgets on incomes and expenditures in accordance with budget classification to the Ministry of Finance of the Republic of Tajikistan	Local executive authority
	Formation of a consolidated structure of expenditures by aggregated indicators of budget classification, compilation of a draft Law of RoT on the State Budget of the Republic of Tajikistan for the next financial year with an explanatory note thereto. Presentation to the Government of the Republic of Tajikistan.	Ministry of Finance of the Republic of Tajikistan
	Consideration of the draft law on the State Budget of the Republic of Tajikistan for the next financial year with the necessary supporting documents and materials. Presentation to the MN MO of the RoT.	Government of the Republic of Tajikistan

The strategic phase of budget preparation is supported by the Financial Management Information System (FMIS). The FMIS facilitates the aggregation of the basic budget and applications for new budget priorities as well as provides automated preparation of reports by the Ministry of Finance of the Republic of Tajikistan[78].

With the view to strengthen the budget process and ensure its transparency, the methodical documents are prepared and posted on the website of the Ministry of Finance of the Republic of Tajikistan http://minfin.tj. Annually, the Ministry of Finance of the Republic of Tajikistan approves the Instruction on the formation of the main areas of the financial policy and the State Budget of the Republic of Tajikistan for three years and on the drafting of the State Budget for the relevent year and the forecast of budget indicators for two years, which is posted on the website of the Ministry of Finance for public scrutiny (http://minfin.tj).

In addition, the Minutes of the Permanent Committee on Budget are published on the website of the Ministry of Finance of the Republic of Tajikistan, in which, among other things, the issues of the revenue and expenditure of the budget for the relevent year are considered. The reports on the budget execustion of the Republic of Tajikistan and the budgeting process of the Republic of Tajikistan are published on the website of the Ministry of Finance of the Republic of Tajikistan, including the reports on the state budget execution of the Republic of Tajikistan http://minfin.tj/index.php?do=static&page=budget.

(b) Audit of public funds in the Republic of Tajikstan

In Tajikistan, the audit of public financial resources is regulated based on the following legislative acts:

1. On public finances of the Republic of Tajikistan.

2. On the Accounts Chamber of the Republic of Tajikistan.

3. On financial management and internal control in the public sector.

4. Internal audit in public sector organizations.

The Strategy for the Development of State Internal Financial Control in the Republic of Tajikistan is approved by the Government Resolution of the Republic of Tajistan No.87 dated March 3, 2007, where it was recommended to adopt two new laws – "On Financial Management and Control in the Public Sector" (subsequently adopted on July 21, 2010, No.626) and "On Internal Audit in the Public Sector" (adopted on July 23, 2016, No.1354).

- The highest state body in the field of financial control - the Accounting Chamber, exercises control over the revenue and expenditure of the state budget, extrabudgetary funds, as well as for investments going into the national economy from abroad. The powers of the Audit Chamber to conduct an independent external audit apply to all branches of the state power of the Republic of Tajikistan. The Accounts Chamber is accountable to the Leader of State and the Parliament of the country – it submits an audit report on the annual report on the state budget execution for the previous year. The activity of the Accounting Chamber itself is subject to an annual financial audit, which has to be conducted by a professional non-state audit company appointed by the chairman of the Accounting Chamber once the tender is conducted

[78] Please see Annex. "State budgeting"

(according to the Law of RoT "On the Accounts Chamber of the Republic of Tajikistan").

The state financial control and audit, according to article 66 of the Law of RoT "On public finances of the Republic of Tajikstan", is carried out by the state authorities and state administrative body, local government bodies, authorized state body in the field of state financial control, the Ministry of Finance of the Republic of Tajikistan, local financial authorities, managers and administrators of budgetary funds. The Ministry of Finance of the Republic of Tajikistan within its poweres (Article 30) conducts internal audit in budget organizations that do not have an internal audit department; conducts analysis and monitoring of the financial condition of the recipients of budgetary funds, including recipients of loans, grants, subventions, subsidies and state guarantees; ensures the functioning of the internal audit system on the basis of international standards, common goals, principles and objectives of internal audit.

- The Law of RoT "On Financial Management and Internal Control in the Public Sector" establishes the organizational and legal framework for the financial management and internal control system in the public sector and organizations financed from the state budget of the Republic of Tajikistan. The authorized state body in the field of financial management and internal control in public sector organizations is the Ministry of Finance of the Republic of Tajikistan (Article 4), which annually submits to the Government of the Republic of Tajikistan by May 1 the annual report on the state of internal control in public sector organizations.
- The Law of RoT "On internal audit in public sector organizations" establishes the functions of internal audit in public sector organizations (hereinafter - the PS). The authorized state body for internal audit in the PS organizations is the Ministry of Finance of the Republic of Tajikistan. The authorized body in accordance with the established procedure therein conducts internal audit in the PS organizations that do not have their own internal audit units. The internal audit is carried out by internal auditors of local financial authorities in accordance with the methodological instructions of the authorized body in the PS organizations, which are subordinated to local government bodies and fully funded from local budgets.

The audit report, according to this law, is an official internal audit document that includes information on the coverage area and objectives of the audit engagement, as well as represents objective conclusions and suggestions of the auditor.

Upon completion of the audit, the internal auditors or the head of the internal audit group are obliged to prepare, within ten days, two copies of a written report, one of which is provided to the head of the audited PS organization and the other copy remains in the internal audit department. The form, content and procedure for submitting the audit report is determined in the guidelines of the authorized body, which are also posted on the website of the Ministry of Finance of the Republic of Tajikistan:

http://minfin.tj/index.php?do=static&page=methodics

Involving the public in the discussion of the state budget and its distribution

The state budget system of Tajikistan is based on a number of principles, one of which is the publicity of budgets, which means obligatory publication of approved budgets and reports on their execution in the media, the completeness of information on the execution of budgets, the availability of other information on budgets, with the exception of information constituting the state budget and other legally protected secret, as well as mandatory openness of the budgetary process for the society and the media (art. 8 of the Law "On Public Finance of the Republic of Tajikistan").

In addition, according to Article 6 of the Law of RoT "On the Right of Access to Information", the basic principles of ensuring the right to access to information, among others, are (a) accessibility and openness of information; (b) the reliability and completeness of the information; (c) the timeliness of the provision of information.

Taking into account that the state budget is approved in the form of a law, the norms of the Law of RoT "On normative legal acts" should be applied to thereto, which also as the main principle of legislative activity (along with others) proclaims the principles of "publicity, scientific, professionalism and public opinion accounting" (art.3 of Law of RoT).

According to Clause 2 of Article 4 "Publicity in legislative activity" of this law, the draft regulatory legal act may be published for public discussion in the media, as well as posted on the official website of the authorized law maker entity. Any interested person has the right to be familiarized with the content of such a project. The proposals and comments received are subject to review by an authorized law maker entity when finalizing the project.

In addition, the legislation regulates the presentation in the media the reports on the execution of the state budget. Thus, according to Article 62 of the Law of RoT "On Public Finance of the Republic of Tajikstan", the quarterly report is published by the Ministry of Finance of the Republic of Tajikstan in mass media not later than two months after the end of the said quarter. The Government of the Republic of Tajikistan publishes an annual report on the execution of the state budget in the media once it has been approved by the MN MO of RoT (Article 67).

The **Open Budget Index** was conducted in 2012-2015, according to which it can be concluded that, compared to the results of 2012 the availability of budget information in the Republic of Tajikistan in 2015 has increased by 10 points. According to the researches, among the sources of information received about the republican budget, such as friends, relatives, neighbors and the republican mass media prevail with great advantage - by 78%, local media - by 50%. Among other sources of information on the republican budget, the Internet (18%), events of hukumat/jamoat and public hearings - 16%[79] each – have the highest weight.

The media of Tajikistan for 2015-2016 published about 195 articles (please see Annex 11 "Publications of Public Budget in the Media") relating to issues of the state budget, including its execution.

[79] http://www.osiaf.tj/ru/category/analiticheskie-stati/ "Assessment of the needs, interests and problems of the society of Tajikistan related to the management of public finances and budget processes". The Open Society Institute Assistance Foundation-Tajikistan Program with the support of the UK Department for International Development. Dushanbe, 2016 – p 74; Bozrikova T.N, Cand. Sc. Philosophy.

"Support to Parliamentary Control in Public Finance Management and Budget Transparency in Tajikistan" Program[80] the objective of which is to strength parliamentary control in the field of public finance management in 2016 held a number of events with the participation of deputies and senior advisers of the MN MO of RoT, representatives of the state authorities, donor community, public organizations and the media. As a result of close cooperation, **pilot public hearings** were organized on September 29, 2016 and were conducted in Rudaki district with the support of the Parliament of the Republic of Tajikstan, in particular the Committee for Economics and Finance, where national experts from public organizations were invited. Conduction of such activities under the Program is planned until 2019[81].

With the support of the European Union project "Support of selected areas in public financial management" implemented by LouisBerger in cooperation with SAFEGE, ADE and GT, the document "Civil Budget. Simplified version of the state budget of RoT in 2016" was developed.

The "Civil Budget" is a brief overview of the state budget of the Republic of Tajikistan, which increases the awareness of citizens about the areas of the Government's activities in the planned financial year. The "Civil Budget" briefly describes the sources of revenues of the state budget of the Republic of Tajikistan, as well as the direction of their spending. The "Civil Budget" is posted on the website of the Ministry of Finance of the Republic of Tajikistan: http://minfin.tj/downloads/FINAL%20Citizen's%20Budget.pdf

One of the most important documents that provide public information directly from the Government on the development of the mining industry, forecasts on the volume of extraction, revenues from this sector and its contribution to the country's social and economic development is the annual Messages of the President to the Parliament of the country.

It should be noted that all the republican and local television and radio channels transmit this message in a live television broadcast. Morover, the text of the Message is published in all mass media in two languages (Tajik and Russian), it is posted on the website of the President of the Republic of Tajikistan: president.tj and the websites of the ministries and departments of the country. This document is widely discussed in society and is the source of broad debates at all levels.

[80] The program "Support to Parliamentary Oversight in PFM and Budget Transparency" is implemented by Development Alternatives Incorporated (DAI) and is funded by the UK Department for International Development (DFID)

[81] Please Annex. «"Public hearings on the state budget", as well as www.pbo.tj

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE IN REPUBLIC OF TAJIKISTAN

Report on actual payment reconciliation results

for 2015-2016

To the Board of the Extractive Industries Transparency Initiative (EITI) in the Republic of Tajikistan

In line with the Contract dated May 1, 2017 (hereinafter referred to as the "Contract"), we present our Report on the results on the agreed-upon procedures (hereinafter referred to as the "Report") in respect of reconciliation of cash flows received by the state bodies from the companies that operate in the mining sector in Republic of Tajikistan for 2015-2016.

Sources of information

The Report contains information provided to us by the management of the companies in the mining sector and the state bodies of the Republic of Tajikistan in response to our written requests. We also received verbal information from the management of the companies.

Scope of work

The report contains information on cash flows for 2015-2016 from 29 companies that operate in the mining sector of the Republic of Tajikistan.
We have performed our assignment in accordance with the International Standard 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information".
Given the fact that these procedures do not imply an audit or review according to the International Standards on Auditing or International Standards on Review, they do not provide assurance that we would become aware of all substantive matters that might be identified during the audit or review.

If we would perform additional procedures provided for in the audit or review of the financial statements based on the International Standards on Auditing or the International Standards on the Engagement Review, we might also drew attention to other issues that would be reflected in our Report.

Upon your request, we have accomplished only those procedures that were outlined in the scope of the Contract and the results of these procedures have been incorporated in this Report. The scope of the assignment was determined solely by you, and therefore we can not and will not provide comments on their compliance and/or non-compliance in your particular case.

The purpose of this Report

Our Report is designated solely for the purpose stated in the Contract and for your information. This Report is not designated to be used for any other purpose.

We will not bear responsibility for the use of this Report by others to whom it may be disclosed or presented.

Yours sincerely,

Bakhtiyor Rustamov

Partner

3.1 DESCRIPTION OF ASSIGNMENT

3.1.1 Purpose of the assignment

The purpose of this assignment is to reconcile the payments made by companies in the mining sector of the Republic of Tajikistan for 2015-2016 and to prepare the Report on the reconciliation results.

3.1.2 Scope of the assignment

The scope of the assignment involves reconciliation of payments made by 29 companies of the mining sector of the Republic of Tajikistan for 2015-2016. The number and list of companies have been determined by the EITI Board in the Republic of Tajikistan. In addition, the reconciliation includes obtaining information on payments received from 4 state bodies of the Republic of Tajikistan.

The list of companies has been defined upon review carried out by an Independent Expert appointed by the MSG in November-December 2016 based on 2015 data.

The purpose of this review was to provide the MSG with a professional opinion regarding those areas that will be covered in the EITI Report and which can be broadly classified as mining and oil and gas sector.

In order to determine the key flow of payments, an extensive analysis of revenues from the extractive industries of Tajikistan was conducted. Data has been analyzed for a total of 220 extractive companies.

Based on the results of the analysis, the EITI Board was recommended to apply a threshold of materiality for total payments made to the state budget in the amount of 1,000,000 Tajik Somoni per year in order to include the companies into the list and disclose the payments under the EITI. The threshold of materiality is approximately 0.01% of the total amount of all payments of companies involved in the reconciliation procedure for 2015. The full version of the review can be found on the website of the Ministry of Finance: http://minfin.tj/downloads/ochet%20oxvata%20IPDO.zip.

In total of 39 companies were selected based on the results of the revew, but after further analysis of the data by the EITI Board in 2017, according to Protocol No. 4/2017 of the EITI Board as of August 10, 2017, 14 companies were removed from this list and 4 companies were added which resulted in a total of 29 companies. Total tax and customs payments of these companies for the period of 2015-2016 were approximately 87% of the total tax and customs payments made by all companies of the mining sector of the Republic of Tajikistan in 2015-2016.

The final list of companies in the mining sector of the Republic of Tajikistan included in the reconciliation process is shown below:

1	LLC “Tajik-Chinese Mining Company”
2	LLC JV “Zarafshan”
3	LLC “Pakrut”
4	JSC "Tajik Cement"
5	Joint Tajik-Canadian LLC “Aprelevka”
6	“Fon-Yagnob” Mine, subsidiary enterprise SUE “Angishti Tojik”
7	LLC “Total E& P Tajikistan B.V”
8	JLLC “Petroleum Sughd”
9	Republican state budget-supported enterprise "Tilloi Tojik”
10	Branch of LLC “CNPC Central Asia B.V.”
11	LLC “Bokhtar Operating Company B.V”
12	OJSC “Combinati Masolehi Binokorii Isfara”
13	LLC “B.Samadov Cement Plant”, Isfara
14	LLC “Salosa”
15	“Nazar-Aylok” Coal Mine, SE SUE “Angishti Tojik”
16	LLC “Nuri Shams”
17	OJSC “Oil&Gas”
18	Commercial Cooperative “Odina Gold-Mining Cooperative”
19	LLC “Talko Resorse”
20	LLC “Guli Murod”
21	LLC “Barakati Istiklol”
22	LLC “Huaxin Guyur Cement”
23	TA LLC JV “Anzob”
24	JSC “Avicenna”
25	LLC “Huaxin Gajur Sughd Cement”

26	LLC “Sughd Cement”
27	JSC “Angisht”
28	LLC “Broadtec Tajikistan Mining Investment Limited”
29	LLC “Creative”

List of the state bodies included in the payment reconciliation process

№	Name of government authority	Responsibil Sector for payments
1	Tax Committee under the Government of the Republic of Tajikistan	Tax payments
2	Customs Committee under the Government of the Republic of Tajikistan	Custom payments
3	State Committee on Investments and State Property Management of the Republic of Tajikistan	Dividends and proceeds from the sale of shares
4	Agency of Social Insurance and Pensions under the Government of the Republic of Tajikistan	Social tax (1%) from employees

3.1.3 Description of approach and detailed procedures for data verification

For the reconciliation and preparation of reports we undertook the following procedures:

- Familiarization with EITI standards and reports on the activities of EITI Board of the Republic of Tajikistan through meetings with EITI Board members, participation in seminars, reviewing relevant records and documents.
- Familiarization with the list of mining companies, included in the process of reconciliation by EITI Board.
- Familiarization with the list of public bodies involved in the process of reconciliation.
- Familiarization and elaboration of the reporting format and guidelines for the provision of information by companies and government agencies. In order to obtain information on payments different reporting formats have been used for companies and government agencies.
- Sending requests with instructions to the mining sector companies for the provision of information on payments for 2015–2016.
- Sending requests with instructions to the state authorities for the provision of information on payments for 2015–2016.
- Receiving information on tax payments from the companies for 2015–2016, carrying out the review and validation of data with data provided by the public authorities on cash based accounting method.
- Receiving information on custom payments from the companies for 2015–2016, carrying out the review and validation of data with data, provided by the public authorities, on cash based accounting method.
- Obtaining information on other substantial payments and additional expenses from the companies for 2015–2016, carrying out the review and incorporation of data into the report. It should be noted that reconciliation related to these payments was not implemented due to absense the state authority responsible for the provision of relevant information.
- In case of any discrepancies found in payments - getting clarification from the companies and government agencies through meetings, e-mails or phone calls.
- Documentation of significant unexplained discrepancies and their reflection in the Report.
- Drafting reports on the results of the reconciliation of payments.

