

From Regional to National PPD IN Tajikistan

by

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1- Background and Context

The Public-Private Dialogue in Tajikistan started in 2007 by EBRD by establishing the national PPD platform. In 2010, GIZ and IFC provided technical support to establish Consultative Councils on Improvement of the Investment Climate and Business Environment under the Governors (CC), including their Secretariat, in Sughd and Khatlon regions. Thus, presently EBRD finances this process at national level, GIZ¹ at provincial, UNDP and sporadically others donors / projects at regional and local levels. During 2012-2013 GIZ extended the technical support to GBAO and Rasht Valley, thus covering regional PPD platforms countrywide. The National CC Secretariat is supported by GIZ mainly to the extent as needed to ensure that proposals, coming from the regional CCs, are considered at national level and to improve communication and coordination, including monitoring of implementation activities, between regional and national CCs.

The GIZ interacts with private and public partner organizations at national and sub-national levels to establish well structured, systematic, transparent, effective, and locally driven dialogue and implementation processes.

2- Partnership, Structure and Processes

Despite of being a new element in the policy-making system, PPD proved to be successful as a motor for business environment reforms in the country. The PPD platforms are in the process of “turning into a system”. Extending the dialogue platforms from national to regional and local levels seems to be appropriate to initiate a bottom-up way for channeling issues and proposals to the appropriate decision-making authority. At the same time, a regional and local dialogue significantly contributes to effective implementation of national policies.

¹ FFPSD / GREAT Programme (Framework and Finance for Private Sector Development / Growth of Economy and Agriculture in Tajikistan)



In accordance with the charter, the Regional CCs consist of 7 members each, 3 of them being permanent (2 from public sector and the Secretary) and 4 subject to rotation (3 from private sector and 1 civil society). 1 additional seat is for donor representatives. The CC Secretariat consists of:

- **Public sector:** Khukumat nominates one person (State Investment and State Property Department), and
- **Private sector:** Private sector seconds a person to the CC Secretariat.

Both are responsible for inviting to, and preparing for, the CC meetings, for moderating workshops, working groups and stakeholder meetings of different stakeholders to prepare for the sessions by planning development activities and implementing them after the sessions. The charter of regional CCs is being amended to expand the private sector representation during the sessions, thus increasing the private sector representatives from 3 to 10. Another amendment of the regional charter is foreseen in the area of the selection mechanisms of the Secretary of the private sector. Only the private sector should be eligible to recruit and dismiss their representative in the Secretariat without influence of the government administration.

The national level CC comprises of 12 members, 4 of them being permanent and 8 are subject to rotation.

The frequency of CC sessions mainly depends on how fast the private sector can analyze the subject of the next session and prepare proposals. Thus at regional level normally 2 or a maximum of 3 sessions take place, at national level 3 to 4 sessions per year.

GIZ works towards harmonizing the subjects to be discussed at least partially between national and regional levels. For generally important business environment subjects, such as taxation, this leads to campaign-like actions, which can develop sufficient pressure on governmental institutions. Precondition is a close communication flow between national and regional levels, even down to district and jamoat levels. Respective efforts of GIZ led to improved cooperation between the various PPD levels.

This needs to be accompanied by efforts to increase the capacity of the private sector to analyze problems from an economic viewpoint and to develop respective improvement proposals. Considering the low organizational level of the private sector in Tajikistan GIZ conducted series of training for private sector representatives in these aspects and for developing moderation skills for stakeholder meetings and CC sessions. The latter is of particular importance for avoiding that only the government authorities are moderating discussions, which, under Tajik conditions, automatically manifests their dominance. It further contributes to eye-level discussions and more transparency. GIZ allows also public sector representatives to participate in these trainings – as a first step of PPD, particularly to create personal trust, and to improve the skills of the of public sector representatives. They learn in addition more on market economy rules, regulations, and interrelations between private and the public sectors.

Through this training a pool of experts of Business Associations exists, which are meanwhile loosely organized in the so-called Alumni Associations, comprising of 16 successful Business Associations. They

are moving away from donor support and become more self-financing by introducing fee-based services for their members. At the same time, this strengthens their link to their member companies.

Significant challenges in the establishment of the PPD are:

- Constraints of the secretariats related to their capacity to mobilize stakeholders as well as the limited negotiation capacity of the stakeholders founded on substantial economic (sector) analysis.
- While the PPDs in the regions are government-hosted development partners still subsidize some operational and technical components. Eventually, all financial and technical input should be borne by the Government and the private sector jointly. The weakest point is still the contribution from the private sector side and it needs further efforts to enable business associations to cope with this task.
- There is not yet a systematic dialogue concept, neither at national and nor at regional level, based on sector analysis.
- The monitoring skills to track the implementation of decisions are still insufficient.
- There are still very strong command-and-control top-down mechanisms active. Initiatives and innovations do not tend to be rewarded. There are little incentives. The private sector is still insufficiently prepared for the dialogue and the public sector does not sufficiently react in time.
- The public-service officials in the various ministries and agencies in general are insufficiently aware of private sector development needs, particularly of the evolving needs of businesses in a changing market. There is a knowledge gap, which often translates into lack of communication, lack of trust, and thus interruption of dialogue-based policy-making processes, ending up by corruption.

