



# Technical Assistance Report

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Project Number: 47099-001  
Policy and Advisory Technical Assistance (PATA)  
December 2013

## Republic of Tajikistan: Investment Climate Reforms Financed by the Japan Fund for Poverty Reduction

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 2 December 2013)

Currency unit	–	somoni (TJS)
TJS1.00	=	\$0.2094
\$1.00	=	TJS4.7745

## ABBREVIATIONS

ADB	–	Asian Development Bank
FDI	–	foreign direct investment
GDP	–	gross domestic product
GIZ	–	Gesellschaft für Internationale Zusammenarbeit
IPA	–	investment promotion agency
ISO	–	International Organization for Standardization
JFPR	–	Japan Fund for Poverty Reduction
MEDT	–	Ministry of Economic Development and Trade
NABWT	–	National Association of Business Women of Tajikistan
OVOP	–	One Village One Product
RIA	–	regulatory impact analysis
SCISPM	–	State Committee on Investments and State Property Management
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Type</b>	–	Policy and advisory technical assistance (PATA)
<b>Targeting classification</b>	–	General intervention
<b>Sectors (subsectors)</b>	–	Public sector management (economic management and management of public affairs), industry and trade (industry and trade sector development)
<b>Themes (subthemes)</b>	–	<b>Economic growth</b> (promoting economic efficiency and enabling business environment; widening access to markets and economic opportunities; knowledge, science, and technological capacities); private sector development (a conducive policy and institutional environment, public sector goods and services essential for private sector development, promotion of private sector investment); capacity development (institutional development); gender equity (gender equity in [economic] opportunities)
<b>Location (impact)</b>	–	National (high)
<b>Partnership</b>	–	Japan Fund for Poverty Reduction; National Association of Business Women of Tajikistan

## NOTE

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The government requested technical assistance (TA) during Asian Development Bank (ADB) Management visits to Tajikistan in October 2012. It stressed the importance of private sector development and improving the business environment to attract private investment. ADB Management proposed TA to support economic policy changes that can improve growth prospects, support knowledge transfer, and attract potential investors to the country.

2. A reconnaissance mission was fielded in February 2013, followed by a consultation mission in March 2013.<sup>1</sup> Discussions were held with government agencies including the President's Office, the Ministry of Economic Development and Trade (MEDT), the State Committee on Investments and State Property Management (SCISPM), and the Sugd Free Economic Zone; private sector stakeholders; business associations; and development partners. On 24 April 2013, the government expressed its concurrence with the ADB TA concept in the March 2013 mission aide-memoire, including the expected impact and outcome, implementation, cost, and financing arrangements. The design and monitoring framework is in Appendix 1.<sup>2</sup>

## II. ISSUES

3. Despite a significant increase since the end of the civil war in 1997, 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.<sup>3</sup> Investment is largely funded by the government and development partners; private investment was estimated at 4% of GDP in 2012. Given the 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.

4. In spite of efforts to increase Tajikistan's Doing Business ranking,<sup>4</sup> long-term private investment continues to be constrained by an unfavorable business environment that imposes high uncertainty. Arbitrary taxation reduces the 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.<sup>5</sup> Other challenges to business include access to markets. Overall, Tajikistan's country risk is very high.<sup>6</sup> 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

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<sup>1</sup> The March 2013 consultation mission was upgraded to a fact-finding mission on 29 May 2013.

<sup>2</sup> The TA first appeared in the business opportunities section of ADB's website on 16 August 2013.

<sup>3</sup> International Monetary Fund. 2012. *Republic of Tajikistan: Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility—Staff Report*. Washington, DC.

<sup>4</sup> <http://www.doingbusiness.org/rankings>

<sup>5</sup> World Economic Forum. 2012. *The Global Competitiveness Report 2012–2013*. Geneva.

<sup>6</sup> Tajikistan has the highest country risk classification under the Organisation for Economic Co-operation and Development's Arrangement on Officially Supported Export Credits (7 out of 7).

55% over the past decade, which is lower than Kazakhstan (65%) and the Kyrgyz Republic (75%) but higher than Turkmenistan (25%) and Uzbekistan (45%).<sup>7</sup>

5. To attract foreign investment and technology, the government established free economic zones in which qualified investors benefit from tax incentives.<sup>8</sup> However, foreign direct investment (FDI) remains sluggish and is yet to become the driver that was expected to help achieve the government's objective to increase the private sector's contribution to 66% of GDP by 2012. From 2009 to 2011, net FDI inflows averaged \$4.1 million per year (Table 1).

