

Last update: March 2009

Swiss economic development cooperation with Tajikistan

1. Transition process: an overview

■ Tajikistan gained independence in 1991, with the disintegration of the USSR. The challenges facing this newly independent country were considerable; they were further aggravated by a brutal civil war, which caused widespread physical damages and heavy human losses. In 1997, a peace treaty successfully put an end to the conflict. Since then, and despite the uncertainties linked in particular to the unstable situation in Afghanistan, internal security has improved, and political stability has prevailed. These positive achievements – in a rather difficult context - must be acknowledged, but the country has still a long way to go on the road towards democracy, good governance and full respect of human rights.

■ The economic situation of the country remains dire. The fall of the USSR caused a massive disruption of the economy and institutions, and a dramatic deterioration in living standards; subsidies from Moscow (representing 80% of the budget) disappeared overnight, the dense trade relations with USSR collapsed (exports fell from USD 2.4 billion in 1990 to 100 million in 1992) and pauperisation increased dramatically. But this difficult starting basis was also aggravated by the inadequate and lax macroeconomic and structural reform policies of the government during 1990s, as reflected by a long period of high inflation and slow growth, as well as rapid and massive public indebtedness.

■ However, the commitment and performance of the government in establishing a market-based economy and addressing poverty have improved markedly over the recent years. These efforts are supported by the international financial institutions. They have already borne some significant fruits, including a notable average annual growth of 9.5% since 2000. Nevertheless, real GDP is still only around 75% of its level in 1991. There are indications of increasing diversification of the sources of growth, driven by non-traditional exports (international trade and services) and workers' remittances from abroad. Inflation remained within the goal of 7% during 2005.

■ A Poverty Reduction Strategy (PRSP) was formulated in 2002 and updated in 2007. A marked reduction of poverty was established: 64% of the population now live below the poverty line, compared to 81% in 1999. The Second Progress Report, dated June 2005, does not contain any updated figures on income poverty reduction, but undoubtedly Tajikistan remains an extremely poor country in this respect.



■ Tajikistan is a late reformer among transition countries; it is far from having translated yet the freedom from the previous regime into unquestionable political, social and economic progress. The per capita income dropped dramatically during the 1990s and still has not regained the level of 1990, in spite of the high economic growth rates. GDP per capita currently stands at USD 354, up from USD 310 in 2004 (total population: 6.5 million). Unemployment is high, even though reliable data are not available (estimates vary from 12 to 30%). The health and the education system are in disarray (child and maternal health deteriorated significantly during the 1990ies, while recent trends show only slight improvements; one in five children is not attending school, significant gender gap, particularly at secondary and tertiary levels). All these facts call for continued serious actions by the government – with the support of the international community – to consolidate the transition process and to further liberalize and open its economy, in order to sustain a rapid and pro-poor growth.

■ The challenges remain substantial, in particular:

- *Low level of public finances.* The state budget in 2005 represented 1/5 of what it was in 1990. The total government revenues amount only to about USD 432 million, a rather meagre resource to face the challenges of the transition and the fight against poverty. However, efforts undertaken by the government since 2002 to reform its tax policy and administration are starting to show results: Public revenues now reach 18% of GDP (USD 432 million), up from 15% of GDP in 2004, and are expected to grow further. They still consist mainly of export taxes on cotton and aluminium, but VAT and miscellaneous fees have started to increase their share in total revenues.
- *Inadequate budgeting procedures:* While the budget deficit has remained under control over the past years (0.5% of GDP in 2005) the existing budgeting system retains substantial weaknesses in spite of the reforms undertaken: It is not yet a vehicle for translating priorities into a well formulated budget and continues to be de-linked from the PRSP, from the MDG and National Development Strategy. There is a need for a pragmatic reform strategy to ensure that the budgetary process is the main operational instrument for: (i) linking priorities with budget, (ii) efficient delivery of public services and (iii) facilitating transparency and accountability.
- *Insufficient investments.* The current level of gross domestic investments (5.7% of GDP) is totally inadequate to sustain rapid economic growth and represents a very fundamental weakness for the future development of the country. This situation calls for continued vigorous undertakings by the government in order to increase its self-financing capacity for basic infrastructures, to develop the financial sector (to better tap the domestic private saving) and to create the enabling environment to attract more foreign direct investments (which amount currently to a very meagre USD 230 million per year).