Risks encountered and ways for their mitigation:

In an environment, still dominated by a command way of thinking and weakly organized private sector, there is a clear risk that the system might slip back to a more command-driven economy. To mitigate this risk and to promote a collaborative policy-making, GIZ works on

- The private sector side trying to make private sector organizations more self-financing and less dependent on donor grants and to make them more self-confident through a higher level of skills;
- The public sector side to change their mindset towards a governance style compatible with a competitive market economy;
- Establishing trust between public and private sectors through practical experience and success.

In order to push for the latter, GIZ plans to introduce a value chain specific PPD approach (similar to the sector-specific PPD of the World Bank). In practice, this means that upon a sound value chain analysis all private sector stakeholders do agree on a timely limited joint action plan to remove the development barriers of the selected value chain. There will be clear tasks for government / administration, private sector stakeholders, and project. It will be important to start with value chains, with substantial and easy reachable income impact.

3- Results so far

Enacted reforms processed through this public-private initiative

Through the improved communication between national and regional levels a number of proposals, developed at local / regional level, could be channeled up to government level for improving the business climate and setting development priorities.

The key reforms overtaken by National level include the following:

1. Reform in Tourism Sector

The achievements include the development of an action plan by the national level Tourism Working Group, adopted by the Government. If implemented properly major barriers will be removed. Expected Economic impact: direct - 5% to GDP and indirect - 15% to GDP.

2. Doing Business

For the 3d time the World Bank recognized Tajikistan to be the best reformer among 189 countries. Such an award facilitates foreign direct investment (FDI) inflows.

3. Ratification of the Hague (Apostille) Convention

On October 29, 2014 the Parliament of the Tajikistan ratified the Hague Convention (Apostille Convention) from October 5, 1961, on abolition of foreign official documents legalization. This will contribute to FDI inflows to the national economy and will save time and money through simplified processes of registering documents for foreign investors and local businesses making business abroad. It also facilitates activities of foreign migrant workers in the country.

4. Sovereign credit rating

The most significant achievement is transparency of government economic structures and FDI attraction.

The key sectors initiated by regional PPD level with impact on entire economy:

1. Enhance export capacity of F&V sector

- ✓ Has been instrumental for improving electricity supply to irrigation water pumps;
- ✓ Led to diversification of export market for processed F&V produce (from just Russia market towards South (Afghanistan) and European countries);
- ✓ Led to job opportunities and income generation through cultivation of abandoned lands and establishment of intensive gardens (apricot, apple and grapes) on 6,000 ha;
- ✓ Pending is still the withdrawal of VAT on agricultural inputs such as seed, fertilizers and chemicals.

2. Permit law implementation at local level: issues on establishment of production enterprises and import of technical equipment.

- ✓ Led to the establishment of a so-called “one-stop shop” day for permits, particularly for start-up businesses, by the city administration of Khujand, Sughd region. During the one stop shop day all the governmental institutions are gathered on one place and the enterprises can obtain the permits without spending months for all the procedures. At the same time the number of permits were reduced from 600 to 86.

3. Development of Tourism sector



- ✓ GIZ supported the analysis of the tourism sector in an approach aligning regional and national level CC sessions. The findings of the sessions of all four Regions were summarized and submitted to the national CC. This approach helped initiating implementation commitments from public sector countrywide.
- 4. Simplification of Tax Code**
- ✓ Entailed a joint private-public sectors information campaign sponsored by GIZ, which at the same time was used to gather proposals from the private sector to avoid pitfalls and payoff when applying the new Tax Code.

The 1st Regional PPD Network Development Forum

GIZ studied the experience of other countries through participation at the PPD Global Workshops and initiated the 1st Forum on developing a PPD Network in Central Asia+, i.e. Kyrgyzstan, Tajikistan and Nepal. Lessons learnt from other PPDs, that are more advanced, like Slovakia. The Forum took place February 9-13, 2015, and was designed as an initiative with practitioners learning from each other. This was mixed with learning sessions on technical PPD issues with a focus on local institutional capacity building. It was good to learn from practical experience, e.g. as contributed by Slovakia. During the Forum the participants of the various countries planned future cooperation also in view of expanding the Network by involving other PPDs.



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