**Table 1: Foreign Direct Investment in Tajikistan, 2009–2011**

Item	2009	2010	2011
Foreign direct investment, net inflows (\$ million)	15.8	(14.7)	11.1
Foreign direct investment, net inflows (% of GDP)	0.3	(0.3)	0.2

( ) = negative, GDP = gross domestic product.

Note: Foreign direct investment is the net inflow of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors. Source: The World Bank. World Development Indicators. [data.worldbank.org/indicator](http://data.worldbank.org/indicator) (accessed 25 November 2013).

6. Women are taking on new responsibilities as male labor migration has increased. Women work in the market, have small production units, and some travel as shuttle traders to neighboring countries. However their entrepreneurial progress is limited, especially in rural communities, by rigid notions of appropriate roles for men and women in society. Men and women have equal legal rights to land, property other than land, bank loans without the need for prior authorization, and contracts in their own names. Even so, women represent a small percentage of registered land use owners and few women apply for loans, primarily because they are not aware of their rights and do not understand the underlying procedures.

7. Some of the constraints faced by private investors and businesses in Tajikistan are being addressed through ongoing initiatives. ADB is supporting the development of energy and transport infrastructure, and is considering project preparatory TA to support workers' skills development. ADB, GIZ, the European Bank for Reconstruction and Development, the International Monetary Fund, and the World Bank are supporting financial sector development. The World Bank's Private Sector Competitiveness Project approved in 2012 is addressing financial infrastructure, business registration, inspections, and mining. The World Bank's Tax Administration Reform Project approved in 2012 is taking forward previous support from ADB and the International Finance Corporation in improving the tax administration system. The GIZ Framework and Finance for Private Sector Development program has been strengthening value chains by providing business and consulting services, improving access to finance, encouraging cross-border trade, and promoting dialogue between policy makers, the private sector, and civil society. ADB and the European Union are supporting trade facilitation and policy.<sup>9</sup>

<sup>7</sup> The private sector share in GDP represents European Bank for Reconstruction and Development estimates based on available statistics. The underlying concept of private sector value added includes income generated by the activity of private registered companies and private entities engaged in informal activity where reliable information on informal activity is available.

<sup>8</sup> The law on foreign economic zones provides tax incentives for investments of at least \$500,000, which import at least 90% of the technology and equipment.

<sup>9</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grants to the Kyrgyz Republic and the Republic of Tajikistan for the Central Asia Regional Economic Cooperation Regional*



8. Private sector development is an operational priority under ADB's country partnership strategy.<sup>10</sup> The need to improve the investment climate and develop the private sector and entrepreneurship is also stressed in the country's 2010 Poverty Reduction Strategy.<sup>11</sup> ADB's recent engagement in the sector includes TA for Implementation Support for Private Sector Development Strategy in Tajikistan, which revealed (i) the need to ensure that knowledge is shared in a way that it can be utilized by organizations where there is a high staff turnover; and (ii) the need to address weaknesses in the regulatory framework, particularly its consistent application.<sup>12</sup> The Women Entrepreneurship Development Project in the Kyrgyz Republic,<sup>13</sup> funded by the Japan Fund for Poverty Reduction, will also provide lessons for pilot testing a business incubator for women entrepreneurs in Tajikistan.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

9. The impact will be an improved investment climate and business environment. The government expects private investment to increase to at least 7% of GDP by 2020 (from 4% of GDP in 2012). At least 1,000 women entrepreneurs are expected to benefit from business incubator services by 2020. Annual average net FDI inflows are expected to reach \$20 million from 2018 to 2020. The TA is expected to contribute to these targets. The outcome will be an approved program of economic policy reforms to improve the investment climate in Tajikistan.

#### B. Methodology and Key Activities

10. The TA will be implemented in two stages. Diagnostics, stakeholder mapping, and consultations with the government, the private sector, business associations, and civil society organizations will be conducted first. This will help clarify stakeholders' willingness and ability to undertake different economic reforms, and identify and select ways to (i) mitigate risks that investors and businesses face when operating in Tajikistan, particularly legal and regulatory risks; (ii) upgrade productive enterprises; and (iii) facilitate and encourage investments. In the next stage, the TA will support the government in designing detailed blueprints for the most feasible and effective institutional mechanisms and reforms. Capacity development activities for the investment promotion agency (IPA) and for a pilot business incubator for women entrepreneurs (outputs 2 and 3) will also be preceded by a diagnostic and consultation phase.