- *High external economic vulnerability.* After a “clean” start at independence with a zero external debt, Tajikistan’s external debt increased rapidly to about 100% of GDP. By the end of 2004 Government managed to reduce its external debt again to 40% of GDP due to prudent fiscal policies and debt-asset swaps with major bilateral creditors, particularly Russia. The balance of the current account remains fragile due to narrow-based exports (cotton and aluminium), which are highly vulnerable to shifts in world prices, to unduly restricted regional trade and to distant alternative markets. The remittances from about 800’000 Tajik workers abroad (mainly in Russia) will continue to play a major role in the financing of the development process.
 - *Complex geo-strategic environment.* Tajikistan is mountainous (93% of its surface) with remote and difficultly accessible areas. It is a land-locked country bordered by China, Kyrgystan, Uzbekistan and Afghanistan (the border with this latter country is 1’200 km long). Regional and bilateral relations are complex and sometimes tense and effective cooperation is very limited; the interests and influence of Russia and USA in Central Asia are significant; the cooperation with Iran has intensified recently; all these factors have a direct impact on the internal situation and the development of Tajikistan.
 - *Weak public and corporate governance.* The country has to continue its efforts to tackle effectively the tenuous rule of law, pervasive corruption, excessive red-tape and deficient control of illegal activities such as drug trafficking or smuggling. Political patronage and interference in the economy still affect the transition process.
 - *Uncertain political development.* The peaceful political process since 1998 represents a significant achievement in a difficult context. But many aspects of the political reform agenda – including recognized rights for the opposition, as well as effective freedom of association and expression – have still to be addressed. Constitutional changes allowing the incumbent president, who has been in power since 1994, to run for two further terms until 2020 as a de facto “life president” cast some doubts on the further evolution of the democratisation process; the situation will therefore have to be monitored carefully.
- Tajikistan is confronted with a Herculean task to succeed in its transition from a controlled economy and communist dictatorship towards a market-based open economy and a democratic political system. The country has only recently engaged in a credible path of reforms, including the formulation of a Poverty Reduction Strategy. But those reforms are far from being sufficient, and they still require much additional commitment and vigorous action by the government; several external or domestic factors may even derail the reform process. However, taking into consideration the positive evolution over the recent years, Tajikistan deserves to be further encouraged and supported.
- Switzerland is a committed partner of Tajikistan. This country has been a member of the Swiss-led constituency at the IMF and the World Bank since 1993. Close bilateral relations have been established between the two countries. The Swiss government recognizes – in the frame of



its foreign policy - the importance for specific and dense relations and cooperation with the reforming members of our constituency at the Bretton Woods institutions.

■ The economic relations between Tajikistan and Switzerland are still in their infancy. The trade balance is marginal (CHF 3.3 million of Swiss exports in 2004, and CHF 1.2 million of imports), and the Swiss investments in this country are quasi-inexistent. A framework for improved economic relations is being prepared, through on-going negotiations aiming at the signature of agreements for the promotion and protection of investments, and the avoidance of double imposition.

2. Past experiences and lessons learned

■ Since 2000, **SECO** has provided Tajikistan with financial and technical assistance amounting to about CHF 61.3 million. This economic cooperation has been focused mainly on **infrastructure financing** (electricity, water, telecommunication) and **macroeconomic aid** (co-financing of IDA-Structural Adjustment Credit, technical assistance for tax administration and debt management). More recently, further significant support in the field of **private sector and trade promotion** has been initiated.

■ From this decade of cooperation, the main lessons and experiences are:

- The performance of the cooperation projects has been satisfactory with the only exception of budget aid (co-financing of IDA-SAC) where delayed implementation of structural reforms by the government has affected the efficient use of the resources and the timely launching of SAC-2. The expected “demonstration and catalyst effect” of the **SECO** contribution on other potential bilateral donors has not materialized yet;
- Interventions in infrastructure financing have been rather dispersed on many sectors; it is now better focused with increased direct and substantial participation in the sector policy dialogue in order to better reach important objectives such as the sustainability (technical, economic and financial) of the infrastructure, the strengthening of regulatory authorities and the affordability of the basic public services by the poor;
- Co-financing of infrastructure projects with multilateral banks has proved to be effective and successful in a difficult environment;
- Institutional and capacity building requirements of the partners must be clearly analysed and addressed in the project formulation;
- A “regional approach” for trade development in Central Asia makes sense, but is rather difficult and complex. A pragmatic approach – country-based projects incorporating dense exchange of views and building of networks with partners in neighbouring countries – should be privileged;



