

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Tajikistan's development partners allocate a moderate share of their programs to supporting the government's management of economic affairs and private sector development. In 2014, only 15 development partners (out of 68) in Tajikistan were involved in private sector development and industry.¹ These sectors received only 5.4% of total foreign aid in Tajikistan. The table includes information about key development projects in these areas.

Major Development Partners, Economic Affairs and Private Sector Development

Development Partner	Project Name	Duration	Amount (\$ million)
ADB	Investment Climate Reforms Program Subprogram 1	2015	60.0
ADB	Regional CAREC Improvement of Border Services Project	2013–2017	11.1
EBRD	Several investment projects in the real and financial sectors	Continuous	197.0 ^a
EFSD	Financing credit for budget support	2015–2016	40.0
GIZ–DFID	Framework and Finance for Private Sector Development	2011–2020	39.0
IFC	Several investment projects in the real and financial sectors	Continuous	67.0 ^b
IFC–DFID	Improving Investment Climate in Tajikistan	2007–2015	n.a.
IFC–DFID	Improving Corporate Governance in Central Asia	2008–2015	n.a.
IMF	Technical assistance	Continuous	...
SECO	Private Sector Development	2012–2015	12.2
UNDP–DFID	Support to Effective National Aid Coordination and Investment Promotion	2009–2015	2.5
World Bank	Private Sector Competitiveness Project	2012–2017	10.0
World Bank	Programmatic Development Policy Credit	2015–2016	TBD

... = not available, ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, DFID = United Kingdom Department for International Development, EBRD = European Bank for Reconstruction and Development, EFSD = Eurasian Fund for Stabilization and Development, GIZ = Deutsche Gesellschaft Für Internationale Zusammenarbeit, IFC = International Finance Corporation, IMF = International Monetary Fund, SECO = Swiss State Secretariat for Economic Affairs, TBD = to be defined, UNDP = United Nations Development Programme.

^a Investment portfolio as of 31 December 2014.

^b Investment portfolio as of 30 June 2015.

Sources: Asian Development Bank, development partners' websites.

2. The World Bank is implementing a development policy credit for budget support that is underpinned by a program of economic reforms to support economic growth. This development policy credit is focused on (i) stimulating financial and private sector development, (ii) increasing public sector efficiency and transparency, (iii) strengthening connectivity; and (iv) reducing barriers to trade and transit. In 2012 the World Bank approved the Private Sector Competitiveness Project (\$10 million) to (i) simplify business registration and construction permitting processes, (ii) improve regulations and infrastructure that underlie access to financial services, and (iii) encourage development of the mining industry. It also approved the Tax Administration Reform Project, which is building on earlier support from ADB and the International Finance Corporation (IFC) to improve the tax administration system.

3. As of 30 June 2015, the IFC portfolio in Tajikistan was \$67 million, which includes investments in financial institutions and the agribusiness sector. IFC advisory programs in Tajikistan focus on (i) improving financial market infrastructure, specifically credit information

¹ State Investment Committee and State Property Management. 2015. *Development Partners 2015*. Dushanbe.

sharing systems and risk management education; (ii) institutional capacity building of financial intermediaries; (iii) microfinance development; (iv) investment climate and tax administration; (v) improving corporate governance in local companies; (vi) increasing agri-financing; and (vii) infrastructure financing advisory. The IFC's program on investment climate, which is partially funded by the United Kingdom Department for International Development (DFID), supports regulatory reform in the areas of permits, licensing, inspections, simplification of tax administration, and investment policy. IFC supported a government working group that drafted the law on inspections supported under the ADB Investment Climate Reforms Program. IFC also conducts regular surveys of Tajikistan's investment climate and works to foster dialogue between the private sector and government.

4. The operations of the European Bank for Reconstruction and Development (EBRD) in Tajikistan are focused on stabilizing and rebuilding trust in the banking sector; developing private enterprises and agribusiness; improving the availability, reliability and quality of municipal services; and improving the quality of energy supply, regulation and energy efficiency. As of December 2014 its portfolio was composed of 89 projects totaling €179 million, of which 61% are in the private sector. The projects cover energy; infrastructure; financial institutions; and industry, commerce and agribusiness. EBRD is providing technical assistance to the Secretariat of the Investment Council under the President, and conducts policy dialogue to address constraints to investment and business development. Its Small Business Support team facilitates skill transfers to the local consulting industry and improves the knowhow and management of small and medium-sized enterprises. Since starting work in Tajikistan in 1997, EBRD has helped close to 400 enterprises access advice.