11. **Output 1: Institutional mechanisms designed for implementation of economic policy reforms to improve investment climate.** The TA will prepare detailed blueprints for missing institutional mechanisms that can mitigate investors' risks, help productive enterprises expand, and attract investments.<sup>14</sup> Possible institutional mechanisms to be supported include regulatory impact analysis for businesses; an investment protection framework, including partial credit and investment guarantee schemes; support to international quality certification; support to innovation diffusion; and support to business incubators (Appendix 3). The One Village One

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*Improvement of Border Services Project.* Manila; ADB. 2013. *Small-Scale Capacity Development Technical Assistance to Tajikistan for Strengthening Tajikistan's Trade and Investment Regime.* Manila.

<sup>10</sup> ADB. 2010. *Country Partnership Strategy: Tajikistan, 2010–2014.* Manila.

<sup>11</sup> Government of the Republic of Tajikistan. 2010. *Poverty Reduction Strategy (PRS-III) 2010–2012.* Dushanbe.

<sup>12</sup> ADB. 2011. *Technical Assistance Completion Report: Implementation Support for Private Sector Development Strategy in Tajikistan.* Manila.

<sup>13</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Grant Assistance to the Kyrgyz Republic for the Women's Entrepreneurship Development Project.* Manila.

<sup>14</sup> The blueprints will propose business plans, processes, and rules required to achieve the government's policy objectives and detail implementation plans, cost estimates, and financing plans.

Product (OVOP) approach will be piloted in one village to support expansion of product development and quality certification, with the support of Japanese volunteers.<sup>15</sup>

12. **Output 2: Investment promotion agency's capacity developed.** The SCISPM is responsible for improving the investment climate and supporting entrepreneurship in Tajikistan. It is also responsible for bringing investments into the Tajikistan economy, acting as Tajikistan's official IPA. The TA will take forward previous ADB assistance provided to the IPA (footnote 11), and aims to achieve quality certification for its management system. Consultants will guide the IPA in business process reengineering, including the development of basic knowledge transfer tools such as a document management system (simple document repository), handbooks, guidelines, and a database for client investors. The TA will finance (i) the 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 and utilities, etc.).

13. **Output 3: Business incubator for women entrepreneurs developed on a pilot basis.** Modern business education is practically absent from Tajikistan. One exception is the National Association of Business Women in Tajikistan (NABWT), which provides services to its more than 1,800 members.<sup>16</sup> The TA will support a pilot business incubator for women entrepreneurs and the expansion of training courses to address new needs identified by NABWT members (e.g., basic accounting and new tax code requirements).<sup>17</sup> Resource persons will provide short-term entrepreneurship training to women entrepreneurs throughout the country. A competition among women entrepreneurs on innovative business proposals will select promising candidates for a 3-month practical business course (a mini-master's degree in business administration).

14. TA implementation assumes stakeholders' buy-in for proposed reforms. High rotation of government staff due to low salaries creates a risk of TA delays. The TA impact assumes that there will be domestic political stability and major economic partners will continue engaging. Instability in neighboring countries and perception of high expropriation risk resulting from insufficient government efforts to fight high-level corruption may deter foreign private investment.

### C. Cost and Financing

15. The TA is estimated to cost \$1.1 million, of which \$1 million will be financed on a grant basis by the Japan Fund for Poverty Reduction and administered by ADB. The government agencies will provide counterpart support in the form of remuneration and per diem of staff, office accommodation, office supplies, secretarial assistance, logistics, and other in-kind contributions. The cost estimates and financing plan are in Appendix 2.

### D. Implementation Arrangements

16. The TA will be implemented from January 2014 to June 2016 for a total of 30 months. The executing agency will be the Executive Office of the President, which will coordinate the TA through a steering committee. The implementing agencies will be the MEDT (output 1), the SCISPM (outputs 1 and 2), and the NABWT (output 3). Implementing agencies will be

<sup>15</sup> The OVOP is a Japanese regional development program wherein one village produces one competitive and high-value product as a profitable business to improve the village living standards.

<sup>16</sup> The NABWT was founded in 1995 as a noncommercial public organization and has branches in nine cities. Its mandate is to expand economic opportunities for women. Its activities include improving women's business and vocational skills, promoting access to resources and education, and new markets. <http://nabwt.tj>.