- Close coordination with other donors is essential to improve aid effectiveness;
- Good governance is central for the successful transition and fight against poverty of Tajikistan; it has to be adequately monitored in order to become an effective trigger on the actual scope, nature and volume of the **SECO** program;
- Working relations with the Swiss Cooperation Office (COOF) in Dushanbe are efficient. A specific arrangement is to be agreed with COOF on the respective role, tasks and responsibilities taking into consideration available resources and capacities.

3. Future orientation

■ Tajikistan is a priority country for the Swiss cooperation with transition countries. In the frame of its foreign policy, Switzerland supports actively the transition process of ex-communist Eastern Europe countries and their fight against poverty, as a contribution to European and world peace, security and stability. Moreover, in the context of the Bretton Woods institutions and the EBRD, Switzerland has undertaken to play an active role as a facilitator and bilateral partner for reforming transition countries, which are members of the Swiss-led constituency in these institutions.

■ Tajikistan is one of the poorest countries in the world, and its efforts towards a market-based economy and a pluralist and democratic political system deserve to be supported. The recent progress achieved by Tajikistan must be acknowledged. But the country has still a long way to go to achieve and maintain a sustainable and rapid growth, to reduce significantly the poverty and to consolidate the democracy and the rule of law. Considering these needs and challenges, and despite the limited potential – in the short term anyway – for rapidly increasing bilateral business and trade relations, **SECO** is committed to continue its bilateral economic support to Tajikistan.

■ The orientation of the **SECO** program is consistent with the priorities and objectives set by the government in its Poverty Reduction Strategy (2002) and the Medium-term Budgetary Framework; it fully respects the main lines of intervention defined between the Swiss Development Cooperation (SDC) and **SECO** in their joint Cooperation Strategy for the Central Asian Region (2007-2011), i.e.:

- establishment of a reliable and adequate infrastructure as a basis for economic and social development;
- improvement of macro-economic framework conditions;
- development of private sector, focussing on SME's.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development



■ The main axes of the **SECO** bilateral cooperation program in the coming years are as follows:

- the **financing of basic infrastructure** remains the central and most significant **SECO** contribution to the transition process in Tajikistan. Future interventions will be focused on two sectors only (electricity and water) in order to optimise the use of the available resources, to increase their effectiveness and to ensure a more substantial direct participation in the sector policy dialogue;
- in the field of macroeconomic support, **SECO** will continue its activities in the field of public debt management, follow up the policy dialogue and progress in public finance fiduciary risks;
- efforts to contribute to the **development of SMEs** and to assist the country to **better tap the potential of trade as an engine for growth** will be continued;
- **SECO** will continue to assist Tajikistan in strengthening its capacities in the area of trade policy, with a view to improving the trade relations with its neighbours and its accession to **WTO**. On the political level, the Tajik authorities confirmed that the accession to the **WTO** remains a main priority of the country. **SECO** assists the Tajik delegation in the process of accession.
- **close coordination** with other donors is indispensable for ensuring aid effectiveness;
- special attention is to be given to the **institutional and capacity building requirements** of the partners when preparing new projects or programs;
- management of projects and activities must be **results-based** and incorporate clearly defined performance indicators (including expected contribution to poverty reduction);
- careful monitoring of the evolution of **good governance** (political, public, corporate levels);
- further efforts to ensure **high visibility** (including through information and dissemination of the results, impact and experiences made about specific projects) of the program.

Thematic focus/domains of action

■ Tajikistan is confronted with major challenges and huge needs for improving the living standards of its population. The human cost of the transition has been extraordinarily high, with massive pauperisation. In this context, the significant reform process undertaken by the government in the recent years – with the assistance of the international financial institutions – deserve to be further supported by **SECO**. But the reform agenda is vast, and the potential risks (internal politics, commitment to reforms, regional stability, security) remains important. The nature, scope and volume of the **SECO** program must – based on available resources and competences,



as well as the gained experience – concentrate on a limited number of intervention areas and take into account the future progress – or otherwise – in the field of good governance.