In accordance with the EITI standards (4.1) the types of payments have been identified, according to which the companies should have reported data. In order to do this, the payments were divided into 41 types of payments, approved by the EITI Board, and were further grouped into 4 main categories:

- tax payments;
- customs fees;
- other substantial payments;
- additional costs of companies.

Materiality threshold for each flow of payments was not identified and the companies that were included in the list, had to provide information on all types of payments, regardless of the payment amount.

The following is a detailed breakdown on types of payments included in the reconciliation process:

Tax payments	String code
Income tax withheld from individuals	01
Social tax withheld from individuals (1%)	02
Social tax withheld from employer (25%)	03
Income taxes, including advance payment	04
Tax for the net profit of country office of a foreign legal entity	05
Dividend tax	06
Non-resident tax income from sources of the Republic of Tajikstan	07
Value-added tax on the supply of goods, works and services	08
Value added tax deducted from non-residents	09
Excise tax on goods produced on the territory of the Republic of Tajikistan	10
Land tax	11
Real estate tax	12
On-road users tax	13
Taxes on vehicle	14
Subscription bonus for geological study of subsoil	15
Subscription bonus for extraction	16
Commercial discovery bonus	17
Royalties for extraction	18
Royalties for water	19
Tax paid by small business entities (simplified tax)	20
Other taxes, including fines and penalties	21

Customs payments	String code
Custom dues	22
Customs fee	23
The value added tax on goods imported into the territory of the Republic of Tajikistan	24
Excise tax on goods imported into Republic of Tajikistan	25
Other substantial payments	
Payments for compulsory types of insurance	26
The fee for concession	27
Dividends paid for the state-owned shareholding	28
Fee for the state share, repurchased by the company	29
State duties and collection of fee for the issuance of licenses for the use of mineral resources	30
Fees and charges for registration of land use rights	31
Compensation for loss of profits when provision of land plot	32
Compensation for loss of agricultural production and losses of crops from damage done by cattle	33
Compensation of losses of forestry production	34
Payments for expertise, permits and approvals of project work (CAP, EIA)	35
Fee for environmental pollution and damages caused to the environment	36
Mandatory payments for issuing licenses and other permits	37
Payments, established under the agreements, concluded with the Government of the Republic of Tajikistan	38
Additional costs for companies	
Support for education	39
Support for social infrastructure	40
Mineral resources transportation costs	41

Customs payments	String code
Custom dues	24
Customs fee	25
The value added tax on goods imported into the territory of the Republic of Tajikistan	09
Excise tax on goods imported into Republic of Tajikistan	12
Other substantial payments	
Payments for compulsory types of insurance	26
The fee for concession	27
Dividends paid for the state-owned shareholding	28
Fee for the state share, repurchased by the company	29
State duties and collection of fee for the issuance of licenses for the use of mineral resources	30
Fees and charges for registration of land use rights	31
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Mandatory payments for issuing licenses and other permits	37
Payments, established under the agreements, concluded with the Government of the Republic of Tajikistan	38
Additional costs for companies	
Support for education	39
Support for social infrastructure	40
Mineral resources transportation costs	41

Tax and customs payments include all mandatory taxes and charges payable in accordance with the Tax and Customs Code of the Republic of Tajikistan. In accordance with tax and customs legislation of Tajikistan, all the tax and customs payments are made only in cash in the national currency - TJS and channelled to the state budget in its entire volume.

Other substantial payments include other mandatory government fees and charges, not included in the tax and customs legislation of the Republic of Tajikistan and should also be paid only in cash in the local currency - TJS and channelled to the state budget in its entire volume.

The procedure for distribution of the state's share based on PSA and the body that keeps track of and receives a share of the state are indicated in the PSA.

Additional costs include costs of companies to support education and social infrastructure required by law or under the contract, concluded with the government, as well as payments paid to the Government or state-owned companies for the transportation of mineral resources. Additional charges can be made both in cash and in kind and most of these payments go directly to suppliers of goods and services.
Average official exchange rate of Somoni against the US dollar in 2015-2016 amounted to 6.2319, 7.869 somoni per one US dollar, accordingy.

Distribution of tax and non-tax revenues between the republican budget and local budgets (sub-national payments and sub-national transfers)

According to the standards EITI the Report should provide information on the sub-national payments and sub-national transfers. In Tajikistan, legally or based on contracts, there are no requirements for direct payments to local government bodies in the form of subnational payments, except for tax payments to the local budget.

Subnational payments in this Report are defined as the distribution of payments between the republican and local budgets.

All mandatory payments made by companies and included in the Report are: tax, customs and other substantial payments (lines 1-38). They go directly to the state budget and are distributed between the republican and local budgets in accordance with the Law on State Budget on an annual basis.

Thus, in accordance with the Law on State Budget for 2015–2016, distribution of tax and non-tax revenues to the national budget and local budgets is carried out as follows:

Name of income	2016		2015	
Name of income	**Republican budget**	**Local budget**	**Republican budget**	**Local budget**
Tax on sale of cotton fiber and primary aluminum	100 %	0 %	100 %	0 %
Custom duties	100 %	0 %	100 %	0 %
VAT and excise taxes received from the customs authorities	100 %	0 %	100 %	0 %
Other nation-wide compulsory payments and non-tax revenues (including penalties and sanctions), toll for foreign vehicles on the territory of the Republic of Tajikistan	100 %	0 %	100 %	0 %
Open Joint Stock Holding Company “Barki Tojik” - value added tax, road users tax, the income tax and taxes on natural resources (royalties for water) for HPP “Sangtuda-1” and HPP “Sangtuda -2” (only for 2015)	100 %	0 %	100 %	0 %
State Unitary Enterprise “Tajik Aluminum Company”, “Tajik Railways” and Open Joint Stock Company “Tajiktelecom” - value added tax and income tax	100 %	0 %	100 %	0 %
State Unitary Enterprise "Tajik Aluminum Company" - value added tax	100 %	0 %	100 %	0 %
State Savings Bank of the Republic of Tajikistan “Amonatbank - income tax	100 %	0 %	100 %	0 %
Units for management of investment projects, diplomatic missions, consulates and entities, equivalent to them - income tax	100 %	0 %	100 %	0 %
Mobile communication companies - value added tax and excise duty (except for JSC “Tojiktelecom”)	100 %	0 %	100 %	0 %

National Bank of Tajikistan - value added tax, income tax and other obligatory payments	100 %	0 %	100 %	0 %
Payment of a single subscription bonus by subsoil users at the account of the extraction of minerals (except for common mineral resources, groundwater and therapeutic muds) - only in 2016.	100 %	0 %	-	-
Value added tax (except for Dushanbe city and Vahdat town for 2015 and except for Dushanbe town, Vahdat and Rogun for 2016).	0 %	100 %	0 %	100 %
Value added tax for Dushanbe city	55 %	45 %	60%	40 %
Value-added tax for Vahdat town	45 %	55 %	55 %	45 %
Value added tax for Rogun town	47 %	53 %	-	-
Income tax (except for Dushanbe city for 2016).	0 %	100 %	0 %	100 %
Income tax for Dushanbe city	30 %	70 %	-	-
Income tax (except for Sughd Region, Dushanbe city, Vakhdat and Rogun towns for 2015 and except for Sughd Region, Dushanbe city, Vahdat, Rogun towns and Rudaki districts for 2016).	0 %	100 %	0 %	100 %
Income tax for Sughd Region	30 %	70 %	24 %	76 %
Income tax for Dushanbe city	50 %	50 %	55 %	45 %
Income tax for Vakhdat town	30 %	70 %	51 %	49 %
Income tax for Rogun town	100 %	0 %	100 %	0 %
Income tax for Rudali district	13 %	87 %	-	-
Tax on road users (except for Sughd Region, Dushanbe city, Vakhdat town and Rudaki district in 2015 and except for Sughd Region and Dushanbe city for 2016)	0 %	100 %	0 %	100 %
Tax on road users for Sughd Region	47 %	53 %	25 %	75 %
Tax on users of roads for Dushanbe city	61 %	39 %	59 %	41 %
Tax on users of roads for Vahdat town	-	-	30 %	70 %
Tax on users of roads for Rudaki district	-	-	100 %	0 %
Excises	0 %	100 %	0 %	100 %
Special tax regime	0 %	100 %	0 %	100 %
Local taxes, other mandatory local payments and other non-tax local revenues	0 %	100 %	0 %	100 %

As for social taxes, distribution of payments is made in the following way:

For 2015:

- - Gorno-Badakhshan Autonomous Oblast, oblasts, and cities and districts of the republican subordination - 100 percent of distribution of payments is made to the account of the relevant departments and divisions of the State Agency for Social Insurance and Pensions under the Government of the Republic of Tajikistan;

- - Dushanbe city – 28,5 percent of distributed payment is made to the account of the State Agency for Social Insurance and Pensions, and 71,5 percent - to the account of

the State Agency for Social Insurance and Pensions under the Government of the Republic of Tajikistan;

- - Rogun town - 22,8 percent of distribution of payments is made to the account of the department of the State Agency for Social Insurance and Pensions and 77,2 percent to the account of the State Agency for Social Insurance and Pensions under the Government of the Republic of Tajikistan;

For 2016:

- - Gorno-Badakhshan Autonomous Oblast, oblasts, and cities and districts of the republican subordination - 100 percent of distribution of payments is made to the account of the relevant departments and divisions of the State Agency for Social Insurance and Pensions under the Government of the Republic of Tajikistan;
- - Dushanbe city – 32 percent of distributed payment is made to the account of the State Agency for Social Insurance and Pensions, and 68 percent - to the account of the State Agency for Social Insurance and Pensions under the Government of the Republic of Tajikistan;
- - Rogun town - 22 percent of distribution of payments is made to the account of the department of the State Agency for Social Insurance and Pensions and 78 percent to the account of the State Agency for Social Insurance and Pensions under the Government of the Republic of Tajikistan;

Also in order to obtain non-financial information from companies the following questions were included:

Indicators	String code
Did you have an independent audit of the financial statements for 2014?	42
Does the company have an audited financial statement with an open access? If so, let us know how we can get it, or give us a link to this reporting.	43

The sale of state mining share and other income

In accordance with the standards of the EITI, the payments received from the sale of shares of state mining and other revenues received in kind were included in the above list of payments in the line №38 "Payments established based on agreements reached with the Government of the Republic of Tajikistan". Payments in this category of the Report are disaggregated down to levels comparable with the reporting on other payments and revenue flows.

In 2015-2016, in kind was provided to the state only at the expense of gold production by "Tilloi Tojik" Enterprise. Tilloi Tojik Enterprise is a budget organization and all production costs are financed from the republican budget and the weight of the extracted placer gold is handed over at no cost to the State Valuables Depository (SVD) under the Ministry of Finance for replenishment of the State Fund.

Thus, in 2015, "Tilloi Tojik" Enterprise was financed from the budget in the amount of 75.2 million somoni; placer gold of 452.1 kg was produced and delivered to the SVD (in monetary

terms equal to 105.4 million somoni).

In 2016, "Tilloi Tojik" Enterprise was allocated 75.0 million somoni from the state budget; placer gold of 492.4 kg was produced and delivered to the SVD (in monetary terms is 159.2 million somoni).

Social and infrastructure spending

In addition, in accordance with the EITI standards, the payments for social spending as required by law or under contract reached with the Government, as well as payments based on agreements that include the provision of goods and services (including rent, grants and infrastructure work) in exchange for exploration or production of oil, gas or participation in the mining industry were included in the list of payments in the line №40 "Supporting social infrastructure". Payments in this category of the report are disaggregated to levels comparable with the reporting on other payments and revenue flows.

The companies reported on expenditures for social facilities and/or social expenditures for an amount of 5,145,736 somoni and 6,121,600 somoni for 2015 and 2016, respectively. These expenditures were mainly made for landscaping - repair of buildings, roads of a residential settlement, kindergarten, material aid to schools of jamoat and the jamoat itself, where the company is located.

The table shows the social expenses of companies that have passed the threshold of materiality and audit.

Table 33

Social expenses incurred by companies included in the reconciliation for 2015-2016 (in somoni)

	Company	***2015***	***2016***
1	LLC "Tajik-Chinese Mining Company"	680 063	1 299 386
2	LLC JV "Zarafshan"	3 395 030	3 249 855
5	JLLC "Petroleum Sughd"	13 568	23 150
7	OJSC "Combinati Masolehi Binokorii Isfara"	25 631	28 638
8	OJSC "B.Samadov Cement Plant", Isfara	31 588	51 147
10	CC "Odina Gold-Mining Cooperative"	837 341	743 930
11	LLC "Barakati Istiklol"	15 000	20 000
12	LLC "Pakrut"	60 000	150 000
13	TA LLC JV "Anzob"	87 515	555 494
	Total	**5 145 736**	**6 121 600**

Transportation costs

Transportation costs for mineral resources were included in line No.41. This line had to present all payments for transportation to the state and state companies. There were no payments in this category related to the state or state companies for the period of 2015-2016, according to the requirement of the standard 4.4., although the company reported on transportation costs for the amount of 20,988,178 somoni and 27,884,085 somoni for 2015 and 2016, respectively.

Audit procedures and data validation of companies and public bodies

In the course of data verification the audit procedures were also reviewed, as well as the evedance of data reliability in companies and state bodies involved in the EITI reporting, including relevant laws and regulations, any planned or ongoing reforms.

Protection of confidential information

Before starting the payments verification procedure, the MSG and the Independent Administrator agreed and ensured the necessary conditions for the protection of confidential information. The parties reached an agreement that all the data collected from the companies and government agencies in the course of verification are confidential and shall be kept by the Independent Administrator under appropriate conditions.

Audit procedures and data validation in companies

In terms of audit to be carried out in companies, it should be noted that in Tajikistan there is no mandatory requirement for auditing mining companies.