<sup>17</sup> The pilot business incubator will provide services to start-up entrepreneurs in their first 2 years of activity, including support for communications, secretarial services, and equipment use.

responsible for reforms under their respective mandate: the MEDT for businesses regulation; and the SCISPM for investment protection and promotion, and support to entrepreneurship (innovation and quality certification). ADB has had good experience with all agencies.<sup>18</sup>

17. ADB will administer the TA. It will engage the services of a consulting firm and resource persons in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Quality- and cost-based selection will be employed for the firm using simplified technical proposals 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 (Table 2). Advance contracting will be used to recruit the TA consultants. Outline terms of reference are provided in Appendix 3. Resource persons will be recruited individually. Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). ADB will finance the purchase of limited equipment required for successful completion of outputs, including hardware for the business incubator; software for the IPA's website; and investment promotion materials. Procurement will be conducted in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

**Table 2: Indicative Consulting Services Inputs**

<b>Position</b>	<b>Person-Months</b>
<b>International Consultants</b>	
Private sector and/or business development specialist	6.0
Business innovation systems specialist	6.0
Investment promotion specialist	3.0
Auditor for ISO certification	1.0
<b>Subtotal</b>	<b>16.0</b>
<b>National Consultants</b>	
Private sector and/or business development specialist	18.0
Innovation systems specialist	18.0
Investment promotion specialist	12.0
Legal specialist	4.0
Communications specialist	4.0
<b>Subtotal</b>	<b>56.0</b>
<b>Total</b>	<b>72.0</b>

ISO = International Organization for Standardization.

Source: Asian Development Bank.

18. The Central and West Asia Department will monitor TA implementation. Review missions will be fielded at least twice a year during TA implementation. Evaluation will be conducted after TA implementation at the TA completion report stage.

#### **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$1,000,000 to the Government of Tajikistan to be financed on a grant basis by the Japan Fund for Poverty Reduction for Investment Climate Reforms, and hereby reports this action to the Board.

<sup>18</sup> The MEDT is the executing agency for Strengthening Tajikistan's Trade and Investment Regime (footnote 8). The SCISPM was the executing agency for Implementation Support for Private Sector Development Strategy in Tajikistan (footnote 11). The NABWT has implemented ADB project components, including seminars for raising taxpayers' awareness and capacity building for women entrepreneurs.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Improved investment climate and business environment</p>	<p>Net FDI inflows increased to an average of \$20 million from 2018 to 2020 (from an average of \$4.1 million per year in 2009–2011)</p> <p>At least 1,000 women entrepreneurs benefitted from business incubators' services by 2020</p>	<p>World Development Indicators</p> <p>National Association of Business Women in Tajikistan</p>	<p><b>Assumptions</b> Domestic political stability</p> <p>Economic situation in major economic partners remains stable</p> <p><b>Risks</b> Perception of high expropriation risk resulting from insufficient government efforts to fight high-level corruption</p>
<p><b>Outcome</b> Program of economic policy reforms to improve investment climate in Tajikistan approved</p>	<p>Program of economic policy reforms to improve investment climate approved by the government by 2016</p> <p>International quality certification obtained by at least one product under OVOP by 2016</p>	<p>President's Executive Office records; ADB project files</p>	<p><b>Assumption</b> Stakeholder buy-in for proposed reforms</p>
<p><b>Outputs</b> 1. Institutional mechanisms designed for implementation of economic policy reforms to improve investment climate</p>	<p>Assessment with policy recommendations to accelerate business innovation, knowledge transfer, and business competitiveness prepared by December 2014</p> <p>Draft legislation and blueprints (with detailed business plans and processes) for at least three institutional mechanisms endorsed by the government by June 2016<sup>a</sup></p> <p>OVOP pilot test on product development and quality certification implemented in at least</p>	<p>Technical assistance consultant's final report</p> <p>President's executive office work program documents for legislation</p> <p>Technical assistance consultant's final report</p>	<p><b>Risk</b> High rotation of government staff due to low salaries may delay implementation</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>2. Investment promotion agency's capacity developed</p> <p>3. Business incubator for women entrepreneurs developed on a pilot basis</p>	<p>one village in Tajikistan by June 2016</p> <p>100% IPA staff trained on image building and investor facilitation and servicing by June 2016</p> <p>Incubator program, with targeted training, established for women entrepreneurs by December 2014</p> <p>At least 210 women entrepreneurs trained in basic business management skills by June 2016</p>	<p>State Committee on Investments and State Property</p> <p>National Business Women Association of Tajikistan</p> <p>National Business Women Association of Tajikistan</p>	
<p><b>Activities with Milestones</b></p> <p><b>1. Institutional mechanisms for implementation of economic policy reforms to improve investment climate designed</b></p> <p>1.1. Review prior work on private sector development, including desk review and consultations with stakeholders (by June 2014)</p> <p>1.2. Review current legislation on investment protection and implementation (by June 2014)</p> <p>1.3. Select location(s) to pilot test the One Village One Product approach for product development and quality certification (by June 2014)</p> <p>1.4. Establish partnerships with selected business associations and local governments (by June 2014)</p> <p>1.5. Field Japanese volunteers to the selected OVOP village to design road map for product quality certification (by December 2014)</p> <p>1.6. Conduct surveys on innovation systems and their links with businesses' competitiveness (by September 2014)</p> <p>1.7. Finalize report on private sector development, innovations systems, and policy recommendations to improve innovation diffusion and business competitiveness (by December 2014)</p> <p>1.8. Consult with government agencies, business associations, and private sector on possible institutional mechanisms for implementation of economic policy reforms to improve the business climate (by March 2015)</p> <p>1.9. Draft program of economic policy reforms to improve the investment climate (by June 2015)</p> <p>1.10. Design legislation and blueprints (with detailed business processes and implementation arrangements) for institutional mechanisms to improve the business environment (by June 2016)</p>		<p><b>Inputs</b></p> <p><b>Japan Fund for Poverty Reduction: \$1 million</b></p> <p>Note: The government will provide counterpart support in the form of counterpart staff, office and accommodation, office supplies, secretarial assistance, and other in-kind contributions.</p>	