Improving basic infrastructure

■ Effective and reliable infrastructures in energy, transport, communication or water are essential for sustaining growth, stimulating business and contributing to poverty reduction. Since independence, Tajikistan has not been able to mobilise sufficient budgetary resources to enforce adequate cost-recovery mechanisms or to attract private investors, in order to secure the necessary financing for the rehabilitation, maintenance and development of the basic infrastructure. The current level of gross domestic investment (13% of GDP) reflects well on this dramatic situation. The consequences are serious indeed: for example, half of the total electricity distribution network and substations are obsolete or require major repairs, only about 33% of the population have access to chlorinated tap water, and there are only 3.8 stationary telephones per 100 persons (in comparison, the number of mobile telephones is growing rapidly and now reaches 2.5 per 100 persons).

■ The improvement of the basic infrastructures is a central objective of Tajikistan's Poverty Reduction Strategy. The legal and regulatory frameworks are inadequate and weak. Many financing and policy issues are at stake, including the question of the relevance and conditions of an increased involvement of private sector resources and capacities in the funding and management of basic infrastructures. **SECO** will continue to support Tajikistan in its rehabilitation efforts of those infrastructures and the accompanying institutional reform process.

Strategic Orientation:

- to ensure an efficient and effective allocation of the available resources, **SECO** will concentrate its support to a maximum of two sectors, i.e. electricity and water;
- further mobilization of significant financial resources to participate concretely – on a bilateral basis or as a co-financing with other partners - in rehabilitation or development projects of electricity or urban water infrastructures. Projects built around a public-private partnership will receive a special attention;
- strengthening of the direct participation (with the assistance of COOF) in the multi-donors sector policy dialogue, in order to address central questions including the sustainability (technical, economic, financial, social and environmental) of the infrastructures, the potential for public-private partnerships, the capacity and role of the regulatory authorities, and the affordability of basic services by the poor; whenever possible, **SECO** will make special efforts to ensure that gender concerns are being addressed;



- counterpart funds generated under past and future projects shall be utilized to further enhance the benefits of the project and contribute to its long-term sustainability. However, the capacity of the beneficiary to service the debt will be determined in advance. Recapitalization of heavily indebted beneficiaries can be considered as an alternative.

SME Promotion

■ The process of small privatisation is now almost completed in Tajikistan, and the GoTJ is in the process of preparing the privatisation process for 37 strategic enterprises and state owned companies. Nevertheless, the private sector share of GDP is still rather low at 40%, while the share of services in GDP further increased to 44 % in 2005.

The high cost for the modernisation of public enterprises, their potentially large liabilities, the lack of interest by strategic foreign investors and the limited financial capacity of national private investors: these are real constraints affecting the privatisation. But the process has also been slow due to a lack of transparency in holding tenders, high starting prices or governmental restrictions on the privatisation of land. Much effort is therefore still required to promote a more dynamic private sector development.

■ The number of enterprises, which are registered as legal enterprises increased rapidly from 1'181 in January 2002 to 23'189 in August 2003. More recent figures are not available. Assets of the main economic sectors (industry, transport, energy, communication) remain however largely in the public sector. The growth potential of SME is far from being fully exploited. Obstacles include imperfect legislation, complex registration process, red-tape, corruption and capital constraints. At the same time, it is obvious that the SME represent the backbone of the future development and fight against poverty of Tajikistan. The potential of SME for job creation, technological innovation, diversification of exports and industrial decentralization is considerable. **SECO** will continue to support various measures or mechanisms aiming at contributing to the promotion of a more dynamic development of SME in Tajikistan.

Strategic orientation :

- contribution to improve the business enabling environment, through continued support to the regional Swiss-IFC Central Asia Partnership, including specific Tajikistan-based projects and activities;
- support to the development of regional or national financing instruments or mechanisms in order to better address the requirements of SMEs, as a contribution to the deepening and development of the financial sector. Special attention shall be given to innovative mechanisms for Tajikistan, such as venture capital or leasing. Options for medium to long-term credit line administered by local banks will also be considered;



- continued support to the EBRD Trade Facilitation Program, which aims at facilitating trade transactions (through consolidated international payment system) and strengthening international relations and experience of selected Tajik private banks;
- substantial contribution to the formulation and implementation of sectoral export strategies, improvement of the available trade information, development and capacity building of trade support institutions and targeted capacity building for existing and new export-oriented SME.. Executing by ITC, a project in the agro sector "Fruits and vegetables" was conducted until 2008. A new programme will support the "Textile" sector with an holistic approach.