Companies are obliged to go through a mandatory audit if only they fall under the following definition- “Public interest entities”. In accordance with the Resolution of the Government of the Republic of Tajikistan №154, dated April 3, 2012, the following organizations are recognized as public interest entities:

a) Banks, regardless of their organizational-legal form and form of ownership;

b) Insurance companies, regardless of their organizational-legal form and form of ownership;

c) Stock exchange, regardless of the organizational-legal form and form of ownership;

g) Deposit Guarantee Fund of individuals;

d) Pension funds (except for budget organizations);

e) Legal entities, whose securities are traded on the stock exchanges in the Republic of Tajikistan;

g) Subjects of natural monopolies;

h) Subjects (except for budget organizations and dehkan farms), whose financial and quantitative indicators for the previous reporting period (year) correspond to at least one of the following indicators:

- total assets of at least 100,000,000 (one hundred million) somoni
- the number of employees of at least 1,000 (thousand) people;

i) Non-profit organizations and foundations, whose total revenue, including all taxes, for the last reporting period (year) is at least 10,000,000 (ten million) somoni.

The subjects of public interest and other organizations that prepare financial statements in accordance with international standards are required to submit annual financial statements with the auditor's opinion to the depositary of financial statements of the Ministry of Finance of the Republic of Tajikistan.

In the process of data reconciliation, we have not requested companies to provide the above mentioned information, respectively, we are unable to affirm if any of the companies, participating in the EITI reporting, falls under the definition of the subject of public interest and whether or not they should perform the audit of financial statements in accordance with the laws of the Republic of Tajikistan. Obtaining information on the financial statements and audit opinion of companies, participating in reconciliation from the Depositary under the Ministry of Finance of the Republic of Tajikistan was also impossible, as this organization is not functioning yet.

In accordance with the EITI standard we have sent the following questions to companies regarding the audit of the financial statements and the availability of these statements to reflect this information in the report.

Indicators	String code
Did you have an independent audit of the financial statements for 2015-2016?	42
Does the company have an audited financial statement with an open access? If so, let us know how we can get it, or give us a link to this reporting.	43

The information obtained from the companies, regarding the above questions is provided in the text of our Report.

According to the legislation of the Republic of Tajikistan an external auditor is not required for all the companies that are included in the list of reporting companies and obtaining confirmation letters from the external auditor was problematic in practice. Accordingly, in order to ensure the completeness and reliability of the data, independent administrator and MSG made a decision that a senior official of the company must sign the completed reporting form with regard to the presented data to certify the completeness and accuracy of the data. Data submitted by companies, have been certified by signatures and seals of the top management of these companies.

Audit procedures and data validation in the state bodies

The audit of the activities of state authorities is carried out by the Chamber of Accounts.

In accordance with the legislation of the Republic of Tajikistan, Chamber of Accounts is the supreme body of financial control of the Republic of Tajikistan which conducts an independent external audit to assess the performance of the State budget and prepares reccomindations for its improvement.

The powers of the Chamber of Accounts to conduct an independent external audit apply to all branches of the state power of the Republic of Tajikistan.

The following structures and types of activities are subject to an audit conducted by the Chamber of Accounts:

- All bodies financed from the state budget, including structures that are operate based on complete or partial self-sustainable basis;
- All organizations, where the share of the state capital is the controlling share;
- National Bank of Tajikistan and other state-owned banks of the Republic of Tajikistan;
- Extra-budgetary funds and national targeted programs;
- State Agency for Social Insurance and Pensions;
- Organizations of any form of ownership, which receive budgetary funds allocations in the form of subsidies (on non-refundable basis);
- Implementation of intergovernmental agreements with financial and other economic impacts;
- Privatization of state property, including implementation of privatization agreement with the state by the new owners;
- Management and use of natural resources of the Republic of Tajikistan, including the implementation of production sharing agreements;

- Use of services and maintaining government loans funds and foreign exchange reserves by the Government of the Republic of Tajikistan;
- Revenues to the state budget, i.e. funds from external sources of funding and their intended use.

Since at the time of verification, normative-legal basis to receive a confirmation from the Chamber of Accounts regarding the provision of information by public authorities has not been developed, we could not ask the reporting state agencies to provide a proof of the data accuracy disclosed by the relevant body provided by its external auditor – the Chamber of Accounts. Accordingly, in order to ensure the completeness and reliability of the data, Independent Administrator and MSG decided that a senior official of the state body must sign the completed reporting form to certify statements of completeness and accuracy of the provided data.

Data, provided by the state bodies, have been certified by signatures and seals of the top management of these organizations.

3.2 PAYMENTS RECONCILIATION RESULTS

3.2.1 Total aggregate cash flows by type of payments

As a result of payments verification, total aggregate cash flows by types of payments for 2015 amounted to 736,529,485 somoni – according to the data from companies and 777,090,698 somoni – according to the data from the state bodies for 2016 amounted to 1,050,568,829 somoni – according to the data from the companies and 962,677,277 somoni – according to the data from the state bodies. The reasons and details of unexplained discrepancies of data are given further in this Report. All payments were made in cash; there were not in-kind payments during the reporting period. All payments were divided into four main categories, which are listed in the table below:

Table 34

Breakdown of payments by category for 2015 (in somoni)

Types of payments	Adjusted amount in somoni		Discrepancies	Percentage of discrepancies
	According to companies	According to the state bodies		
Tax payments	584 176 933	645 750 540	61 573 607	10.54%
Customs payments	105 377 537	131 340 158	25 962 621	24.64%
Other substantial payments	18 624 937	-	-	0.00%
Additional costs	28 350 078	-	-	0.00%
Total	**736 529 485**	**777 090 698**	**87 536 228**	**11.88%**

Table 35

Breakdown of payments by category for 2016 (in somoni)

Types of payments	Adjusted amount in somoni		Discrepancies	Percentage of discrepancies
	According to companies	According to the state bodies		
Tax payments	864 714 808	824 915 472	-39 799 336	-4.60%
Customs payments	108 679 344	137 761 805	29 082 461	26.76%
Other substantial payments	39 990 765	-	-	0.00%
Additional costs	37 183 912	-	-	0.00%
Total	**1 050 568 829**	**962 677 277**	**-10 716 876**	**-1.02%**

Discrepancy causes

During the preliminary verification, we have noted the following points that caused the discrepancies:

1. The company and state body (the Customs Committee under the Government of the Republic of Tajikistan and/or the Tax Committee under the Government of the Republic of Tajikistan) overestimated/understated data on payments/receipts or did not provide data at all.
2. Out of 29 companies, 2 companies did not provide data. The total amount of tax and customs payments of these companies for 2015 and 2016 was 154,362,669 somoni and 158,009,280 somoni, respectively, according to the data of the Tax Committee and the Customs Committee.
3. Payments/receipts were categorized to the wrong lines and/or aggregated. In particular, in our request form, the mineral extraction tax is divided into the following types: Subscription bonus for geological study of subsurface resources, subscription bonus for extraction, commercial discovery bonus, royalties for extraction and royalties for water. Although, this type of tax is reflected in the tax authority's system as a "mineral tax". We did not correct them since they did not affect the final result, i.e overlap each other.
4. The Tax Committee provided data on payments for 2015 and 2016, only on the main/head office of the company, although during the reconciliation and meeting with the company's representatives, we found out that some companies have representations in other regions of the country and according to the tax legislation they must pay taxes at the place of business. Companies included all payments in the form of request, both the main office and field representation.

When there was a significant difference, we asked for clarification and to provide signed reconciliation certificates with local tax and customs authorities and/or payment documents, on the basis of which we later corrected the data.

The portion of payments by types of payments for 2015 is as follows:

Tables 36 и 37

The portion of payments by types of payments for 2015 according to data from companies and state bodies (in somoni)

According to companies:

Types of payments	According to companies	
	Somoni	%
Tax payments	584 176 933	79.31%
Customs payments	105 377 537	14.31%
Other substantial payments	18 624 937	2.53%
Additional costs	28 350 078	3.85%
Total	**736 529 485**	**100%**

According to state bodies:

Type of payment	According to state bodies	
	Somoni	%
Tax payments	645 750 540	83.10%
Customs payments	131 340 158	16.90%
Other substantial payments	0	0.00%
Additional costs	0	0.00%
Total	**777 090 698**	**100%**

The portion of payments by types of payments for 2016 is as follows:

Tables 38 и 39 - The portion of payments by types of payments for 2016 according to data from companies and state bodies (in somoni)

According to companies:

Type of payment	According to companies	
	Somoni	%
Tax payments	864 714 808	82.31%
Customs payments	108 679 344	10.34%
Other substantial payments	39 990 765	3.81%
Additional costs	37 183 912	3.54%
Total	**1 050 568 829**	**100%**

According to state bodies:

Type of payment	According to state bodies	
	somoni	%
Tax payments	824 915 472	85.69%
Customs payments	137 761 805	14.31%
Other substantial payments	0	0.00%
Additional costs	0	0.00%
Total	**962 677 277**	**100%**

It should be noted that the total aggregated cash flows, according to the state bodies do not include the cash flows related to other substantial payments and additional costs of companies for 2015–2016 as no responsible public authorities were appointed that would have provide information concerning these data during the process of reconciliation.

Based on the above, the state bodies' data on tax and customs payments as a percentage exceeds data provided by companies. However, data on other substantial payments and additional costs of companies is not listed and reflected as zero indicators.

3.2.2 Unresolved discrepancies and not reported companies

As it was noted in the previous section, after receiving data from companies and state bodies, we started the reconciliation process to identify discrepancies. During the reconciliation, a number of discrepancies were identified, which were noted in the previous section. After a meeting with the representative of the Tax Committee under the Government, during which we discussed the differences and their possible causes, we started to correct the data of both the Companies and the Tax Committee based on the signed reconciliation acts for the end of 2015 and 2016.

Unfortunately, the Company did not provide signed reconciliation acts with the Customs Committee and therefore there are significant differences in customs payments. We were not able to obtain reasonable and complete audit evidence on the correctness of the data provided.

Discrepancy breakdown of tax payment by companies for 2015 is presented below:

Name of Company	With explanation	Without explanation	Non-responded
	Somoni	Somoni	Somoni
LLC "Tajik-Chinese Mining Company"	-12 000 638 22	-	-
LLC JV "Zarafshan"	-27 959 268	-	-
JTC LLC "Aprelevka"	-583 528	-	-
JSC «Tajik Cement»	-20 850 182	-	-
"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	-502 675	-	-
LLC "Total E& P Tajikistan B.V"	-	-556	-
JLLC "Petroleum Sughd"	-5 910	-16 000	-
RSBSE "Tilloi Tojik"	-111 496	-1 040	-
OJSC "Combinati Masolehi Binokorii Isfara"	-300 136	-	
LLC "B.Samadov Cement Plant", Isfara	-529 571	-	-
CC "Odina Gold-Mining Cooperative"	-758 326	-	
LLC "Guli Murod"	-411 082	-	-
LLC " Talco Resource"	-	-82 923	-
"Nazar-Aylok", Coal Mine,SE SUE "Angishti Tojik"	-91 765	-6 439	-
LLC "Nuri Shams"	-20 642	-6 900	-
LLC "Barakati Istiklol"	-6 538	1 392	-
LLC "Salosa"	-505 756	-	-
LLC Pakrut"	-	-5 718 002	-
TA LLC JV "Anzob"	-1 870 398	-	
LLC "Sughd Cement"	-400 182	-	
OJSC "Angisht"	-53 836	-2 328	-
LLC "Creative"	-	1 633 123	-
OJSC "Avicenna"	-278 981	-	-
LLC "Huaxin Guyur Cement"	-	-	130 655 457
LLC "Huaxin Gajur Sughd Cement"	-	-	2 358 731
Total	**-67 240 908**	**-4 199 673**	**133 014 188**
Net effect	**61 573 607**		

Discrepancy in tax payments for 2015 in the amount of 61,573,607 somoni can be divided into the following categories:

1. **With an explanation** – The total amount of discrepancies is 67,240,908 somoni and it is formed due to the following:

1.1. Companies paid additional taxes identified as the results of audit carried out by the tax authority and the Chamber of Account, as well as the tax on net profit. The amount of taxes paid on the basis of the Acts of inspection was reflected as “compulsory payments to the republican budget” in the current account and according to our form they are included in line 21 “Other taxes, including fines and penalties”. The total amount is 51,160,493 somoni. Despite the fact that these amounts were actually paid and reflected in the taxpayer’s personal account, the Tax Committee did not include them in the form filled in by them and provided to us.

1.2. JSC “Tajik Cement” reported that in 2015 it paid VAT in the amount of 22,417,865 somoni, although the state body showed VAT revenues from this company in the amount of 6,337,450 somoni, which is less than 16,080,415. The management of the Company informed that according to the Government Resolution No.40 as of January 31, 2015, the debt of JSC “Tajik Cement” to the Ministry of Finance of the Republic of Tajikistan hs decreased by this amount, and they showed it as paid.

2. **Without explanation –** The total amount of discrepancies in this category is 4,199,673 somoni and it is formed due to the following:

2.1. LLC “Pakrut” presented a form to us and after 143econciliation on August 28 we sent the reconciliation file in Excel to the email address of the Company’s representative, where the calculations/reconciliations were given in detail, we asked them to explain/clarify the reasons for the discrepancies and provide us with the signed reconciliation acts. However, unfortunately, the response from the company was not received by the date of the Report.

2.2. There is following significant discrepancy in the data provided by LLC “Creative” for the amount of 1,633,123 somoni. As soon as the completed form was received, we conducted a reconciliation the result of which was sent on September 15 to the email address of the Company’s representative. However, unfortunately, the response from the company was not received by the date of the Report as well as the signed reconciliation acts were not provided.

3. **Non-responded** – The total amount of discrepancies in this category is 133, 014,673 somoni, and it is formed due to the following:

3.1. LLC "Huaxin Guyur Cement" and LLC "Huaxin Gajur Sughd Cement" are engaged in production of cement in Khatlon and Sughd Regions, the owners of the Company are the Chinese and Tajik sides. These companies, despite several of our requests and letters from the Ministry of Finance of the Republic of Tajikistan did not provide the completed form and therefore we included in our Report their tax and customs payments for 2015 and 2016 received from the state bodies. The total amount of tax payments for 2015 according to the Tax Committee is 130,014,188 somoni and 2,358,731 somoni, respectively.

Discrepancy breakdown of tax payment by companies for 2016 is presented below:

Name of Company	With explanation	Without explanation	Non-responded
	Somoni	Somoni	Somoni
LLC "Tajik-Chinese Mining Company"	-13 024 176	-	-
LLC JV "Zarafshan"	-80 087 270	69 606	-
JTC LLC "Aprelevka"	-613 440	-	-
JSC «Tajik Cement»	-4 682 613	-	-
"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	-1 011 127	-	-
Branch of LLC "Total E& P Tajikistan B.V"	-67 461 757	-2 745	-
Branch of LLC "CNPC Central Asia B.V.	-4 236 661	-	-
LLC "Bokhtar Operating Company"	-1 756 075	-3 174	-
LLC "B.Samadov Cement Plant", Isfara	-4 452	-	-
CC "Odina Gold-Mining Cooperative"	-701 181	-217	-
LLC "Nuri Shams"	-302 000	-18 900	-
LLC "Barakati Istiklol"	-	6 343	-
LLC "Salosa"	-555	-	-
LLC "Pakrut"	-	799 006	-
TA LLC JV "Anzob"	-	-2 505	-
LLC "Broadtec Tajikistan Mining Investment Limited"	-	-17 635	-
LLC "Creative"	-	3 218 374	-
OJSC "Avicenna"	-700 000	-	-
LLC "Huaxin Guyur Cement"	-	-	119 432 067
LLC "Huaxin Gajur Sughd Cement"	-	-	11 301 755
Total	**-174 581 310**	**4 048 150**	**130 733 822**
Net effect	**-39 799 338**		

Discrepancy in tax payments for 2016 in the amount of 39,799,338 somoni can be divided into the following categories:

1. **With an explanation** – The total amount of discrepancies is 174,581,310 somoni and it is formed due to the following:

1.1. Companies paid additional taxes identified as the results of audit carried out by the tax authority and the Chamber of Account, as well as the tax on net profit. The amount of taxes paid on the basis of the Acts of inspection was reflected as "compulsory payments to the republican budget" in the current account and according to our form they are included in line 21 "Other taxes, including fines and penalties". The total amount is 174,581,310 somoni. Despite the fact that these amounts were actually paid and reflected in the taxpayer's personal account, the Tax Committee did not include them in the form filled in by them and provided to Independent Administrator.