<b>Activities with Milestones</b>	
<p><b>2. Investment promotion agency's capacity developed</b></p> <p>2.1. Review IPA's investment guides and website using Global Investment Promotion Benchmarking (by June 2014)</p> <p>2.2. Upgrade IPA investment guides, website, and other investment promotion materials (by December 2014)</p> <p>2.3. Upgrade IPA's website and investor database to support investor targeting and monitoring (by June 2015)</p> <p>2.4. Develop IPA aftercare action plan with proposed list of products and services (by June 2015)</p> <p>2.5. Develop and implement training for IPA staff 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 and utilities, etc.) (by June 2016)</p> <p><b>3. Business incubator for women entrepreneurs developed on a pilot basis</b></p> <p>3.1. Establish partnership with the National Association of Business Women of Tajikistan (by March 2014)</p> <p>3.2. Assess needs for women entrepreneurs and determine gaps that can be met by business incubator services and training on-site (June 2014)</p> <p>3.3. Design blueprint for business incubator for women entrepreneurs, including training programs and advisory services to be provided by the incubator (by September 2014)</p> <p>3.4. Conduct basic entrepreneurship training for women and select promising entrepreneurs for mini-master of business administration courses based on a competition (by June 2015)</p> <p>3.5. Monitor participation of selected entrepreneurs in mini-master of business administration courses (by June 2016)</p>	

ADB = Asian Development Bank, FDI = foreign direct investment, IPA = investment promotion agency, OVOP = One Village One Product.

<sup>a</sup> Possible institutional mechanisms include regulatory impact analysis for businesses; an investment protection framework, including partial credit and investment guarantee schemes; support to international quality certification; support to innovation diffusion; and support to business incubators.

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Amount
<b>Japan Fund for Poverty Reduction<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	424.0
ii. National consultants	168.0
b. International and local travel	82.0
c. Reports and communications <sup>b</sup>	10.0
2. Equipment <sup>c</sup>	100.0
3. Training, seminars, and conferences	
a. Resource persons <sup>d</sup>	30.0
b. Training program <sup>e</sup>	20.0
4. Surveys	60.0
5. Miscellaneous administration and support costs <sup>b</sup>	30.0
6. Contingencies	76.0
<b>Total</b>	<b>1,000.0</b>

Note: The technical assistance (TA) is estimated to cost \$1,100,000, of which contributions from the Japan Fund for Poverty Reduction are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, secretarial assistance, and other in-kind contributions. The value of government contribution is estimated to account for 9% of the total TA cost.