Improving debt Public Finance Management (PFM) and trade negotiation capacity

■ Besides the institutional and capacity building foreseen under the interventions for improving basic infrastructure and promoting SME, **SECO** will continue to provide very targeted support to the Tajik government for the strengthening of the institutions and capacities required in high-priority fields aiming at for example improving the debt management, respectively other high value added PFM reform components and the strategy formulation of the economic and trade policy.

Strategic orientation:

- implementation of an important bilateral program with the Ministry of Trade and related partners to assist Tajikistan in its accession process to WTO;
- continued substantial assistance to the Ministry of Finance for the improvement of the PFM system;

Indicative Financial Disbursement

■ For the implementation of its program during the period 2007-2011, **SECO** plans – subject to continued progress in the transition (economic and political) of the country and to satisfactory performance in the implementation of bilateral projects – the mobilisation of an envelope of about **CHF 30 million**. Efforts will be undertaken to smoothen the annual disbursements, but the nature of the main operations (basic infrastructure) could still cause some erratic annual flows.



4. Program management

■ In Berne, the directly involved **SECO/WE** divisions are (i) Infrastructure Financing (WEIN); (ii) Macro-economic Support (WEMU); (iii) Investment Promotion (WEIF) and (iv) Trade and Clean Technology Cooperation (WEHU). **Mrs. Michelle Gysin (WEIN/gym) is the WE country coordinator** (contact: Michelle.Gysin@seco.admin.ch).

■ The **Swiss Cooperation Office (COOF)** in Dushanbe (www.swisscoop.tj), attached to the Swiss Embassy in Astana, is the main direct Swiss partner of **SECO** for the strategic orientation, the preparation, the implementation and the supervision of the economic cooperation program in Tajikistan. COOF staff includes two National Program Officers directly responsible for **SECO** projects or programs. For each new project, a formal arrangement is agreed between **SECO** and COOF to clearly define the respective expected tasks and responsibilities, and to address the related questions of capacities and resources.

■ A legal framework cooperation agreement with Tajikistan has been signed in 1999, and covers all **SECO** and SDC financial, economic and technical cooperation projects.

■ The **Swiss Embassy** in Astana provides additional important support to **SECO** for context analysis and information, as well as representation at high political level.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development



Annex 1

Swiss development aid flows (million CHF)

	2003	2004	2005	2006	2007	2008
SECO	10.7	7.8	4.5	7	6.2	4.8
SDC	5.5	5.8	5.1	6	6.3	7.7
Swiss Total	16.2	13.6	9.6	13	12.5	12.5

Comments and remarks

- The above-mentioned figures do refer exclusively to bilateral annual net flows.
- The table does not take into account the benefits derived by Tajikistan from global or regional SECO programs such as SIPPO, SOFI, ITTO, UNCTAD BTFP and projects under SECO consultant Trust Funds in multilateral development banks.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development



Annex 2

On-going projects and programs

Basic Infrastructure

- *Power Rehabilitation Project*

This USD 64 million project of the Asian Development Bank (ADB) includes rehabilitation of the power system in Khatlon Oblast (a war-damaged area), rehabilitation of the Novaya, Jangal and Regar substations, metering and technical assistance. The consultant of the ADB project assumes overall technical responsibility, i.e. has also prepared the design of the proposed Swiss subproject and will supervise its implementation. The **SECO** contribution is used for equipment, which can be procured from Swiss firms, such as a transformer, circuit breakers and bulk power meters. Besides physical rehabilitation, the overall project also includes technical assistance in metering, accounting and collection as well as institutional strengthening and sector policy reforms.