1.2. One of the companies with significant discrepancies is JV LLC "Zarafshan"- 80,017 665 somoni. This company in 2016 was audited by the Tax Authority and the Chamber of Account and the total amount of additional liabilities identified, taking into account the penies and fines was 73,864,770 somoni. Morover the company paid a net profit tax in in 2016 the amount of 6,222,500 somoni.

1.3. The second company with a significant discrepancy is the Branch of "Total E & P Tajikistan B.V." – 67,461,757 somoni. The whole amount was formed after inspection by the Tax Committee and which the Company paid, although the Tax Committee did not include them in the completed form.

2. **Without explanation** – The total amount of discrepancies in this category is 4,048,150 somoni, as in 2015, the amount was formed mainly at the expense of LLC "Pakrut" and LLC "Creative":

2.1. LLC "Pakrut" provided us a form and after 145econciliation we sent a reconciliation file in the Exel on August 28 to the email address of the Company's representative where the calculations/reconciliations were provided in detail, we asked them to explain/clarify the reasons for the discrepancies and provide the signed reconciliation certificates. However, unfortunately, no response was received from the Company by September 20, 2017.

2.2. The following significant discrepancy one can see in data provided by LLC "Creative" in the amount of 3,218,374 somoni. As soon as the completed form was received, we conducted a reconciliation the result of which was sent by us on September 15 to the e-mail address of the Company's representative. Unfortunately, a response from the Company was not received by the date of the Report, as well as signed Reconciliation certificates were not provided.

3. **Non-responded -** The total amount of discrepancies in this category is 130,733,822 somoni, and it is formed due to the following:

3.1. LLC "Huaxin Guyur Cement" and LLC "Huaxin Gajur Sughd Cement" are engaged in production of cement in Khatlon and Sughd Regions. The owners of the Company are the Chinese and Tajik sides. These companies, despite several of our requests and letters from the Ministry of Finance of the Republic of Tajikistan did not provide the completed form and therefore we included in our Report their tax and custom payments for 2015 and 2016 received from the state bodies. The total amount of tax

payments for 2016 according to the Tax Committee is 119,432,067 somoni and 11,301,755 somoni, respectively.

Discrepancy breakdown of customs payment by companies for 2015 is presented below:

Name of Company	With explanation	Non-responded
	Somoni	Somoni
LLC "Tajik-Chinese Mining Company"	-7 450 186	-
LLC JV "Zarafshan"	4 961 082	-
JTC LLC "Aprelevka"	116 966	-
JSC «Tajik Cement»	3 357 850	-
"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	-207 764	-
Branch of LLC "Total E& P Tajikistan B.V"	0	-
JLLC "Petroleum Sughd"	28 965	-
LLC "Bokhtar Operating Company"	3 916	-
OJSC "Combinati Masolehi Binokorii Isfara"	239 269	
LLC "B.Samadov Cement Plant", Isfara	-14 021	-
CC "Odina Gold-Mining Cooperative"	-3 205	-
LLC "Talko Resourse"	113 203	
LLC "Pakrut"	2 875 359	
TA LLC JV "Anzob"	115 969	-
LLC "Sughd Cement"	45 856	-
LLC "Creative"	134 329	-
OAO "Avicenna"	45 198	-
LLC "Huaxin Guyur Cement"	-	18 573 238
LLC "Huaxin Gajur Sughd Cement"	-	3 026 597
Total	**4 362 786**	**21 599 836**
Net effect		**25 962 621**

Discrepancy in custom payments for 2015 in the amount of 25,962,621 somoni can be divided into the following categories:

1. **Without explanation** – The total amount of discrepancies in this category is 4,362,786 somoni. Neither the Company nor the Customs Committee was able to provide a satisfactory evidence for the correctness of their figures. The independent administrator also requested them to submit a signed certificate of reconciliation, but, unfortunately, this document was not provided.

2. **Non-responded** – The total amount of discrepancies in this category is 21,599,836 somoni and it is formed from the following:

1.1. LLC “Huaxin Guyur Cement” and LLC “Huaxin Gajur Sughd Cement” deal with the production of cement in Khatlon and Sughd Regions and the owners of the Company are the Chinese and Tajik sides. These companies, despite of several of our requests and letters from the Ministry of Finance of the Republic of Tajikistan did not provide the completed form and therefore we included in our Report their tax and customs payments for 2015 and 2016 received from the state bodies. The total amount of customs payments for 2015 according to the customs committee is 18,573,238 somoni and 3,026,597 somoni, respectively.

Discrepancy breakdown of customs payment by companies for 2016 is presented below:

Name of Company	Without explanation	Non-responded
	Somoni	Somoni
LLC “Tajik-Chinese Mining Company”	160 203	-
LLC JV “Zarafshan”	661 082	-
JTC LLC “Aprelevka”	-12 714	-
“Fon-Yagnob” Mine, subsidiary enterprise SUE “Angishti Tojik”	401 590	-
LLC “Bokhtar Operating Company”	229	-
OJSC “Combinati Masolehi Binokorii Isfara”	99 108	-
LLC “B.Samadov Cement Plant”, Isfara	-51 486	
LLC “Pakrut”	251	-
TA LLC JV “Anzob”	1 022	-
LLC “Sughd Cement”	80 691	-
OAO “Avicenna”	216 126	-
LLC “Huaxin Guyur Cement”	-	16 401 365
LLC “Huaxin Gajur Sughd Cement”	-	11 124 993
Total	**1 556 103**	**27 526 358**
Net effect		**29 082 461**

Discrepancy in custom payments for 2016 in the amount of 29,082,461 somoni can be divided into the following categories:

1. **Without explanation** – The total amount of discrepancies in this category is 1,556,103 somoni. Neither the Company nor the Customs Committee was able to provide satisfactory evidence for the correctness of their figures. The independent administrator also requested them to submit a signed certificate of reconciliation, but, unfortunately, this document was not provided.

2. **Non-responded** - The total amount of discrepancies in this category is 27,526,358 somoni and it is formed from the following:

1.1. LLC “Huaxin Guyur Cement” and LLC “Huaxin Gajur Sughd Cement” deal with the production of cement in Khatlon and Sughd Regions and the owners of the Company are the Chinese and Tajik sides. These companies, despite of several of our requests and letters from the Ministry of Finance of the Republic of Tajikistan did not provide the completed form and therefore we included in our Report their tax and customs payments for 2015 and 2016 received from the state bodies. The total amount of customs payments for 2015 according to the data of the customs committee is 16,401,365 somoni and 11,124,993 somoni, respectively.

Below are the companies that did not provide data whose contacts could not be found and/ or who sent an official notification of the refusal to participate:

№	TIN	Name of company	2016			2015			Reason
			Tax	Customs payment	Total	Tax	Customs payment	Total	
1	2	3	4	5	6	7	8	9	10
1	400006843	LLC “Huaxin Guyur Cement”	119 306 617	16 401 365	135 707 982	130 529 780	18 573 238	149 103 018	Does not respond to letters
2	070005224	State Unitary Enterprise “Tajik Aluminum Company”	77 481 116	6 955 917	84 437 033	76 240 432	24 882 763	101 123 195	Excluded due to non-compliance with the EITI requirement
3	410000137	CJSC “Zavody Tajribavii Mekaniki”	18 660 174	2 647 071	21 307 245	10 139 255	3 917 951	14 057 206	Excluded due to non-compliance with the EITI requirement
4	630016471	LLC “Huaxin Gajur Sughd Cement”	11 176 305	11 124 993	22 301 298	2 233 054	3 026 597	5 259 651	Excluded due to non-compliance with the EITI requirement
5	640000058	SUE “Fuluzoti Nodiri Tojikiston”	2 076 438	-	2 076 438	2 137 240	-	2 137 240	Formal refusal letter
6	090000903	LLC “Roxsoz 7 Company”	548 065	176 684	724 749	1 409 880	-	1 409 880	Excluded due to non-compliance with the EITI requirement
7	120000606	LLC “Bunyodkor T”	652 667	-	652 667	1 377 432	68 865	1 446 297	Excluded due to non-compliance with the EITI requirement

8	680002791	LLC “Rahshona Construction Company”	1 004 800	1 003 985	2 008 785	1 153 500	299 672	1 453 172	Excluded due to non-compliance with the EITI requirement
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
9	120040340	LLC “Hishti Sabuk”	88 090	79	88 169	102 596	1 804 478	1 907 074	Formal refusal letter
10	040033451	LLC “Gajur 1”	969 032	-	969 032	1 231 185	-	1 231 185	Formal refusal letter
11	280000603	“Kurgan-Tube International Airport”	1 136 112	-	1 136 112	1 316 376	-	1 316 376	Excluded due to non-compliance with the EITI requirement
12	030006279	LLC “Korvoni Asr”	754 091	551	754 642	480 651	817 012	1 297 663	Formal refusal letter
13	180000129	LLC “Bunyody Roh”	207 093	-	207 093	944 984	360 215	1 305 199	Excluded due to non-compliance with the EITI requirement
14	070000921	OJSC “MPMK Tursunzoda”	132 926	-	132 926	1 040 195	-	1 040 195	Formal refusal letter
15	010018443	LLC “Sanggalt”	400 400	-	400 400	334 079	-	334 079	Excluded due to non-compliance with the EITI requirement
16	090007658	LLC “Rusbakht”	436 397	-	436 397	952 288	72 769	1 025 057	Excluded due to non-compliance with the EITI requirement
			235 030 323	**38 310 645**	**273 340 968**	**231 622 927**	**53 823 560**	**285 446 487**	

3.2.3 Aggregated cash flows on tax payments

As a result of the payment reconciliation, the total aggregated cash flows on tax payments for 2015 amounted to 584,176,933 somoni - according to companies and 645,750,540 somoni - according to state bodies. All payments are divided into 25 categories, which are listed in the table:

		According to the company	According to the Tax Committee	Discrepancy	Discrepancy
№	**Name of payment**	**somoni**	**somoni**	**в somoni**	**в %**
1	Income tax withheld from individuals	90 717 899	137 358 490	46 640 591	51.41%
2	Social tax withheld from individuals (1%)	2 406 681	2 649 379	242 698	10.08%
3	Social tax withheld from employer (25%)	76 023 923	82 106 233	6 082 311	8.00%
4	Income taxes, including advance payment	86 338 919	86 393 468	54 549	0.06%
5	Net income tax of permanent establishment of foreign legal entity	-	-	0	0.00%
6	Dividend tax	1 193 894	0	-1 193 894	-100.00%
7	Non-resident tax income from sources of the Republic of Tajikstan	33 688 314	0	-33 688 314	-100.00%
8	Value-added tax on the supply of goods, works and services	41 837 391	127 734 602	85 897 211	205.31%
9	Value added tax deducted from non-residents	4 202 780	12 650 961	8 448 181	201.01%
10	Excise tax on goods produced on the territory of the Republic of Tajikistan	91 000	91 000	0	0.00%
11	Land tax	397 160	432 332	35 173	8.86%
12	Real estate tax	2 012 664	2 064 640	51 976	2.58%
13	On-road users tax	24 202 646	29 285 712	5 083 065	21.00%
14	Taxes on vehicles	918 937	984 944	66 007	7.18%
15	Subscription bonus for geological study of subsoil	1 448 518	0	-1 448 518	-100.00%
16	Subscription bonus for extraction	35 668 028	0	-35 668 028	-100.00%
17	Commercial discovery bonus	918 151	25	-918 126	-100.00%
18	Royalties for extraction	125 149 832	163 941 915	38 792 083	31.00%
19	Royalties for water	1 253 532	0	-1 253 532	-100.00%
20	Tax paid by small business entities (simplified tax)	56 839	56 839	0	0.00%
21	Other taxes, including fines and penalties	55 649 825	0	-55 649 825	-100.00%
	Total	584 176 933	645 750 540	61 573 607	10.54%

As a result of the payment reconciliation, the total aggregated cash flows on tax payments for 2016 amounted to 864,714,808 somoni - according to companies and 824,915,472 somoni - according to the state bodies. All payments are divided into 25 categories, which are listed in the table:

		According to the company	According to the Tax Committee	Discrepancy	Discrepancy
№	Name of payment	Somoni	Somoni	Somoni	in %
1	Income tax withheld from individuals	65 883 836	114 162 718	48 278 882	73.28%
2	Social tax withheld from individuals (1%)	2 914 608	2 951 045	36 437	1.25%
3	Social tax withheld from employer (25%)	89 791 765	92 967 278	3 175 513	3.54%
4	Income taxes, including advance payment	149 308 483	156 997 259	7 688 776	5.15%
5	Net income tax of permanent establishment of foreign legal entity	0	0	0	0.00%
6	Dividend tax	13 220 469	2 000 000	-11 220 469	-84.87%
7	Non-resident tax income from sources of the Republic of Tajikstan	21 742 161	0	-21 742 161	-100.00%
8	Value-added tax on the supply of goods, works and services	39 343 063	103 245 681	63 902 618	162.42%
9	Value added tax deducted from non-residents	3 967 650	20 794 999	16 827 349	424.11%
10	Excise tax on goods produced on the territory of the Republic of Tajikistan	74 900	74 900	0	0.00%
11	Land tax	264 128	290 102	25 974	9.83%
12	Real estate tax	1 847 261	1 999 157	151 896	8.22%
13	On-road users tax	49 080 399	54 132 947	5 052 548	10.29%
14	Taxes on vehicles	1 396 605	1 393 171	-3 435	-0.25%
15	Subscription bonus for geological study of subsoil	0	0	0	0.00%
16	Subscription bonus for extraction	17 574 513	0	-17 574 513	-100.00%
17	Commercial discovery bonus	914 278	0	-914 278	-100.00%
18	Royalties for extraction	231 310 177	273 278 239	41 968 063	18.14%
19	Royalties for water	870 965	0	-870 965	-100.00%
20	Tax paid by small business entities (simplified tax)	627 975	627 975	-	0.00%
21	Other taxes, including fines and penalties	174 581 571	0	-174 581 571	-100.00%
	Total	864 714 808	824 915 472	-39 799 336	-4.60%

The information on the share of each type of tax payments for 2015 is provided below:

		According to the company		According to the Tax Committee	
№	Name of payment	Somoni	Share in percentage	Somoni	Share in percentage
1	Income tax withheld from individuals	90 717 899	15.53%	137 358 490	21.27%
2	Social tax withheld from individuals (1%)	2 406 681	0.41%	2 649 379	0.41%
3	Social tax withheld from employer (25%)	76 023 923	13.01%	82 106 233	12.71%
4	Income taxes, including advance payment	86 338 919	14.78%	86 393 468	13.38%
5	Net income tax of permanent establishment of foreign legal entity	0	0.00%	0	0.00%
6	Dividend tax	1 193 894	0.20%	0	0.00%
7	Non-resident tax income from sources of the Republic of Tajikstan	33 688 314	5.77%	0	0.00%
8	Value-added tax on the supply of goods, works and services	41 837 391	7.16%	127 734 602	19.78%
9	Value added tax deducted from non-residents	4 202 780	0.72%	12 650 961	1.96%
10	Excise tax on goods produced on the territory of the Republic of Tajikistan	91 000	0.02%	91 000	0.01%
11	Land tax	397 160	0.07%	432 332	0.07%
12	Real estate tax	2 012 664	0.34%	2 064 640	0.32%
13	On-road users tax	24 202 646	4.14%	29 285 712	4.54%
14	Taxes on vehicles	918 937	0.16%	984 944	0.15%
15	Subscription bonus for geological study of subsoil	1 448 518	0.25%	0	0.00%
16	Subscription bonus for extraction	35 668 028	6.11%	0	0.00%
17	Commercial discovery bonus	918 151	0.16%	25	0.00%
18	Royalties for extraction	125 149 832	21.42%	163 941 915	25.39%
19	Royalties for water	1 253 532	0.21%	0	0.00%
20	Tax paid by small business entities (simplified tax)	56 839	0.01%	56 839	0.01%
21	Other taxes, including fines and penalties	55 649 825	9.53%	0	0.00%
	Total	**584 176 933**	**100.00%**	**645 750 540**	**100.00%**

The information on the share of each type of tax payments for 2016 is provided below:

		According to companies		According to the Tax Committee	
№	Name of payment	Somoni	Share in percentage	Somoni	Share in percentage
1	Income tax withheld from individuals	65 883 836	7.62%	114 162 718	13.84%
2	Social tax withheld from individuals (1%)	2 914 608	0.34%	2 951 045	0.36%
3	Social tax withheld from employer (25%)	89 791 765	10.38%	92 967 278	11.27%
4	Income taxes, including advance payment	149 308 483	17.27%	156 997 259	19.03%
5	Net income tax of permanent establishment of foreign legal entity	0	0.00%	0	0.00%
6	Dividend tax	13 220 469	1.53%	2 000 000	0.24%
7	Non-resident tax income from sources of the Republic of Tajikstan	21 742 161	2.51%	0	0.00%
8	Value-added tax on the supply of goods, works and services	39 343 063	4.55%	103 245 681	12.52%
9	Value added tax deducted from non-residents	3 967 650	0.46%	20 794 999	2.52%
10	Excise tax on goods produced on the territory of the Republic of Tajikistan	74 900	0.01%	74 900	0.01%
11	Land tax	264 128	0.03%	290 102	0.04%
12	Real estate tax	1 847 261	0.21%	1 999 157	0.24%
13	On-road users tax	49 080 399	5.68%	54 132 947	6.56%
14	Taxes on vehicles	1 396 605	0.16%	1 393 171	0.17%
15	Subscription bonus for geological study of subsoil	0	0.00%	0	0.00%
16	Subscription bonus for extraction	17 574 513	2.03%	0	0.00%
17	Commercial discovery bonus	914 278	0.11%	0	0.00%
18	Royalties for extraction	231 310 177	26.75%	273 278 239	33.13%
19	Royalties for water	870 965	0.10%	0	0.00%
20	Tax paid by small business entities (simplified tax)	627 975	0.07%	627 975	0.08%
21	Other taxes, including fines and penalties	174 581 571	20.19%	0	0.00%
	Total	864 714 808	100.00%	824 915 472	100.00%

As it can be seen from the table, the main amount of the tax payments was the following:

1. For 2015 they were: royalties for production, income tax withheld from individuals, income tax, including advance payments, social tax from the employer and a subscription bonus for production, as well as other taxes, which include additional tax liabilities paid by the companies on the basis of acts of inspection of the tax authority and/or the Chamber of Accounts and net income tax.

2. For 2016 they were: royalties for production, income tax withheld from individuals, income tax, including advance payments, social tax from the employer and tax on road users and other taxes which included additional tax liabilities paid by the companies for basis of acts of inspection of the tax authority and/or the Chamber of Accounts and net income tax.

3.2.4 Aggregated cash flows on customs payments

As a result of payment reconciliation, the total aggregated cash flows on customs payments for 2015 amounted to 105,377,537 somoni - according to companies and 131,340,158 somoni - according to the state bodies, in 2016 they totaled 108,679,344 somoni - according to companies and 137,761 805 somoni - according to the state bodies. All payments are divided into 3 categories, which are listed in the table:

	Type of payment	Amount in somoni		Discrepancies		Percentage of unexplained discrepancies
		According to companies	According to the Customs Committee	Unexplained discrepancies	One-sided	
1	Customs duties	43 552 701	29 375 642	-21 946 214	7 769 155	-50.39%
2	Customs collection	1 368 704	2 159 877	308 573	482 600	22.54%
3	Value-added tax on goods imported into the territory of the Republic of Tajikistan	59 869 515	96 920 299	24 161 937	12 888 846	40.36%
4	Excise tax on goods imported into the Republic of Tajikistan	586 617	1 613 833	990 302	36 914	168.82%
5	Other payment	0	1 270 507	848 187	422 320	66.76%
	Total	**105 377 537**	**131 340 158**	**4 362 786**	**21 599 836**	**4.14%**

The information on customs payments by types for 2016 is provided below:

	Type of payment	Amount in somoni		Discrepancies		Percentage of unexplained discrepancies
		According to companies	According to the Customs Committee	Unexplained discrepancies	One-sided	
1	Customs duties	47 553 313	32 186 646	-25 792 553	10 425 886	-54.24%
2	Customs collection	2 291 135	2 918 097	162 685	464 276	7.10%
3	Value-added tax on goods imported into the territory of the Republic of Tajikistan	57 969 070	97 200 835	22 609 340	16 622 425	39.00%
4	Excise tax on goods imported into the Republic of Tajikistan	865 826	5 427 627	4 548 030	13 771	525.28%
5	Other payment	0	28 600	28 600	0	100.00%
	Total	**108 679 344**	**137 761 805**	**1 556 103**	**27 526 358**	**1.43%**

The information on the share of each type of customs payments for 2015-2016 is provided below:

2015

№	Name of payment	According to companies		According to the Customs Committee	
		Somoni	Percentage	Somoni	Percentage
1	Customs duties	43 552 701	41.33%	29 375 642	22.37%
2	Customs collection	1 368 704	1.30%	2 159 877	1.64%
3	Value-added tax on goods imported into the territory of the Republic of Tajikistan	59 869 515	56.81%	96 920 299	73.79%
4	Excise tax on goods imported into the Republic of Tajikistan	586 617	0.56%	1 613 833	1.23%
5	Other	0	0.00%	1 270 507	0.97%
	Total	**105 377 537**	**100.00%**	**131 340 158**	**100.00%**

2016

№	Name of payment	According to companies		According to the Customs Committee	
		Somoni	Percentage	Somoni	Percentage
1	Customs duties	47 553 313	43.76%	32 186 646	23.36%
2	Customs collection	2 291 135	2.11%	2 918 097	2.12%
3	Value-added tax on goods imported into the territory of the Republic of Tajikistan	57 969 070	53.34%	97 200 835	70.56%
4	Excise tax on goods imported into the Republic of Tajikistan	865 826	0.80%	5 427 627	3.94%
5	Other	0	0.00%	28 600	0.02%
	Total	**108 679 344**	**100.00%**	**137 761 805**	**100.00%**

The main share of customs payments for 2015-2016 falls to VAT when importing goods into the territory of the Republic of Tajikistan and customs duties, which in average made up 96.16% and 93.92% of the amount of all customs payments for 2015 and 2016, respectively.

3.2.5 The aggregate cash flows of other substantial payments

As a result of the payments reconciliation, total aggregate cash flows of other substantial payments for 2015 and 2016 totaled 18,624,937 and 39,990,765 somoni accordingly. This data was presented by companies and have not been reconciled with the data of the state bodies, since no responsible state bodies have been assigned for this data, which would have to provide information in the reconciliation proces. Other substantial payments are divided into 13 categories, which are listed in the table below:

2015			
№	Name of payment	According to companies	
		Amount in somoni	Percentage
1	Payments for compulsory types of insurance	566 969	3.04%
2	Concession fee	0	0.00%
3	Dividends paid for state-owned shares (*)	15 998 421	85.90%
4	The fee for the state share, repurchased by the company(*)	0	0.00%
5	State fee and a fee for the issuance of licenses for the use of mineral resources	10 100	0.05%
6	Fees and charges for registration of land use rights	0	0.00%
7	Compensation for loss of profits in the provision of land	8 560	0.05%
8	Compensation for losses of agricultural production and losses of crops	0	0.00%
9	Compensation for losses of forestry production	0	0.00%
10	Payments for expertise, obtaining of permits and approvals of projects works (DED, EIA, etc.)	544 628	2.92%
11	The fee for pollution and compensation for damage caused to the environment	1 281 918	6.88%
12	Mandatory payments for issuing of certificates and other permits	105 497	0.57%
13	Fees established by the agreements reached with the Government of the Republic of Tajikistan	108 844	0.58%
	Total	**18 624 937**	**100%**

2016			
№	Name of payment	According to companies	
		Amount in somoni	Percentage
1	Payments for mandatory classes of insurance	1 561 952	3.91%
2	Concession fee	0	0.00%
3	Dividends paid for the state-owned shares	11 176 790	27.95%
4	The fee for the state share repurchased by the company (*)	0	0.00%
5	State fee and license fees for the right to use mineral resources	0	0.00%

6	Fees and charges for registration of land use rights	6 000 000	15.00%
7	Compensation for loss of profits in the provision of land	8 980	0.02%
8	Compensation for losses of agricultural production and losses of crops	0	0.00%
9	Compensation for losses in forestry production	0	0.00%
10	Payments for expertise, obtaining of permits and approvals of projects works (DED, EIA)	868 820	2.17%
11	The fee for pollution and compensation for damage caused to the environment	20 218 697	50.56%
12	Mandatory payments for issuing of certificates and other permits	155 526	0.39%
13	Fees established by the agreements reached with the Government of the Republic of Tajikistan	0	0.00%
	Total	**39 990 765**	**100%**

As it can be seen from the table above, the main share of other significant payments was the payment for pollution of the environment and compensation for damage to the environment, and dividends paid to the state shareholding, as well as payments for compulsory types of insurance.

The payment of dividends is increased due to the fact that according to the Law of RoT No.1188 as of March 18, 2015, amendments and changes were introduced to the Tax Code, in the Part 28 of Article 17 of the TC RoT on the distribution of net profit:

"f within six calendar months upon the expiration of the reporting year no decision has been made on the use of profits left after taxation, irrespective of its further use, for profit tax purposes, this profit is deemed to be distributed among the shareholders (Members)".

In view of this, the companies started not only to pay taxes associated with the payment of dividends, but also the dividends.

The main share of the paid dividends for 2015 falls on LL JV "Zarafshan" - 10.352 million somoni (or 65%), followed by JSC "Tajik Sement" - 3.26 million somoni (or 20%) and JLLC "Petroleum Sughd" - 2,385 million somoni (15%) and in 2016: LLC JV Zarafshan - 6.222 million somoni (or 56%), followed by JSC "Tajik Cement" - 2.600 million somoni (or 23%) and JLLC "Petroleum Sughd"- 2.354 million somoni (21%).

In 2016 LLC JV "Zarafshan" paid 6 million somoni as compensation for the use of land without certification based on the act of audit of the Agency for State Financial Control and Fight against Corruption.

Also, a significant share in the section "other substantial payments" is the payment for pollution of the environment and compensation for damage to the environment, which amounted to 6.88% for 2015 and 50.56% for 2016. The breakdown by companies is as follows:

2015		2016	
Amount in somoni	**Share to total expenditure of this article, in %**	**Amount in somoni**	**Share to total expenditure of this article, in %**

LLC JV “Zarafshan”	473 220	36.92%	19 520 918	96.55%
JTC LLC “Aprelevka”	366 059	28.56%	200 000	0.99%
JSC “Tajik Cement”	32 414	2.53%	-	-
LLC “Talco Resource”	90 956	7.10%	114 196	0.56%
TA LLC JV “Anzob”	208 527	16.27%	219 186	1.08%
Other	110 741	8.64%	164 397	0.81%
	1 281 918	**100%**	**20 218 697**	**100%**

3.2.6 Aggregate cash flows for additional costs

Total aggregated cash flows for additional costs of companies for 2015 and 2016 were 28,350,078 and 37,183,912 somoni, respectively. This data was submitted by the companies and were not reconciled with the data of the state bodies, since no responsible state bodies have been assigned for this data that would have information to provide during the reconciliation process. Additional costs are divided into 4 categories, which are listed below in the table:

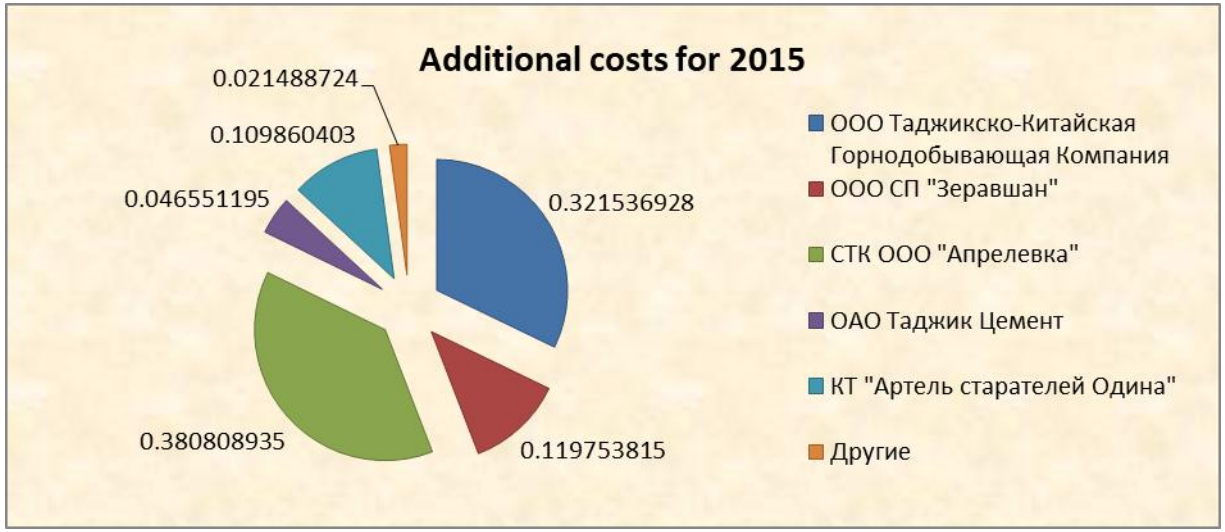
2015			
№	Name of payment	According to companies	
		Amount in somoni	Percentage
1	Education support	1 234 005	4.35%
2	Social infrastructure support	5 145 736	18.15%
3	Expenses for transportation of mineral resource	20 988 178	74.03%
4	Quasi-fiscal expenses	982 159	3.46%
5	**Total**	**28 350 078**	**100.00%**

2016			
№	Name of payment	According to companies	
		Amount in somoni	Percentage
1	Education support	1 554 220	4.18%
2	Social infrastructure support	6 121 600	16.46%
3	Expenses for transportation of mineral resource	27 884 085	74.99%
4	Quasi-fiscal expenses	1 624 007	4.37%
5	**Total**	**37 183 912**	**100.00%**

The main share of additional costs of companies for 2015 and 2016 are expenses for mineral resources - 74.03% and 74.99% of total expenditures for this section for 2015 and 2016. The item “Expenses for transportation of mineral resources” had to include all payments for transportation to the state and state companies. During reconciliation process, some companies provided data on this line, but after familiarization with these costs, it was found that the main part of these costs is internal expenses of the companies and/or paid by transport companies, and these amounts were not paid to the state or state companies; also we could not receive a satisfactory explanation regarding these payments on some companies and the Independent Administrator decided not to exclude the data from the Report, but to submit for consideration by the MSG.