<sup>a</sup> Administered by the Asian Development Bank (ADB).

<sup>b</sup> Includes translation costs.

<sup>c</sup> Includes hardware (laptops, printers, routers, scanners); software; and web design. Equipment will be procured by ADB in accordance with its Procurement Guidelines (2013, as amended from time to time). The hardware and software will become the property of the State Committee on Investments and State Property Management and of the National Association of Business Women of Tajikistan after TA completion.

<sup>d</sup> Includes honorarium, travel cost, and per diem of resource speakers engaged as speakers and facilitators. Resource persons are not expected to be engaged for more than 10 days.

<sup>e</sup> Includes rent of venue and other facilities, food and beverages, promotion and training materials, and other related costs.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Objective

1. The technical assistance (TA) will prepare detailed blueprints for missing institutional mechanisms that can mitigate investors' risks, help productive enterprises expand, and attract investments. Possible institutional mechanisms to be supported include regulatory impact analysis (RIA) for businesses; an investment protection framework, including partial credit and investment guarantee schemes; support to international quality certification; support to innovation diffusion; and support to business incubators.

2. The legislative process in Tajikistan does not include any systematic RIA that critically assess the positive and negative effects on businesses of proposed and existing regulations, and identify non-regulatory alternatives. Conducting RIA within an appropriate framework can underpin the government's capacity to ensure that regulations are efficient and effective, and reduce unnecessary burden on businesses. Some form of RIA has been adopted by nearly all Organisation for Economic Co-operation and Development members, although implementation is challenging. The TA will assess and propose possible institutional designs for a business-oriented RIA in Tajikistan.

3. Although Tajikistan is party to a number of arbitration agreements and conventions, the courts do not always respect or uphold international arbitration rulings. In May 2012, Tajikistan acceded to New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, which should bring improvements in this area for foreign investors. The TA will identify options to protect foreign and domestic investors from regulatory and political risks. Legal reforms to improve investors' rights to select the most favorable tax and legal regime, and to access international arbitration or alternative dispute resolution mechanisms, will be explored. Increasing the transparency of business ownership and public access to regulatory documents are options that can bring extensive benefits. An internationally recognized investment guarantee facility can help address investors' concerns about political risks in the country by providing political risk guarantees (insurance) for their investments.

4. Executive documents—presidential decrees, laws, government orders, instructions, ministerial memos, and regulations—are often inaccessible, leaving businesses and investors unaware of existing rules.

5. The TA will help develop a strategic agribusiness product in one village in Tajikistan by supporting the introduction of an internationally recognized quality certification. This pilot project will use as a benchmark the Japanese One Village One Product (OVOP) approach. It will bring lessons that can help establish nationwide mechanisms to strengthen control over the quality of inputs and products, and improve the certification of quality management systems.<sup>1</sup> At least one workshop on international quality certification, product differentiation, and agribusiness value chain development will be conducted. International quality certification can open external markets to Tajikistan's products.

6. The TA will conduct a survey that will collect information about the origin and methods of diffusion of innovation among Tajikistan businesses and their links to businesses'

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<sup>1</sup> N. Haraguchi. 2008. The One-Village-One-Product (OVOP) movement: What it is, how it has been replicated, and recommendations for a UNIDO OVOP-type project. *Research and Statistics Branch Working Paper 03/2008*. Vienna: United Nations Industrial Development Organization.



competitiveness. The assessment will provide a basis for policy recommendations that can accelerate business innovation and knowledge transfer. The viability of a government-financed innovation fund that promotes innovation diffusion will be assessed.

## **B. Scope of Services**

7. A consulting firm will support the government in implementing the TA outputs as envisaged in the design and monitoring framework. The assistance will be implemented intermittently over 30 months. The firm will prepare quarterly progress reports and a final report at the end of the assignment. Other outputs include a report on private sector development, innovation systems, and policy recommendations to improve innovation diffusion and business competitiveness. The following is an indicative allocation of resources and terms of reference that is expected to comply with the TA requirements. However, the consulting firm can propose a more efficient or effective allocation of consulting resources and implementation plan as long as it ensures timely delivery of good-quality outputs and outcome, and that the TA benefits reach all provinces in Tajikistan.