Sector: Electricity
 Location: Tajikistan
 Amount: USD 8 million
 Duration: 2000-2009
 Partner: Asian Development Bank, Barki Tojik
 Internet: www.adb.org

- *Pamir Private Power Project*

IFC, IDA and the Aga Khan Fund for Economic Development (AKFED) developed the Pamir Private Power Project with financial support of **SECO**. It covers the completion and rehabilitation of various hydropower plants, the rehabilitation of the transmission system and the management of the power utility of the Gorno-Badakhshan Autonomous Oblast. The activities of the Project are covered under a 25-year concession contract between the Government of Tajikistan (GoT) and the newly established private company PamirEnergy (PE). This company is owned by AKFED (70%) and IFC (30%), who finance the major portion of the project (USD 16.4 million). Additional financing was made available by an IDA-loan of USD 10 million to GoT. The loan will be on-lent to PamirEnergy at a higher rate, which will allow GoT to use the resulting spread to cover a part of the social protection costs for a slower raise in tariffs and a life line tariff block. Due to the very high indebtedness of the country and



Schweizerische Eidgenossenschaft
 Confédération suisse
 Confederazione Svizzera
 Confederaziun svizra

Federal Department of Economic Affairs FDEA
 State Secretariat for Economic Affairs SECO
 Economic Cooperation and Development



its precarious financial situation, **SECO** agreed to the request of GoT to finance the main portion of the life line tariff block and the costs for a slower tariff increase with an amount of USD 5 million. The Concession Agreement was put into force on 1 December 2002 and PE have operated the power utility since.

Sector: Electricity
 Location: Tajikistan
 Amount: USD 8 million
 Duration: 2003 – 2013 (life line subsidies)
 Partner: IFC, Aga Khan Foundation
 Internet: www.ifc.org, www.akdn.org

- ***Khujand Water Supply Improvement Project II***

Based on the very good experiences of the first phase, the general design of the Khujand Water Supply Project II remains the same. The second phase of the Project concentrates mainly on water supply, with smaller investments in the wastewater system. The Project will rehabilitate the water supply of approximately 50'000 people or 35% of the City population of the right bank of the City of Khujand. In addition 32'900 water meters shall be installed all over the City. This has the effect that in combination with the first phase 100% of Khujand City are equipped with water meters. Furthermore the Project will include consulting services; deepening of the Financial and Operational Performance Improvement Program and expanding of the Stakeholders Participation Program. A Master Plan shall be developed that enables KWC to prepare a long-term financial and investment planning based on a clear tariff model. The Master Plan includes also a feasibility study for the wastewater collection and treatment.

Sector: Water
 Location: Tajikistan
 Contribution: EUR 4.3 million
 Duration: 2008 - 2011
 Beneficiary: Khujand Water Company
 Internet: www.ebrd.com

- ***Energy Loss Reduction Project***

The Energy Loss Reduction Project is aimed at reducing and ultimately eliminating the commercial losses of Barki Tajik (electricity) and Tajik Gas in preparation of the utilities' commercialisation and corporatisation. The chosen approach is a combination of provision of hardware (meters, laboratory equipment) and technical assistance (project engineering and management, financial management improvement programme, establishment of a billing system) accompanied by a policy dialogue with



Schweizerische Eidgenossenschaft
 Confédération suisse
 Confederazione Svizzera
 Confederaziun svizra

Federal Department of Economic Affairs FDEA
 State Secretariat for Economic Affairs SECO
 Economic Cooperation and Development



the Government of Tajikistan on i.a. energy pricing and social protection. The project is financed jointly with the World Bank, which makes available a loan of USD 18 million, while **SECO** contributes USD 8 million in grant form for project engineering and management services, the billing systems and a part of the meters. The main beneficiaries will be the two energy utilities, which will be enabled to generate sufficient revenue to cover operation and maintenance costs as well as attract funding for further investments. The Tajik Government can discontinue its financial support to the utilities and will even realize additional tax revenues, while the population and economy will benefit from a more reliable energy supply.