The main companies, which account for a substantial share of additional costs are the following:
For 2015:

	Education support	Social infrastructure support	Expenses for transportation of mineral resource	Quasi-fiscal expenses	Total	In %
LLC “Tajik-Chinese Mining Company”	-	680 063	8 435 534	-	9 115 597	32.15%
LLC JV “Zarafshan”	-	3 395 030	-	-	3 395 030	11.98%
JTC LLC “Aprelevka”	54 038	-	9 777 996	963 929	10 795 963	38.08%
JSC "Tajik Cement"	-	-	1 319 730	-	1 319 730	4.66%
CC “Odina Gold-Mining Cooperative”	1 113 115	837 341	1 164 095	-	3 114 551	10.99%
Other	66 852	233 302	290 823	18 230	609 207	2.15%
	1 234 005	**5 145 736**	**20 988 178**	**982 159**	**28 350 078**	**100%**



For 2016:

	Education support	Social infrastructure support	Expenses for transportation of mineral resource	Quasi-fiscal expenses	Total	In %
LLC “Tajik-Chinese Mining Company”	-	1 299 386	13 736 913	-	15 036 299	40.44%
LLC JV “Zarafshan”	-	3 249 855	-	-	3 249 855	8.74%
JTC LLC “Aprelevka”	77 051	-	11 218 989	1 243 966	12 540 006	33.72%
JSC "Tajik Cement"	-	-	1 460 667	-	1 460 667	3.93%
CC “Odina Gold-Mining Cooperative”	1 343 247	743 930	840 300	-	2 927 477	7.87%
TA LLC JV “Anzob”	104 473	555 494	525 516	-	1 185 483	3.19%
Other	29 449	272 935	101 700	380 041	784 125	2.11%
	29 449	**272 935**	**101 700**	**380 041**	**784 125**	**2.11%**

3.2.7 Aggregate cash flows by type of companies' activity (oil and gas and mining sector)

In order to calculate the aggregate cash flows by types of activity for 2015-2016, all companies were divided into two groups by type of activity - oil and gas and mining sector. The breakdown of companies by these sectors is as follows:

№	Name of company	Sector
1	LLC "Tajik-Chinese Mining Company"	Mining
2	LLC JV "Zarafshan"	Mining
3	JTC LLC "Aprelevka"	Mining
4	JSC "Tajik Cement"	Mining
5	"Fon-Yagnob" Mine, subsidiary enterprise SUE "Angishti Tojik"	Mining
6	Branch of LLC "Total E& P Tajikistan B.V"	Oil and Gas
7	JLLC "Petroleum Sughd"	Oil and Gas
8	RSBSE "Tilloi Tojik"	Mining
9	Branch of LLC "CNPC Central Asia B.V."	Oil and Gas
10	LLC "Bokhtar Operating Company"	Oil and Gas
11	OJSC "Combinati Masolehi Binokorii Isfara"	Mining
12	LLC "B.Samadov Cement Plant", Isfara	Mining
13	OJSC "Oil&Gas"	Oil and Gas
14	CC "Odina Gold-Mining Cooperative"	Mining
15	LLC "Guli Murod"	Mining
16	LLC " Talco Resource"	Mining
17	LLC "Salosa"	Oil and Gas
18	"Nazar-Aylok", Coal Mine, SE SUE "Angishti Tojik"	Mining
19	LLC "Nuri Shams"	Mining
20	LLC "Pakrut"	Mining
21	LLC "Barakati Istiklol"	Mining
22	TA LLC JV "Anzob"	Mining
23	LLC "Huaxin Guyur Cement"	Mining
24	OJSC "Avicenna"	Mining
25	LLC "Huaxin Gajur Sughd Cement"	Mining
26	LLC "Sughd Cement"	Mining
27	OJSC "Angisht"	Mining
28	LLC "Broadtec Tajikistan Mining Investment Limited"	Mining
29	LLC "Creative"	Mining

Based on the payments reconciliation, the total aggregated cash flows by types of activity for 2015 and 2016 are shown below.

Total cash flows by types of activity, according to companies:

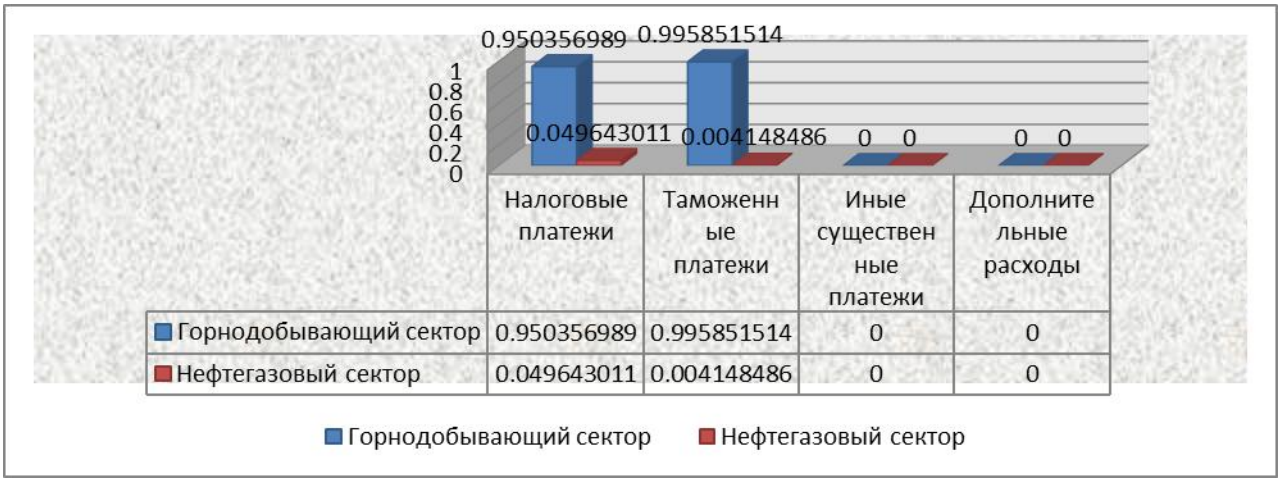
2015					
№	Types of payments	Amount in somoni		Share in %	
		Mining sector	Oil and Gas Sector	Mining sector	Oil and Gas Sector
1	Tax payments	551 591 709	32 585 224	94.42%	5.58%
2	Customs payments	104 865 555	511 982	99.51%	0.49%
3	Other substantial payments	16 136 798	2 488 139	86.64%	13.36%
4	Additional costs	28 277 718	72 360	99.74%	0.26%
	Total	**700 871 780**	**35 657 705**	**95.16%**	**4.84%**

2016					
№	Types of payments	Amount in somoni		Share in %	
		Mining sector	Oil and Gas Sector	Mining sector	Oil and Gas Sector
1	Tax payments	747 136 847	117 577 961	86.40%	13.60%
2	Customs payments	108 647 912	31 432	99.97%	0.03%
3	Other substantial payments	37 475 741	2 515 024	93.71%	6.29%
4	Additional costs	37 052 050	131 862	99.65%	0.35%
	Total	**930 312 550**	**120 256 279**	**88.55%**	**11.45%**

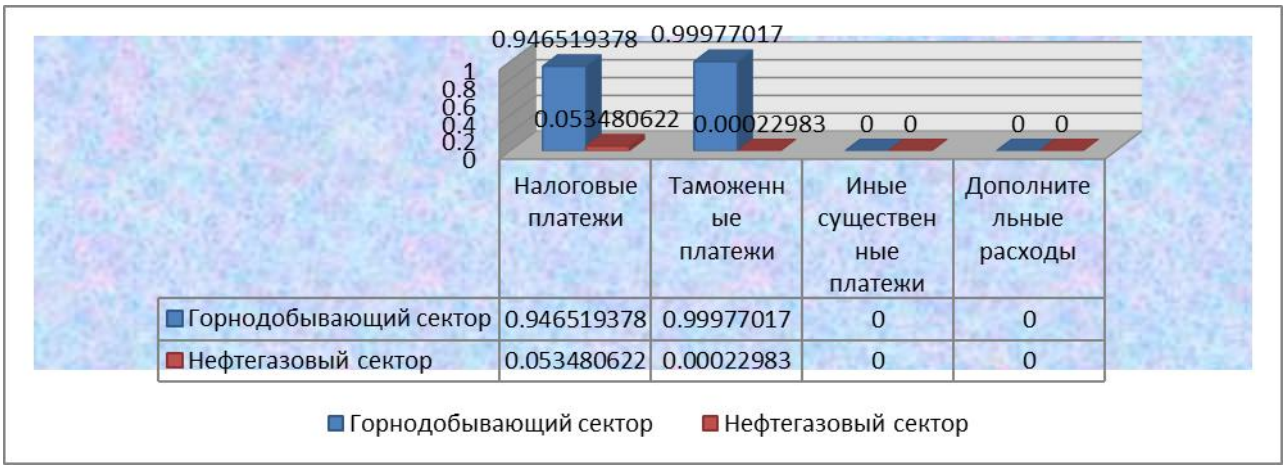
As it can be seen from the table above, according to companies during 2015 and 2016, the main payment - 95.16% and 88.55% respectively was made by the mining companies.

Total cash flows by types of activity, according to the state bodies:

2015					
№	Types of payments	Amount in somoni		Share in %	
		Mining sector	Oil and Gas Sector	Mining sector	Oil and Gas Sector
1	Tax payments	613 693 539	32 057 001	95.04%	4.96%
2	Customs payments	130 795 295	544 863	99.59%	0.41%
3	Other substantial payments	0	0	0.00%	0.00%
4	Additional costs	0	0	-	-
	Total	**744 488 834**	**32 601 864**	**95.80%**	**4.20%**



2016					
№	Types of payments	Amount in somoni		Share in %	
		Mining sector	Oil and Gas Sector	Mining sector	Oil and Gas Sector
1	Tax payments	780 798 480	44 116 992	94.65%	5.35%
2	Customs payments	137 730 143	31 662	99.98%	0.02%
3	Other substantial payments	0	0	0.00%	0.00%
4	Additional costs	0	0	-	-
	Total	**918 528 623**	**44 148 654**	**95.41%**	**4.59%**



According to the state bodies, the main payment for 2015 and 2016 - 95.80% and 95.41% respectively was made by mining companies.

3.2.8 Aggregated cash flows for individual companies

Information on companies

2015										
№	Name of company	Tax payments		Customs payments		Other substantial payments		Additional costs		Total Payments	
		Somoni	Share in %	Somoni	Share in %	Somoni	Share in %	Somoni	Share in %	Somoni	Share in %
1	LLC “Tajik-Chinese Mining Company”	217 076 060	37.16%	23 588 196	22.38%	72 236	0.39%	9 115 597	32.15%	249 852 089	33.92%
2	LLC JV “Zarafshan”	145 358 891	24.88%	27 200 000	25.81%	11 210 169	60.19%	3 395 030	11.98%	187 164 090	25.41%
3	JTC LLC “Aprelevka”	24 132 285	4.13%	2 774 683	2.63%	459 552	2.47%	10 795 963	38.08%	38 162 483	5.18%
4	JSC "Tajik Cement"	48 807 016	8.35%	398 791	0.38%	3 323 793	17.85%	1 319 730	4.66%	53 849 330	7.31%
5	“Fon-Yagnob” Mine, subsidiary enterprise SUE “Angishti Tojik”	18 876 444	3.23%	207 764	0.20%	197 659	1.06%	25 877	0.09%	19 307 744	2.62%
6	Branch of LLC “Total E& P Tajikistan B.V”	10 574 624	1.81%	0	0.00%	0	0.00%	0	0.00%	10 574 624	1.44%
7	JLLC “Petroleum Sughd”	5 338 134	0.91%	437 734	0.42%	2 457 772	13.20%	58 368	0.21%	8 292 008	1.13%
8	RSBSE “Tilloi Tojik”	8 099 903	1.39%	0	0.00%	6 480	0.03%	0	0.00%	8 106 383	1.10%
9	Branch of LLC “CNPC Central Asia B.V”	7 614 181	1.30%	0	0.00%	942	0.01%	0	0.00%	7 615 123	1.03%
10	LLC “Bokhtar Operating Company”	4 935 814	0.84%	74 248	0.07%	0	0.00%	2 112	0.01%	5 012 174	0.68%
11	OJSC “Combinati Masolehi Binokorii Isfara”	2 957 688	0.51%	423 800	0.40%	22 652	0.12%	38 000	0.13%	3 442 140	0.47%
12	LLC “B.Samadov Cement Plant”, Isfara	3 566 275	0.61%	238 404	0.23%	21 000	0.11%	31 588	0.11%	3 857 267	0.52%
13	OJSC “Oil&Gas”	903 818	0.15%	0	0.00%	29 425	0.16%	11 880	0.04%	945 123	0.13%
14	CC “Odina Gold-Mining Cooperative”	9 983 726	1.71%	321 608	0.31%	27 000	0.14%	3 114 551	10.99%	13 446 885	1.83%

15	LLC “Guli Murod”	2 360 205	0.40%	0	0.00%	2 806	0.02%	0	0.00%	2 363 011	0.32%
16	LLC “Talco Resource”	6 118 005	1.05%	0	0.00%	98 336	0.53%	0	0.00%	6 216 341	0.84%
17	LLC “Salosa”	3 218 653	0.55%	0	0.00%	0	0.00%	0	0.00%	3 218 653	0.44%
18	“Nazar-Aylok” Coal Mine, SE SUE “Angishti Tojik”	1 215 355	0.21%	0	0.00%	0	0.00%	0	0.00%	1 215 355	0.17%
19	LLC “Nuri Shams”	1 296 947	0.22%	0	0.00%	0	0.00%	0	0.00%	1 296 947	0.18%
20	LLC “Pakrut”	26 758 166	4.58%	39 507 543	37.49%	30 143	0.16%	60 000	0.21%	66 355 852	9.01%
21	LLC “Barakati Istiklol”	1 806 170	0.31%	0	0.00%	111 640	0.60%	15 000	0.05%	1 932 810	0.26%
22	TA LLC JV “Anzob”	18 916 823	3.24%	6 057 582	5.75%	547 331	2.94%	366 382	1.29%	25 888 118	3.51%
23	LLC “Huaxin Guyur Cement”	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
24	OJSC “Avicenna”	4 530 068	0.78%	3 081 925	2.92%	0	0.00%	0	0.00%	7 611 993	1.03%
25	LLC “Huaxin Gajur Sughd Cement”	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
26	LLC “Sughd Cement”	3 303 764	0.57%	790 570	0.75%	0	0.00%	0	0.00%	4 094 334	0.56%
27	OJSC “Angisht”	3 144 670	0.54%	0	0.00%	6 000	0.03%	0	0.00%	3 150 670	0.43%
28	LLC “Broadtec Tajikistan Mining Investment Limited”	2 753 174	0.47%	103 351	0.10%	0	0.00%	0	0.00%	2 856 525	0.39%
29	LLC “Creative”	530 075	0.09%	171 338	0.16%	0	0.00%	0	0.00%	701 413	0.10%
	Total	**584 176 933**	**100%**	**105 377 537**	**100%**	**18 624 937**	**100%**	**28 350 078**	**100%**	**736 529 485**	**100%**

