



Tajikistan: Investment Climate Reforms

Project Name	Investment Climate Reforms								
Project Number	47099-001								
Country	Tajikistan								
Project Status	Active								
Project Type / Modality of Assistance	Technical Assistance								
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">TA 8557-TAJ: Investment Climate Reforms</td> </tr> <tr> <td>Japan Fund for Poverty Reduction</td> <td>US\$ 1.00 million</td> </tr> <tr> <td colspan="2">TA 8557-TAJ: Investment Climate Reforms (Supplementary)</td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 600,000.00</td> </tr> </table>	TA 8557-TAJ: Investment Climate Reforms		Japan Fund for Poverty Reduction	US\$ 1.00 million	TA 8557-TAJ: Investment Climate Reforms (Supplementary)		Technical Assistance Special Fund	US\$ 600,000.00
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Technical Assistance Special Fund	US\$ 600,000.00								
Strategic Agendas	Inclusive economic growth								
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development								
Sector / Subsector	Industry and trade - Small and medium enterprise development Public sector management - Economic affairs management								
Gender Equity and Mainstreaming	Effective gender mainstreaming								
Description	<p>The technical assistance is supporting the government in the design and implementation of a program of economic policy reforms that can improve the investment climate and business environment in Tajikistan. These reforms are expected to (a) mitigate risks that investors and businesses face when operating in Tajikistan, particularly legal and regulatory risks; (b) upgrade productive enterprises; and (c) facilitate and encourage investments. The technical assistance is preparing detailed blueprints for missing institutional mechanisms that can mitigate investors' risks, help productive enterprises expand, and attract investments. Institutional mechanisms being supported include regulatory impact analysis for businesses, investment protection framework including partial credit and investment guarantee schemes, support to international quality certification, support to innovation diffusion, and support to business incubators.</p> <p>The technical assistance has been implemented based on a two-stage approach. First, diagnostic and consultation on the feasibility of different institutional mechanisms were conducted. This helped understand stakeholders' buy-in for different economic reforms. Second, the technical assistance is supporting the government in designing and implementing the most feasible and effective economic policy reforms.</p> <p>The TA is taking forward previous ADB support provided to the investment promotion agency (IPA) and aims to achieve quality certification for its management system. Consultants will guide the IPA in business process reengineering, including development of basic knowledge transfer tool such as document management system (simple document repository), handbooks, guidelines, and a database for client investors. The TA will finance (i) production of a limited quantity of investment promotion materials, (ii) upgrading of the IPA's website design and content, and (iii) a program of training on image-building, investor facilitation, and investor servicing (including expediting registration and approval processes, providing necessary documentation for tax purposes, and other assistance in obtaining sites, utilities, etc.).</p> <p>The TA will support a pilot business incubator for women entrepreneurs and the expansion of training courses to address new needs (e.g. basic accounting, given new Tax Code requirements). Resource persons will provide short-term entrepreneurship training to women entrepreneurs throughout the country. The TA has supported a competition among women entrepreneurs on innovative business proposals which helped select promising candidates for a 3-month practical business course (a mini-MBA).</p>								

Project Rationale and Linkage to Country/Regional Strategy	<p>Notwithstanding a significant increase in the last two decades, Tajikistan has the lowest gross national income per capita in Central Asia (\$860 in 2012). Limited employment opportunities in Tajikistan have encouraged up to 40% of the working population to seek jobs abroad. Economic growth has been mainly driven by consumption fueled by remittances. Investment is relatively low at about 20% of gross domestic product (GDP), which limits future economic growth and job creation. Investment is mostly funded by the government and development partners (private investment is estimated at 4% of GDP in 2012). Given government's fiscal constraints and limited borrowing capacity, the private sector needs to play an increasing role in investment. Tajikistan can benefit from increasing the share of remittance inflows that are allocated to investment and job creation rather than to consumption.</p> <p>Despite efforts to increase Tajikistan's Doing Business ranking, long-term private investment continues to be constrained by an unfavorable business environment that imposes high uncertainty. Arbitrary taxation reduces prospects of fair competition. Financing is expensive and short-term, limiting private investors' capacity to expand and compete internationally. Energy supply is unreliable and large parts of the country do not receive electricity during the 6-month winter period. Businesses have very limited knowledge of modern production techniques and of external markets. Just 16.7% of firms in Tajikistan reported having an internationally recognized quality certification (2008). Tajikistan ranks 134th out of 144 countries in cluster development. Other challenges to businesses include access to markets, with the natural mountain barriers with the People's Republic of China in the North and the security concerns in Afghanistan presenting transit barriers to the east and the south. Overall, Tajikistan's country risk is very high. As a result, the private sector has not been the engine of growth that Tajikistan requires. Its share of GDP has remained stable at an estimated 55% over the past decade, lower than Kazakhstan (65%) and the Kyrgyz Republic (75%) but higher than Turkmenistan (25%) and Uzbekistan (45%).</p>
Impact	Improved investment climate and business environment