Sector: Energy
 Location: Tajikistan
 Amount: USD 8 million
 Duration: 2005 - 2010
 Partner: The World Bank
 Internet: www.worldbank.org

SME Promotion

- *SIFEM: SEAF Central Asia Small Enterprise Fund (CASEF)*

SECO, in partnership with IFC and USAid, launched in July 2002 a private equity fund in Central Asia. The Fund provides financing and business support and advisory services to local SMEs. As the main investor in the SEAF Central Asia Fund, **SECO** committed USD 4.3million in equity financing and USD 700'000 as grant for technical assistance, which will be provided by the Fund management to the portfolio companies in the region. The Fund's developmental objective is to promote political and economic stability through the efficient provision of equity financing and business assistance to growth-oriented SMEs in Central Asia. The Fund seeks to achieve long-term capital growth by making direct equity, equity-related, debt, and leasing investments in individual portfolio companies in the region. The Fund seeks to enhance the business performance of its Investments by actively assisting its portfolio companies in implementing appropriate improvements in management techniques and practices, especially relating to financial control, cost accounting, quality control, and marketing.

Sector: Investment fund, equity financing
 Location: Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan
 Amount: USD 5m
 Duration: 2002-2012
 Partner: SEAF
 Internet: www.seaf.com



Schweizerische Eidgenossenschaft
 Confédération suisse
 Confederazione Svizzera
 Confederaziun svizra

Federal Department of Economic Affairs FDEA
 State Secretariat for Economic Affairs SECO
 Economic Cooperation and Development



- ***EBRD Tajik Small Business Programme***

In 2003, EBRD has established a small business program in Tajikistan along the lines of its successful small business lending programs already established in 19 countries. Under this program EBRD has extended credit lines to partner banks for on-lending to small and medium sized enterprises. The USD 12 million credit line is financed by EBRD and IFC. The program is accompanied by an important technical assistance component financed by DFID and the US Government under which training for credit officers is provided and the partner banks are assisted in setting up small business lending departments. Given the small capital base and early stage of development of the Tajik banking sector a first loss risk coverage has been required for EBRD to set up the program. **SECO** is therefore providing the first loss risk cover of up to USD 2 million. Under this guarantee **SECO** and EBRD will cover the first losses from the lending program on an equal basis.

Sector: Access to finance
 Location: Tajikistan
 Amount: USD 2 million
 Duration: 2003-open ended
 Partner: EBRD
 Internet: www.ebrd.org

- ***Business enabling environment project***

The goal of this project is to improve the business environment in Tajikistan by removing key regulatory barriers to business entry and operations, main areas of intervention being permits reform, inspections reform and tax simplification.

Sector: SME development
 Location: Tajikistan
 Amount: USD 3.1 Mio.
 Duration: 2009-2012
 Partner: IFC
 Internet: www.ifc.org/centralasia

- ***EBRD Trade Facilitation Programme (TFP)***

EBRD takes the political and commercial payment risk of transactions undertaken by issuing banks in the countries where the EBRD operates (**SECO** participates in the TFP risk-sharing). The programme can guarantee any genuine trade transaction associated with exports from, imports to and between EBRD's countries of operations.



Schweizerische Eidgenossenschaft
 Confédération suisse
 Confederazione Svizzera
 Confederaziun svizra

Federal Department of Economic Affairs FDEA
 State Secretariat for Economic Affairs SECO
 Economic Cooperation and Development



Sector: Trade promotion
 Location: Tajikistan
 Amount: CHF 1million
 Duration: 2002-2012
 Partner: EBRD
 Internet: www.ebrd.org

- *Textile export promotion project*

After the agro sector, ITC is developing a project with a similar holistic approach (at macro, meso and micro level) in textile and clothing sector. The overall objective is to increase the competitiveness of the sector T&C mainly by focusing on business services providers (sector associations strengthening) and at enterprises level (lead firm approach) while also addressing institutional issues (sector strategy) and trade information needs (market requirements and trends).

Sector: textile and clothing T&C sector
 Location: Tajikistan
 Amount: USD 1,600,000
 Duration: 2009 - 2012
 Partner: International Trade Centre
 Internet: www.intracen.org

Improving public finance management and trade negotiation capacity

- *WTO Accession Support to Tajikistan – Phase III*

Following the formal application of Tajikistan to become a WTO member in May 2001, SECO-funded a programme of assistance to Tajikistan for its accession to the WTO - Phase I. The phase I was carried out between 2001 and March 2004. It was implemented by the United Nations Institute for Training and Research (UNITAR) was successful in achieving its objectives. It supported Tajikistan to elaborate its Memorandum and to submit it to the WTO. Subsequently, the programme assisted the Tajik Government to reply to questions from member states and provide additional replies and documents to WTO. In March 2004, phase II started and assisted in the preparation of the first Working Party meeting of the Tajikistan Accession to the WTO. In 2005, a phase III of the project was approved and IDEAS centre in Geneva was mandated with its implementation. The project will focus on advising the Government in economic and trade related matters to facilitate Tajikistan's successful accession to the WTO and assists the Government to build up a trade policy addressing the major trade related challenges Tajikistan is facing.