5. In July 2015, the Council of the Eurasian Fund for Stabilization and Development adopted a decision in principle to provide a \$40 million loan to Tajikistan to support the state budget in 2015–2016.

6. Deutsche Gesellschaft Für Internationale Zusammenarbeit and DFID cofinance the Framework and Finance for Private Sector Development, which supports the government and the private sector in Tajikistan in increasing economic growth in rural areas and developing sustainable and profitable businesses. The project's activities focus on strengthening value chains for the production of agricultural and non-agricultural products. It is currently facilitating the introduction of private, low-cost, agricultural advisory services to provide farmers with information on locally appropriate crop cultivation methods, and supporting capacity development activities for farmers' associations and enterprises.

7. The IMF provides technical advice on macroeconomic management, public finances, and financial sector. In 2012 the IMF completed its last program for Tajikistan, a 3-year arrangement under the Extended Credit Facility. The IMF has no current program with Tajikistan.

8. Swiss economic cooperation supports the transition to democracy and to a functioning market economy by (i) strengthening macroeconomic framework conditions and financial sector infrastructure as the basis for continued sustainable economic growth; (ii) promoting trade and business-friendly conditions and the improvement of the investment climate to support the development of small and medium-sized enterprises and a sustainable export economy; and (iii) improving access to affordable, reliable and sustainable infrastructure (water and energy) as the basis for economic and social development. Swiss economic cooperation helps private sector development in Tajikistan by supporting regulatory reform (e.g., fiscal reforms) and raising awareness within the private sector, through outreach and promotion of public–private dialogue.

Technical assistance focuses on improving access to finance for the private sector and further strengthening the financial market infrastructure, including improving risk management in financial institutions, introducing new types of credit facilities, and improving credit information sharing. The program also endeavors to enhance access to foreign markets by assisting private firms to implement international standards and increase their knowledge of foreign markets.

9. The United Nations Development Programme, in partnership with DFID, has implemented the Support to Effective National Aid Coordination and Investment Promotion Project, and its outputs include: (i) policy advice and coordination on investment promotion, enhancing international economic cooperation between Tajikistan and countries with good practices in the area; and (ii) generation of programs to promote foreign direct investment and provide regulatory and methodological support for the investment policy of selected regions and industries.

B. Institutional Arrangements and Processes for Development Coordination

10. Tajikistan has a very active development coordination tradition. ADB through its resident mission is currently chairing the country's Development Coordination Council (DCC). The DCC includes 30 multilateral and bilateral partners and has progressively transformed into a vibrant forum for information sharing and aid coordination. This approach has facilitated joint reviews and dialogue with the government. Regular meetings between the government and the DCC allow assessment of the progress of reforms as outlined in strategic documents. Several thematic groups are working under the DCC; the group for private sector development prepared input papers for the Business and Economic Forum in October 2014. In 2011 the State Committee on Investments and State Property Management created a website that provides information on development projects.²

C. Achievements and Issues

11. Subprogram 1 uses a program-based approach. It is government-led and uses the country's budget framework. ADB shared information about the design and implementation of reforms under subprogram 1 with other development partners engaged in private sector development through the existing institutional arrangements for development coordination (the DCC thematic group for private sector development). ADB also had frequent bilateral consultations with development partners, including in-depth discussions with those currently planning to provide budget support to Tajikistan—the European Union, Eurasian Fund for Stabilization and Development, and the World Bank—and the IMF.

12. While there are several development partners engaged in developing the private sector in Tajikistan, the DCC working group ensures good coordination among them through regular meetings and requests for disclosure of current and future assistance.

D. Summary and Recommendations

13. Development partners have been cooperating in the sectors and themes covered under the program. It is important that coordination and information sharing continue to take place in the DCC and its working groups. ADB will continue to actively share information about the program and consult with other partners on a semi-annual basis.

² <http://amcu.gki.tj/eng/> [accessed on 4 November 2015]