2016											
№	**Name of company**	**Tax payments**		**Customs payments**		**Other substantial payments**		**Additional costs**		**Total Payments**	
		Somoni	**Share in %**	**Somoni**	**Share in %**	**Somoni**	**Share in %**	**Somoni**	**Share in %**	**Somoni**	**Share in %**
1	LLC “Tajik-Chinese Mining Company”	294 660 581	34.08%	57 947 404	53.32%	76 268	0.19%	15 036 299	40.44%	367 720 552	35.00%
2	LLC JV “Zarafshan”	230 433 800	26.65%	31 500 000	28.98%	33 139 126	82.87%	3 249 855	8.74%	298 322 781	28.40%
3	JTC LLC “Aprelevka”	34 789 330	4.02%	6 311 789	5.81%	261 331	0.65%	12 540 006	33.72%	53 902 456	5.13%
4	JSC "Tajik Cement"	39 930 164	4.62%	341 541	0.31%	2 630 713	6.58%	1 460 667	3.93%	44 363 085	4.22%

5	“Fon-Yagnob” Mine, subsidiary enterprise SUE “Angishti Tojik”	22 515 808	2.60%	4 000	0.00%	398 716	1.00%	391 666	1.05%	23 310 190	2.22%
6	Branch of LLC “Total E& P Tajikistan B.V”	75 078 380	8.68%	0	0.00%	0	0.00%	0	0.00%	75 078 380	7.15%
7	JLLC “Petroleum Sughd”	11 922 451	1.38%	0	0.00%	2 470 058	6.18%	124 850	0.34%	14 517 359	1.38%
8	RSBSE “Tilloi Tojik”	8 001 084	0.93%	705 606	0.65%	70 889	0.18%	0	0.00%	8 777 579	0.84%
9	Branch of LLC “CNPC Central Asia B.V”	7 175 493	0.83%	0	0.00%	228	0.00%	0	0.00%	7 175 721	0.68%
10	LLC “Bokhtar Operating Company”	20 443 196	2.36%	0	0.00%	0	0.00%	0	0.00%	20 443 196	1.95%
11	OJSC “Combinati Masolehi Binokorii Isfara”	2 237 749	0.26%	357 520	0.33%	15 703	0.04%	39 450	0.11%	2 650 422	0.25%
12	LLC “B.Samadov Cement Plant”, Isfara	2 509 427	0.29%	385 344	0.35%	10 500	0.03%	51 147	0.14%	2 956 418	0.28%
13	OJSC “Oil&Gas”	1 035 985	0.12%	0	0.00%	44 738	0.11%	7 012	0.02%	1 087 735	0.10%
14	CC “Odina Gold-Mining Cooperative”	13 356 750	1.54%	0	0.00%	41 000	0.10%	2 927 477	7.87%	16 325 227	1.55%
15	LLC “Guli Murod”	4 584 330	0.53%	0	0.00%	8 720	0.02%	0	0.00%	4 593 050	0.44%
16	LLC “ Talco Resource”	13 641 412	1.58%	0	0.00%	128 446	0.32%	0	0.00%	13 769 858	1.31%
17	LLC “Salosa”	1 922 456	0.22%	31 432	0.03%	0	0.00%	0	0.00%	1 953 888	0.19%
18	“Nazar-Aylok” Coal Mine, SE SUE “Angishti Tojik”	295 166	0.03%	0	0.00%	0	0.00%	0	0.00%	295 166	0.03%
19	LLC “Nuri Shams”	2 230 640	0.26%	0	0.00%	0	0.00%	0	0.00%	2 230 640	0.21%
20	LLC Pakrut”	23 009 304	2.66%	2 688 826	2.47%	54 375	0.14%	150 000	0.40%	25 902 505	2.47%
21	LLC “Barakati Istiklol”	2 872 651	0.33%	107 013	0.10%	4 540	0.01%	20 000	0.05%	3 004 204	0.29%
22	TA LLC JV “Anzob”	42 217 534	4.88%	5 600 123	5.15%	629 414	1.57%	1 185 483	3.19%	49 632 554	4.72%
23	LLC “Huaxin Guyur Cement”	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
24	OJSC “Avicenna”	3 191 425	0.37%	2 087 459	1.92%	0	0.00%	0	0.00%	5 278 884	0.50%
25	LLC “Huaxin Gajur Sughd Cement”	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%

26	LLC “Sughd Cement”	3 662 822	0.42%	585 134	0.54%	0	0.00%	0	0.00%	4 247 956	0.40%
27	OJSC “Angisht”	2 649 180	0.31%	0	0.00%	6 000	0.02%	0	0.00%	2 655 180	0.25%
28	LLC “Broadtec Tajikistan Mining Investment Limited”	129 091	0.01%	0	0.00%	0	0.00%	0	0.00%	129 091	0.01%
29	LLC “Creative”	218 599	0.03%	26 153	0.02%	0	0.00%	0	0.00%	244 752	0.02%
	Total	**864 714 808**	**100%**	**108 679 344**	**100%**	**39 990 765**	**100%**	**37 183 912**	**100%**	**1 050 568 829**	**100%**

Information on state bodies

		2015					
		Tax payment		Custom payment		Total payment	
№	Name of company	Somoni	Share in %	Somoni	Share in %	Somoni	Share in %
1	LLC “Tajik-Chinese Mining Company”	205 075 422	31.76%	16 138 010	12.29%	221 213 432	28.47%
2	LLC JV “Zarafshan”	117 399 623	18.18%	32 161 082	24.49%	149 560 705	19.25%
3	JTC LLC “Aprelevka”	23 548 758	3.65%	2 891 649	2.20%	26 440 407	3.40%
4	JSC "Tajik Cement"	27 956 834	4.33%	3 756 641	2.86%	31 713 475	4.08%
5	“Fon-Yagnob” Mine, subsidiary enterprise SUE “Angishti Tojik”	18 373 769	2.85%	0	0.00%	18 373 769	2.36%
6	LLC “Total E& P Tajikistan B.V”	10 574 068	1.64%	0	0.00%	10 574 068	1.36%
7	JLLC “Petroleum Sughd”	5 316 224	0.82%	466 699	0.36%	5 782 923	0.74%
8	RSBSE “Tilloi Tojik”	7 987 367	1.24%	0	0.00%	7 987 367	1.03%
9	Branch of LLC “CNPC Central Asia B.V”	7 614 181	1.18%	0	0.00%	7 614 181	0.98%
10	LLC “Bokhtar Operating Company”	4 935 813	0.76%	78 164	0.06%	5 013 977	0.65%

11	OJSC “Combinati Masolehi Binokorii Isfara”	2 657 552	0.41%	663 069	0.50%	3 320 621	0.43%
12	LLC “B.Samadov Cement Plant”, Isfara	3 036 704	0.47%	224 383	0.17%	3 261 087	0.42%
13	OJSC “Oil&Gas”	903 818	0.14%	0	0.00%	903 818	0.12%
14	CC “Odina Gold-Mining Cooperative”	9 225 400	1.43%	318 403	0.24%	9 543 803	1.23%
15	LLC “Guli Murod”	1 949 123	0.30%	0	0.00%	1 949 123	0.25%
16	LLC “ Talco Resource”	6 035 081	0.93%	113 203	0.09%	6 148 284	0.79%
17	LLC “Salosa”	2 712 897	0.42%	0	0.00%	2 712 897	0.35%
18	“Nazar-Aylok” Coal Mine, SE SUE “Angishti Tojik”	1 117 151	0.17%	0	0.00%	1 117 151	0.14%
19	LLC “Nuri Shams”	1 269 405	0.20%	0	0.00%	1 269 405	0.16%
20	LLC “Pakrut”	21 040 164	3.26%	42 382 902	32.27%	63 423 066	8.16%
21	LLC “Barakati Istiklol”	1 801 024	0.28%	0	0.00%	1 801 024	0.23%
22	TA LLC JV “Anzob”	17 046 425	2.64%	6 173 551	4.70%	23 219 976	2.99%
23	LLC “Huaxin Guyur Cement”	130 655 457	20.23%	18 573 238	14.14%	149 228 695	19.20%
24	OJSC “Avicenna”	4 251 087	0.66%	3 127 123	2.38%	7 378 210	0.95%
25	LLC “Huaxin Gajur Sughd Cement”	2 358 731	0.37%	3 026 597	2.30%	5 385 328	0.69%
26	LLC “Sughd Cement”	2 903 582	0.45%	836 426	0.64%	3 740 008	0.48%
27	OJSC “Angisht”	3 088 506	0.48%	0	0.00%	3 088 506	0.40%
28	LLC “Broadtec Tajikistan Mining Investment Limited”	2 753 176	0.43%	103 351	0.08%	2 856 527	0.37%
29	LLC “Creative”	2 163 198	0.33%	305 667	0.23%	2 468 865	0.32%
	Total	**645 750 540**	**100%**	**131 340 158**	**100%**	**777 090 698**	**100%**

№	Name of company	2016					
		Tax payments		Customs payments		Total Payments	
		Somoni	Share in %	Somoni	Share in %	Somoni	Share in %
1	LLC “Tajik-Chinese Mining Company”	281 636 405	34.14%	58 107 607	42.18%	339 744 013	35.29%
2	LLC JV “Zarafshan”	150 416 135	18.23%	32 161 082	23.35%	182 577 217	18.97%
3	JTC LLC “Aprelevka”	34 175 891	4.14%	6 299 075	4.57%	40 474 965	4.20%
4	JSC "Tajik Cement"	35 247 551	4.27%	341 541	0.25%	35 589 092	3.70%
5	“Fon-Yagnob” Mine, subsidiary enterprise SUE “Angishti Tojik”	21 504 680	2.61%	405 590	0.29%	21 910 270	2.28%
6	LLC “Total E& P Tajikistan B.V”	7 613 877	0.92%	0	0.00%	7 613 877	0.79%
7	JLLC “Petroleum Sughd”	11 922 450	1.45%	0	0.00%	11 922 450	1.24%
8	RSBSE “Tilloi Tojik”	8 001 084	0.97%	705 607	0.51%	8 706 691	0.90%
9	Branch of LLC “CNPC Central Asia B.V”	2 938 832	0.36%	0	0.00%	2 938 832	0.31%
10	LLC “Bokhtar Operating Company”	18 683 947	2.26%	229	0.00%	18 684 176	1.94%
11	OJSC “Combinati Masolehi Binokorii Isfara”	2 237 749	0.27%	456 628	0.33%	2 694 377	0.28%
12	LLC “B.Samadov Cement Plant”, Isfara	2 504 975	0.30%	333 858	0.24%	2 838 833	0.29%
13	OJSC “Oil&Gas”	1 035 985	0.13%	0	0.00%	1 035 985	0.11%
14	CC “Odina Gold-Mining Cooperative”	12 655 352	1.53%	0	0.00%	12 655 352	1.31%
15	LLC “Guli Murod”	4 584 330	0.56%	0	0.00%	4 584 330	0.48%
16	LLC “ Talco Resource”	13 641 411	1.65%	0	0.00%	13 641 411	1.42%
17	LLC “Salosa”	1 921 901	0.23%	31 432	0.02%	1 953 333	0.20%

18	“Nazar-Aylok” Coal Mine, SE SUE “Angishti Tojik”	295 166	0.04%	0	0.00%	295 166	0.03%
19	LLC “Nuri Shams”»	1 909 740	0.23%	0	0.00%	1 909 740	0.20%
20	LLC Pakrut”	23 808 310	2.89%	2 689 077	1.95%	26 497 387	2.75%
21	LLC “Barakati Istiklol”	2 878 994	0.35%	107 013	0.08%	2 986 007	0.31%
22	TA LLC JV “Anzob”	42 215 029	5.12%	5 601 144	4.07%	47 816 173	4.97%
23	LLC “Huaxin Guyur Cement”	119 432 067	14.48%	16 401 365	11.91%	135 833 432	14.11%
24	OJSC “Avicenna”	2 491 425	0.30%	2 303 585	1.67%	4 795 010	0.50%
25	LLC “Huaxin Gajur Sughd Cement”	11 301 755	1.37%	11 124 993	8.08%	22 426 748	2.33%
26	LLC “Sughd Cement”	3 662 822	0.44%	665 825	0.48%	4 328 647	0.45%
27	OJSC “Angisht”	2 649 180	0.32%	0	0.00%	2 649 180	0.28%
28	LLC “Broadtec Tajikistan Mining Investment Limited”	111 456	0.01%	0	0.00%	111 456	0.01%
29	LLC “Creative”	3 436 973	0.42%	26 153	0.02%	3 463 126	0.36%
	Total	**824 915 472**	**100%**	**137 761 805**	**100%**	**962 677 277**	**100%**

The main part of all payments falls on five companies: LLC JV “Zarafshan”, LLC “Tajik-Chinese Mining Company”, LLC “Pakrut”, OJSC “Huaxin Gaiur Cement” and JTC LLC “Aprelevka”

3.3. GENERAL COMMENTS ON UNCLARIFIED DISCREPANCIES

3.3.1 General unclarified discrepansies by type of payments

During reconciliation, all discrepancies and differences to which respective explanations, signed reconciliation statements and other supporting documents were given have been discussed and adjusted. As a result of reconciliation of the payments, general unclarified discrepancies related to all types of payments for 2015 totaled 61,573,607 somoni on tax payments and 25,962,621 somoni on customs payments, and 39,799,336 somoni on tax payments and 29,082,461 somoni on customs payments for 2016. All differences are shown in the table below:

2015				
Tax payment	**According to the company**	**According to the state bodies**	**Discrepancy**	**Discrepancy**
	Somoni	**Somoni**	**Somoni**	**in %**
Income tax withheld from individuals	90 717 899	137 358 490	46 640 591	51.41%
Social tax withheld from individuals (1%)	2 406 681	2 649 379	242 698	10.08%
Social tax paid by the employer (25%)	76 023 923	82 106 233	6 082 311	8.00%
Income taxes, including advance payment	86 338 919	86 393 468	54 549	0.06%
Net income tax of permanent establishment of foreign legal entity	0	0	0	0.00%
Dividend tax	1 193 894	0	-1 193 894	-100.00%
Non-resident tax income from sources of the Republic of Tajikstan	33 688 314	0	-33 688 314	-100.00%
Value-added tax on the supply of goods, works and services	41 837 391	127 734 602	85 897 211	205.31%
Value added tax deducted from non-residents	4 202 780	12 650 961	8 448 181	201.01%
Excise tax on goods produced on the territory of the Republic of Tajikistan	91 000	91 000	0	0.00%
Land tax	397 160	432 332	35 173	8.86%
Tax on real estate	2 012 664	2 064 640	51 976	2.58%
Road users tax	24 202 646	29 285 712	5 083 065	21.00%
Vehicle tax	918 937	984 944	66 007	7.18%
Subscription bonus for geological study of subsoil	1 448 518	0	-1 448 518	-100.00%
Subscription bonus for extraction	35 668 028	0	-35 668 028	-100.00%
Commercial discovery bonus	918 151	25	-918 126	-100.00%
Royalties for extraction	125 149 832	163 941 915	38 792 083	31.00%
Royalties for water	1 253 532	0	-1 253 532	-100.00%
Tax paid by small business entities (simplified tax)	56 839	56 839	0	0.00%
Other taxes, including fines and penalties	55 649 825	0	-55 649 825	-100.00%
TOTAL	**584 176 933**	**645 750 540**	**61 573 607**	**10.54%**

Customs payments				
Customs duties	43 552 701	29 375 642	-14 177 059	-32.55%
Customs collection	1 368 704	2 159 877	791 173	57.80%
Value-added tax on goods imported into the territory of the Republic of Tajikistan	59 869 515	96 920 299	37 050 784	61.89%
Excise tax on goods imported into the Republic of Tajikistan	586 617	1 613 833	1 027 216	175.11%
Other	-	1 270 507	1 270 507	100.00%
Total	**105 377 537**	**131 340 158**	**25 962 621**	**24.64%**

As described in Section 3.2.2., the discrepancies can be divided into three categories and a part of the unrevealed discrepancy totaled 4,199,673 somoni or 0.72 % of the total of all tax payments for these companies. The main reason is as follow:

- During the reconciliation the substantial differences have been revealed in terms of data with LLC "Pakrut" and LLC "Creative" for the amount of 5,718,002 somoni and 1,633,123 somoni, respectively. The management of these companies did not provide the signed reconciliation certificate of the tax authorities and did not respond to our request for clarification of the deviations.
- Our report reflects the unilaterally tax payments of LLC "Huaxin Guyur Cement" and LLC "Huaxin Gajur Sughd Cement" in the amount of 130,655,457 somoni and 2,358,731 somoni for 2015, respectively, based on the data of the tax authority. The management of the companies, despite of several requests from the Independent Administrator and the Ministry of Finance of the Republic of Tajikstan did not provide the completed form.