Sector: Trade policy
 Location: Tajikistan
 Contribution: USD 1.5 million
 Duration: 2005-2009
 Partner: IDEAS Centre
 Internet: www.ideascentre.ch

- ***Regional Technical Assistance and capacity building Project to Promote the Development of Government Securities Markets and Domestic Debt Management***

Considering the high level of indebtedness of Tajikistan and the lack of capacity of debt management in the government, **SECO** decided in autumn 2002 to provide TA support in the area of external debt management. Against the background of the positive experiences made under the project, **SECO** is financing a follow-up project, also under the guidance of the IMF. The general objective of the project is to foster the conditions that promote the development of the government securities market and domestic debt management in the three beneficiary countries. The project will build on advice provided in the context of IMF programs and on the previous Swiss financed technical assistance project to assist the authorities of Azerbaijan, Kyrgyz Republic, and Tajikistan in fostering the conditions that promote the Development of Government Securities Markets and Domestic Debt Management. Objectives of the project are: (i) strengthening the management of budgetary and monetary policies through improved coordination between the countries' Ministries of Finance and Central Bank; (ii) providing technical advice on the key steps to improve the liquidity and deepness of government securities markets in Azerbaijan and Kyrgyz Republic and the management of domestic debt in Tajikistan; (iii) reviewing the necessary securities legislation in place in the three countries and providing advice on the appropriate legal framework; and (iv) preparing Central Banks on the opportunities and challenges of conducting monetary policy as financial markets develop.

Sector: Debt policy and financial sector
 Location: Azerbaijan, Kyrgyz Republic and Tajikistan
 Amount: USD 1,917,384
 Duration: 2006 – to 2009 (project extension to 2010 is under discussion)
 Partner: IMF
 Internet: www.imf.org

- ***Technical Assistance Project to further develop the Supreme Audit Institution***

SECO has funded in 2006/2007 a Public Expenditure Financial Accountability Assessment (PEFA), where independent audit was identified as a main weakness in public finance management. Accordingly, the overall objective of this program implemented with the World Bank is to assist the



Government of Tajikistan to create an external audit function to improve the monitoring of budget spending by central and regional government entities, independently from instructions or influence of the executive. The new independent external function will introduce auditing techniques focussing on spending effectiveness, financial compliance and value for money. The government has materialized its commitment to creating such a function with a Presidential decree. The proposal is fully consistent with the WEMU approach to capacity building in Public Financial Management.. The project could lead to a capacity building support program.

Sector: Debt policy and financial sector
Location: Tajikistan
Amount: USD 218,744
Duration: 2009
Partner: World Bank
Internet: www.worldbank.org



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development



Annex 3

Main current development partners

Type Domains	Public	Private	Multilateral
Infrastructure Financing	<ul style="list-style-type: none"> - Ministry of Finance - Ministry of Energy - Barki Tojik, - Tajik Gas 	<ul style="list-style-type: none"> - Pamir Energy 	<ul style="list-style-type: none"> - World Bank - IFC - Asian Development Bank - Aga Khan Fund - EBRD
SME Promotion	<ul style="list-style-type: none"> - Ministry of Finance - Ministry of Economy and Trade - Ministry of Agriculture - Municipalities - Business Associations 	<ul style="list-style-type: none"> - Banks - Enterprises 	<ul style="list-style-type: none"> - IFC - World Bank - EBRD - Asian Development Bank - ITC
Public finance management and trade negotiation capacity	<ul style="list-style-type: none"> - Ministry of Finance - Ministry of Economy and Trade - Ministry of Agriculture - Business Associations 	<ul style="list-style-type: none"> Enterprises 	<ul style="list-style-type: none"> - IFC - IMF - World Bank

This table refers only to local (national or international) partners. Swiss executing agencies or development partners are not included.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO
Economic Cooperation and Development



www.seco-cooperation.ch



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs **SECO**
Economic Cooperation and Development