8. The consultants will report to the Asian Development Bank (ADB) and to the Executive Office of the President of Tajikistan. The consultants' reports will be first submitted to ADB for comments in English, then translated into Russian and Tajik for review by the executing agency and implementing agencies. The reports will ultimately be submitted to the steering committee for discussion and decision making purposes. Workshops and seminars will be conducted as planned in the design and monitoring framework.

9. The consulting firm is expected to apply lessons from other countries and development partners in previous projects that implemented similar institutional mechanisms. For example, the Kyrgyz Republic (for RIA, international arbitration, and the OVOP approach) and Afghanistan and Cambodia (for investment guarantee facilities).

## **C. Detailed Tasks**

### **1. Private Sector and Business Development Specialist, Team Leader (international, 6 person-months)**

10. The consultant should have a strong educational background in economics and/or business administration (preferably a master's degree). He or she should have strong experience in private sector development policies and constraints, preferably with a minimum of 15 years of experience in the private sector. A minimum of three assignments in Tajikistan would be desirable. Excellent writing skills in English and fluency in Russian are essential.

11. The international consultant will be the team leader. The consultant will work primarily on output 1 and be responsible for (i) assessing the role of the private sector in the national economic development and major economic sectors; (ii) identifying the major constraints affecting private sector development in strategic sectors, based on consultations with relevant stakeholders and using the findings from all recent diagnostic studies (including the ongoing Tajikistan country diagnostic study being developed by ADB's Economics and Research Department); (iii) identifying policy actions to address major constraints to business development and options for possible development partners support to the government in promoting private sector development; (iv) drafting blueprints (with detailed business plans and processes) for at least three institutional mechanisms for implementation of economic policy

reforms to improve the investment climate; and (v) coordinating pilot implementation of the OVOP approach to product development and quality certification.

## **2. Business Innovation Systems Specialist** (international, 6 person-months)

12. The consultant should have a strong educational background in economics and/or economics of technological change (preferably masters' degree). He or she should have strong experience in technological change and innovation systems in developing countries (preferably with a minimum of 15 years of experience in the sector). Excellent writing skills in English are essential. Work in the Central Asia region is desired.

13. The consultant will work primarily on outputs 1 and 3. He or she will undertake an assessment of the innovation systems in Tajikistan to map current innovation processes in manufacturing and agriculture, and to identify capable institutions engaged in industrial and business innovation diffusion. The assessment will be based on a survey of business innovation systems and their links with Tajikistan's competitiveness. The consultant will provide policy recommendations to improve the links between innovation systems and businesses to support competitiveness. The consultant will also support the implementation of economic reforms through the design of specific institutional mechanisms—including business incubators that can provide firms and entrepreneurs with access to knowledge and other business advisory services, and government support to innovation diffusion.

## **3. Investment Promotion Specialist** (international, 3 person-months)

14. The consultant should have a master's degree in economics, business administration, management, or related fields; and have preferably a minimum experience of 10 years in investment promotion in a reputable investment promotion agency (IPA) and in investment project preparation, analysis, and implementation. Knowledge of Russian or Tajik is an advantage. Work in the Central Asia region is desired.

15. The consultant will work primarily on output 2 and (i) evaluate Tajikistan's IPA capacity using the Global Investment Promotion Benchmarking methodology or similar, including a website review and inquiry handling; (ii) recommend investor protection mechanisms; (iii) advise the IPA on businesses processes reengineering, including website upgrade and maintenance, investment promotion materials, and an action plan for aftercare services; (iv) advise on necessary equipment requirements for the IPA; (v) recommend indicators for evaluating the performance of the IPA; (vi) provide on-the-job and class training to all IPA staff, particularly on image building, investor facilitation, and servicing; and (vi) support International Organization for Standardization (ISO) certification of the IPA.

## **4. Auditor for International Organization for Standardization Certification** (international, 1 person-month)

16. The objective of the engagement is to audit the IPA's quality management system as a prerequisite for the approval of ISO certification. The consultant will (i) conduct a pre-audit covering the review of existing quality management system documents, control procedures, operational instructions, internal audit results, and management review results; (ii) develop a corrective action plan to address gaps identified in the pre-audit, including timelines and resources required to address the gaps; (iii) provide guidance and assistance to the IPA in preparing the documentation requirements for ISO certification; and (iv) conduct a post-audit on

the same items covered in the pre-audit after business processes reengineering. This assignment will support the implementation of output 2.