Project Outcome

Description of Outcome	Program of economic policy reforms to improve investment climate in Tajikistan approved
Progress Toward Outcome	On 3 April 2015, the Government and ADB have signed the Memorandum of Understanding for the program of policy reforms to support private sector development and improve the investment climate. The program was the basis of an ADB policy-based programmatic assistance to the government as budget support approved on 4 December 2015. Consultants supported the design and implementation of some of the policy actions for Subprogram 1. Consultants are also helping ADB and the gov't to firm up policy actions under SP2 and SP3.

Implementation Progress

Description of Project Outputs	<p>Institutional mechanisms designed for implementation of economic policy reforms to improve investment climate</p> <p>Investment promotion agency's capacity developed</p> <p>Business incubator for women entrepreneurs developed on a pilot basis</p>
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>The institutional mechanisms to improve investment climate have been identified and proposed in Q4 2014.</p> <p>Consultants are working on draft blueprints for (i) regulatory impact analysis, (ii) a credit guarantee scheme for investments in innovation, and (iii) investment promotion.</p> <p>ADB is discussing business plans with local businesses for the development of one product where Tajikistan has comparative advantage. ADB will favor products in the agribusiness, textiles or tourism sectors.</p> <p>The consultant has prepared the action plan for capacity development of the investment promotion agency.</p> <p>ADB and the Investment Committee are discussing a possible study tour to an investment promotion agency in a developed country in Asia.</p> <p>NABWT business incubator initiated its activities in 2014.</p> <p>Discussions are ongoing with NABWT regarding (i) support to specific curricula for training courses in the business incubator (particularly on franchising) and (ii) mini-MBA courses. Recruitment of franchising consultant was initiated in July 2015.</p> <p>The National Center for Accreditation (NCA) held an event co-sponsored by the TA on accreditation awareness and its role according to international standards. The event was successfully held in Sogd Region from 20-22 September 2016.</p>
Geographical Location	Tajikistan

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design	The TA was requested by the government to ADB management in October 2012. The government highlighted the importance of private sector development and improvement of business environment to attract private investments. A reconnaissance mission was fielded in February 2013, followed by a consultation mission in March 2013. Discussions were held with government agencies (the President's Office, the Ministry of Economic Development and Trade, the Investment Committee, Tajinvest, and the Sugd Free Economic Zone), private sector players, business associations (Chamber of Commerce and Industry, National Association of Business Women), and donor organizations. The Executive Office of the President expressed its written concurrence to the technical assistance.
During Project Implementation	Missions of ADB staff and international consultants have been conducted since May 2014 to discuss binding constraints to private sector development with government, businesses and business associations, and development partners. The missions have discussed the proposed program of policy of reforms.

Business Opportunities

Consulting Services	ADB will engage the services of a consulting firm and of resource persons that will be recruited in accordance with ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time). Quality- and cost-based selection (QCBS) will be employed in recruiting a firm using simplified technical proposals (STP) and a quality-cost ratio of 80:20. An estimated 72 person-months of consulting services will be needed of which 16 person-months will be international and 56 person-months national. Advance selection procedures will be used to recruit the TA consultants. Resource persons will be recruited individually.
Procurement	ADB will finance purchase of limited equipment required for successful completion or project outputs, including hardware for the business incubator (laptops, printers, routers and scanners), software for IPA's website, and investment promotion materials. The hardware and software will become the property of the SCISPM and of the NABWT after TA completion. Procurement will be conducted in accordance with the ADB's Procurement Guidelines (March 2013, as amended from time to time).

Responsible Staff

Responsible ADB Officer	Mukhopadhyay, Hiranya
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	<i>Office of the President Mr. Davlatali Saidov, First Deputy Prime Minister my-sarvazir@dip.tj 80 Rudaki Avenue Dunshanbe Republic of Tajikistan</i>

Timetable

Concept Clearance	29 May 2013
Fact Finding	15 Mar 2013 to 18 Mar 2013
MRM	-
Approval	13 Dec 2013
Last Review Mission	-
Last PDS Update	29 Sep 2016

TA 8557-TAJ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
13 Dec 2013	14 Feb 2014	14 Feb 2014	30 Jun 2016	31 Dec 2017	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
600,000.00	1,000,000.00	0.00	0.00	0.00	0.00	1,600,000.00	13 Dec 2013	844,436.27

Project Page	https://www.adb.org/projects/47099-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=47099-001
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