Regarding customs payments, the Independent Administrator was unable to obtain sufficient and reasonable audit evidence for the discrepancies identified on customs tax. Neither the Company, nor the Customs committee provided the signed reconciliation certificate for 2015-2016.

2016				
Tax payments	**According to the company**	**According to the state bodies**	**Discrepancy**	**Discrepancy**
	in somoni	**in somoni**	**in somoni**	**в %**
Income tax withheld from individuals	65 883 836	114 162 718	48 278 882	73.28%
Social tax withheld from individuals (1%)	2 914 608	2 951 045	36 437	1.25%
Social tax paid by the employer (25%)	89 791 765	92 967 278	3 175 513	3.54%
Income taxes, including advance payment	149 308 483	156 997 259	7 688 776	5.15%
Net income tax of permanent establishment of foreign legal entity	-	-	-	0.00%
Dividend tax	13 220 469	2 000 000	-11 220 469	-84.87%
Non-resident tax income from sources of the Republic of Tajikstan	21 742 161	-	-21 742 161	-100.00%
Value-added tax on the supply of goods, works and services	39 343 063	103 245 681	63 902 618	162.42%
Value added tax deducted from non-	3 967 650	20 794 999	16 827 349	424.11%

residents				
Excise tax on goods produced on the territory of the Republic of Tajikistan	74 900	74 900	-	0.00%
Land tax	264 128	290 102	25 974	9.83%
Tax on real estate	1 847 261	1 999 157	151 896	8.22%
Road users tax	49 080 399	54 132 947	5 052 548	10.29%
Vehicle tax	1 396 605	1 393 171	-3 435	-0.25%
Subscription bonus for geological study of subsoil	-	-	-	0.00%
Subscription bonus for extraction	17 574 513	-	-17 574 513	-100.00%
Commercial discovery bonus	914 278	-	-914 278	-100.00%
Royalties for extraction	231 310 177	273 278 239	41 968 063	18.14%
Royalties for water	870 965	-	-870 965	-100.00%
Tax paid by small business entities (simplified tax)	627 975	627 975	-0	0.00%
Other taxes, including fines and penalties	174 581 571	-	-174 581 571	-100.00%
Total	**864 714 808**	**824 915 472**	**-39 799 336**	**-4.60%**

Customs payments				
Customs duties	47 553 313	32 186 646	-15 366 667	-32.31%
Customs collection	2 291 135	2 918 097	626 961	27.36%
Value-added tax on goods imported into the territory of the Republic of Tajikistan	57 969 070	97 200 835	39 231 765	67.68%
Excise tax on goods imported into the Republic of Tajikistan	865 826	5 427 627	4 561 801	526.87%
Other	-	28 600	28 600	100.00%
Total	**108 679 344**	**137 761 805**	**29 082 461**	**26.76%**

As described in Section 3.2.2., the discrepancies can be divided into three categories and a part of the unrevealed discrepancy totaled to 4,048,409 somoni or 0.47% of the total of all tax payments for these companies. The main reason is as follow:

- During the reconciliation the substantial differences have been revealed in terms of data with LLC “Pakrut” and LLC “Creative” for the amount of 799,005 somon and 3,218,374 somoni, respectively. The management of these companies did not provide the signed reconciliation certificate of the tax authorities and did not respond to our request for clarification of the deviations.
- Our report reflects the unilaterally tax payments of LLC “Huaxin Guyur Cement” and LLC “Huaxin Gajur Sughd Cement” in the amount of 119,432,067 somoni and 11,301,755 somoni for 2016, respectively, based on the data of the tax authority. The management of the companies despite of several requests from the Independent Administrator and the Ministry of Finance of the Republic of Tajikstan did not provide the completed form.

Regarding customs payments, the Independent Administrator was unable to obtain sufficient and reasonable audit evidence for the discrepancies identified on customs tax. Neither the Company, nor the Customs Committee provided the signed reconciliation certificate for 2015-2016.

3.4. INFORMATION ON THE AUDIT OF COMPANIES' FINANCIAL STATEMENTS

Information on the audit of companies' financial statements for 2015-2016 is given in the table below:

№	Name of company	Did you conduct an independent financial statements audit?		Does the company have the audited financial statements with open access? If yes, please describe how it can be obtained it or give a link to this report
		For 2015	For 2016	
1	LLC "Tajik-Chinese Mining Company"	No answer	No answer	No
2	LLC JV "Zarafshan"	No	No	No
3	JTC LLC "Aprelevka"	No	No	No
4	JSC "Tajik Cement"	No	No answer	No answer
5	SE "Fon-Yagnob" Mine"	No	No	No
6	Branch of LLC "Total E& P Tajikistan B.V"	No answer	No answer	No answer
7	JLLC "Petroleum Sughd"	No	No	No
8	RSBSE "Tilloi Tojik"	No	Yes	No answer
9	Branch of LLC "CNPC Central Asia B.V"	No answer	No answer	No answer
10	LLC "Bokhtar Operating Company"	No answer	No answer	No answer
11	OJSC "Combinati Masolehi Binokorii Isfara"	No answer	No answer	No answer
12	LLC "B.Samadov Cement Plant", Isfara	No	No	No
13	OJSC "Oil&Gas"	No answer	No answer	No answer
14	CC "Odina Gold-Mining Cooperative"	No	No	No
15	LLC "Guli Murod"	No	No	No
16	LLC " Talco Resource"	Yes	Not yet	In paper form
17	"Nazar Ailok" Coal Mine, SE SUE "Angishti Tojik"	No answer	No answer	No answer
18	LLC "Nuri Shams"	No answer	No answer	No answer
19	LLC "Barakati Istiklol"	No	No	No

20	LLC “Salosa”	No answer	No answer	No answer
21	LLC «Pakrut”	No answer	No answer	No answer
22	TA LLC JV “Anzob”	No	No	No
23	LLC “Sughd Cement”	No answer	No answer	No answer
24	LLC “Broadtec Tajikistan Mining Investment Limited”	No answer	No answer	No answer
25	OJSC “Angisht”	No	No	No
26	LLC “Creative”	No answer	No answer	No answer
27	OJSC “Avicenna”	No answer	No answer	No answer
28	LLC “Huaxin Guyur Cement”	Completed form is not provided		
29	LLC “Huaxin Gajur Sughd Cement”	Completed form is not provided		

As the above table shows, most companies did not conduct an external financial statement audit for 2015 and 2016.

3.5. RECOMMENDATIONS

3.5.1 IMPLEMENTATION OF RECOMMENDATIONS WHICH WERE GIVEN IN THE FIRST NATIONAL EITI REPORT FOR 2014

A summary of the recommendations implementation given in the First National EITI Report for 2014 is shown in the following table:

Recommendation	Reference to the EITI Report for 2014	Result
Legal framework for collection of information Develop a legal framework to ensure the timely receipt of necessary information and the reconciliation of payments.	3.5.1.	A draft Law of the Republic of Tajikistan "On Subsoil and Subsoil Use" has been prepared, which includes mandatory requirements to provide the necessary information to assess the transparency of extractive industries both from extracting companies and authorized state bodies. Please see page 16 of the Report for detailed information.
Refinement of Instructions on collection of information for payments reconciliation: Intensify efforts to conduct explanatory trainings for responsible persons of companies and, if necessary, make the necessary changes to the Regulations on the collection of information from companies.	3.5.2.	Trainings and explanatory activities have been conducted, but due to the increase in the number of companies, not all are informed about the details of the EITI.
Additional expenses of the companies and other substantial payments It is necessary to identify the state bodies responsible for the provision of information on each line item of payments in the sections "Additional costs of companies" and "Other substantial payments" and to provide them with the powers at the legislative level for the collection and processing of information received from the companies. Also, in order to collect and process information on these sections, the state bodies, particularly the Ministry of Finance of the Republic of Tajikistan, need to strengthen the technical capabilities of the accounting system of payments in order to identify and classify payments made by mining industry companies in accordance with the requirements of EITI report.	3.5.3.	A draft Law of the Republic of Tajikistan "On Subsoil and Subsoil Use" has been prepared, which includes mandatory requirements to provide the necessary information to assess the transparency of extractive industries, both from extracting companies and authorized state bodies. Please see page 16 of the Report for detailed information.
Audit: We recommend the EITI Board to consider amending the legislation on statutory audit	3.5.4.	The EITI Board has made appropriate amendments and additions to the draft law of RoT "On Subsoil and Subsoil Use",

and publication of financial statements of companies of the mining and oil and gas sectors.		which is under consideration in the Government of the Republic of Tajikistan. Please see page 16 of the Report for more detailed information.
Production Sharing Agreement The Government has signed several production sharing agreements with companies in extractive industries. It is expected that payments of the companies, under these agreements, will be substantial in the coming years. Accordingly, we recommend to show these payments as a separate line for the purposes of reporting under EITI.	3.5.5.	The National Board has considered this issue and it will be implemented in subsequent Reports, when substantial payments begin in the framework of the Production Sharing Agreement
Coverage of companies for reconciliation **of payments** Conduct a new study to cover those companies whose main activity relates only to extraction and taxes are paid from this type of activity	3.5.6.	A new study to define the threshold and coverage of companies was held in November 2016 as a result of which 39 companies were selected.

Recommendation

We recommend to develop the Action Plan to implement the above recommendations given in this Report by setting up the priority ones from the beginning of next year.

3.5.2. RECOMMENDATIONS FOR FUTURE REPORTING

3.5.2.1. Coverage of companies for reconciliation of payments

Notwithstanding that a new study has been conducted, the list of companies for reconciliation has been determined after a revew study that was carried out in November 2016 based on data of 2015 provided by an Independent Expert appointed by the MSG.

Based on the results of the study, the EITI Board was recommended a threshold of materiality for total payments to the state budget in the amount of 1 million Tajik Somoni per year to include the companies into the list and to disclosure the payments under the EITI.

In total, according to the study results, 39 companies were selected for reporting for 2015-2016. However, later 4 companies were added and 14 were excluded due to the inconsistency with the EITI requirement since most of their main activity related to construction and repair but not to mining and they paid taxes from general activities, rather than by type of activity and their share of extraction is rather small.

For example: The LLC “Gaiur-1” is actually a construction company but on this main activity, it has a license for extraction and processing of rock stone and stone for the main activity.

Recommendation

We recommend to carry out a new study to determine the threshold of materiality due to the closure of some companies and to define precisely the number of companies that have licenses only for “extraction” purpose.

3.5.2.2. Assigning the Independent Administrator

In 2017, the Independent Administrator was appointed in late May, 2017 for the preparation of the EITI Report covering period of 2015-2016 and the process of sending letters and data collection has started from June.

Recommendation:

In order to reconcile and prepare the EITI Report, it is required to the EITI Board in Tajikistan to consider the possibility of appointing the Independent Administrator no later than 9 months before the deadline for submitting the EITI Report, so that it can be prepared within the specified timeframe.

3.5.2.3. Implementation of an EITI accounting system for both Companies and state bodies

In the process of collecting information from the companies and the state bodies, it was noted that information on payments and other types according to the requirements of EITI standards is provided only after the appointment of the Independent Administrator and on the basis of requests sent on behalf of the Ministry of Finance of RoT to the companies and the state bodies. There is no preprepared and received information from the Companies and state bodies, which could then be provided to the Independent Administrator for further reconciliation and verification.

Recommendation:

In order to consolidate the EITI information, we think that it is necessary to:

1. Implement a centralized special IT platform, where it will be possible to include the completed forms of payment tables and other necessary data, in particular on the conceptual part.
2. Provide access to all Companies that have licenses for extraction and whose main activity relate to extraction and sale of products. Companies can log in and fill in the forms within the time frame specified.
3. Provide access to the state bodies and they can enter into the system using their login all payments that meet the EITI requirements received from the extractive companies.

3.5.2.4. Separation of exctration from other activities

If the company is recognized by the Government as part of the extractive industries based on license information, all payments from this company are included in the data provided by the Government, even if the company also perform other unrelated activities. The companies themselves also do not maintain a separate accounting by types of activity and the payments (tax and customs) are made on the basis of a single TIN without seperation by type of activity of the Company.

As a result, the data of both the Government and the Company may be higher than in ipso facto. We understand that there are objective limitations on the availability of segmentation of information on payments by type of activity both at the level of the Company and the Government.

The register of companies that have licenses for geological prospecting and exploration at the year end 2015 is received from the relevant departments and ministries and the selection of companies was made for further reconciliation based on the data on payments submitted by the Tax and the Customs Committees. Data on payments are generalized on behalf of the company, regardless of the specific types of activities or industry where these companies operate. Inclusion into the base to select companies on the basis of payments that are not divided by type of activity can lead to the fact that large companies can be selected for further reconciliation, though a substantial share of their tax and customs payments is from non-mining activities.

Recommendation:

It is recommended to consider the issue how to implement a procedure at the state level for a separation of business and flow of payments/revenues of extractive activities from other activities performed by the same company.

3.5.2.5. The Report at the project level

The EITI standard requires reporting at the project level in certain circumstances. This EITI Report for 2015-2016 does not contain such disaggregation since both the Government and the companies do not allocate payments between the projects.

Recommendation:

It is recommended to assess the possibility of disaggregating payments by projects to provide reports at the level of a separate project.

3.5.2.6. Disclosure of information by state-owned enterprises

The EITI Standard requires additional information that will be disclosed by the state-owned enterprises, for example, financial relations between the government and state enterprises, payments for social services and public infrastructure (REQ 3.6). However, some state enterprises did not disclose the information in full or disclosed only that part that was requested in the forms of the Report without detailed disclosure of information.

Recommendation:

It is recommended to encourage the state enterprises to disclose all the information required by the EITI Standard and to understand the barriers and constraints that might impede such disclosure.

3.5.2.7. One body responsible for issuing a license

In Tajikistan, there are the following government agencies responsible for issuing licenses on their areas:

I. **The Main Department of Geology under the Government of the Republic of Tajikistan** - this body is responsible for issuing a license in the field of geological prospecting of minerals;

II. **The Ministry of Energy and Water Resources of the Republic of Tajikistan** is responsible for issuing licenses in the field of oil and gas production.

III. **The Ministry of Industry and New Technologies of the Republic of Tajikistan** is responsible for issuing licenses in the field of extraction of minerals.

The practice shows that if the bodies issuing the license are different and a commission is created from different state bodies, this may lead to a delay in making the decision on the winner selection.

Recommendation:

With the view to ensure greater transparency, accelerate the organization and conduction of open tenders as well as to select a winner, we think it is better to establish one body responsible for issuing a license. It is more effective to manage, if everything is concentrated in a single pair of hands.

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