17. The consultant should be a certified ISO auditor and have experience in certifying the quality management system of at least three government agencies, preferably on a related or similar scope to IPAs. The consultant should have at least 10 years of experience in ISO certification. Knowledge of Russian or Tajik is an advantage, as is prior work in the Central Asia region.

**5. Private Sector and/or Business Development Specialist** (national, 18 person-months)

18. The consultant should have an economics and/or business administration degree and 8 years of relevant experience. He or she should be an expert on private sector development policies and constraints in Tajikistan. Expertise in different strategic sectors will be an advantage. Good writing skills in English are essential.

19. Under the supervision and guidance of the team leader/international private sector and business development specialist, the national consultant will work primarily on output 1 and (i) clarify related government priorities and reforms and highlight ongoing constraints; (ii) gather and collate data and background materials, including published and unpublished reports; (iii) organize meetings and consultations with stakeholders; (iv) support coordination with government agencies, development partners, chambers of commerce, business associations, the private sector, and other key stakeholders; and (v) help with interpretation during meetings and translation of documents (substantial translations will be conducted by a professional translator).

20. The national private sector and/or business development specialist should be responsible for ensuring that the proposed institutional mechanisms to improve the investment climate address women entrepreneurs' priority concerns.

**6. Innovation Systems Specialist** (national, 18 person-months)

21. The consultant should have an economics and/or business administration graduate degree, and 8 years of relevant experience; and should be an expert on innovation and technological change in Tajikistan. Good writing skills in English are essential.

22. Under the supervision and guidance of the international innovations system specialist, the national consultant will work primarily on outputs 1 and 3, and provide inputs to the innovations systems assessment, conduct country consultations, and ensure quality control of the final report. He or she will (i) clarify related government priorities and reforms, and highlight ongoing constraints to technological change; (ii) gather and collate data and background materials, including published and unpublished reports; (iii) organize meetings and consultations with stakeholders; (iv) support coordination with government agencies, development partners, education and research institutions, the private sector, and other key stakeholders; and (v) help with interpretation during meetings and translation of documents (substantial translations will be conducted by a professional translator).

**7. Investment Promotion Specialist** (national, 12 person-months)

23. The national investment promotion specialist will have expertise in the areas of project development and knowledge of existing government support to project investments in Tajikistan. The consultant should have an economics and/or business administration degree. Direct experience in working with various government agencies and under projects financed by external funding agencies is essential for successfully undertaking the assignment. The expert will be proficient in English and have a good understanding of investment potential in Tajikistan.

24. In cooperation with the international investment promotion specialist, the consultant will work primarily on output 2 and support the reform efforts in the IPA, including on (i) collecting information related to potential investment projects, (ii) liaising with government agencies, and (iii) drafting new investment guides and other investment promotion materials.

**8. Legal Specialist** (national, 4 person-months)

25. The legal specialist will be a practicing lawyer with at least 8 years of experience in legal reform in various sectors of Tajikistan, and in working with government and external funding agencies. An understanding of the legal framework for investment protection is essential. The consultant should be proficient in English and have a law degree.

26. The consultant will support activities related to all outputs, but primarily output 1. The consultant will support the team in preparing regulatory reforms, including simplification of the legal framework on investment protection, based on a thorough review of current legislation and implementation practices in Tajikistan.

**9. Communications Specialist** (national, 4 person-months)

27. The communications specialist will have at least 5 years of experience as a communications specialist, preferably in a government environment, and a very good ability to write and edit for a wide range of communication products, with experience conveying complex ideas in a clear, direct (non-academic) style. In-depth knowledge of Tajikistan's social, political, and development issues—with a strong current knowledge of key stakeholders, their operations, policies, practices, and priorities—is preferred. Proficiency in the Tajik, Russian, and English languages will be an advantage; proficiency in at least two languages is required.

28. Investment climate reforms require consensus building and raising awareness around reforms. The objective of the assignment is therefore to promote and advocate the modernization agenda to obtain buy-in and support from stakeholders, and to keep the citizens of Tajikistan informed on progress with the reform agenda. The communications specialist will support the government in developing a communication strategy for the reform process, including (i) definition of the types of information to be disclosed; (ii) the mechanisms for public notice, including language and timing; and (iii) the responsibility for implementing and monitoring of information disclosure and dissemination. The consultant will conduct a stakeholder analysis to identify the right stakeholders and to ensure that stakeholders participate in appropriate and effective ways. The consultant will maintain and continually develop regular contact and close collaboration with the media to communicate the reform process.