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# COUNTRY REPORT ON INFRASTRUCTURE AND FINANCE TAJIKISTAN

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## I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS

The most important policy directions of the Government of Tajikistan are:

- Achieving the Millennium Development Goals (developed with United Nations);
- Poverty Reduction Strategy of the Republic of Tajikistan for 2010-2012 (PRS);
- Economic Development Program of the Republic of Tajikistan for the period until 2015;
- National Development Strategy of the Republic of Tajikistan for the period until 2015 (NDS);
- Public Investments, Grants and Technical Assistance Program for 2010-2012 (PIP);
- Joint Country Partnership Strategy for 2010-2012 (JCPS).

***To increase efficiency of attraction and use of foreign aid the international organisations*** align the areas of their activities with priorities of the Government of Tajikistan and on this basis develop corresponding documents that specify assistance and maintenance strategies. In particular, the Country Assistance Strategy (CAS) is developed by international organisations to encourage active borrowers for developing countries. The starting point in the Strategy is to consider each country's development ideas by using the format required for the Poverty Reduction Strategy, or any other state official document. The CAS targets outcomes developed on the basis of consultations with state administration agencies, civil society institutes, development partners and other parties concerned. The CAS aims to create a specific program of assistance rendered by an international organization. The program will be aligned with the country development strategy, taking into account specific priorities of the international organisation whilst also making comparisons to similar activities of other donors. The largest international organisations periodically develop and coordinate their country assistance strategies with the Government of the Republic of Tajikistan: Asian Development Bank; The World Bank; European Bank for Reconstruction and Development; Department for International Development (DFID); Swedish International Development Cooperation Agency (SIDA); Swiss Cooperation Office/Consular Agency in Tajikistan.

***In October 2009 the twelve most important development partners and the Government of Tajikistan concluded the Joint Country Partnership Strategy for 2010-2012 (JCPS)***, which aimed to support Tajikistan in the implementation of the NDS until 2015. An extract from the (JCPS) reads:

“One of the sources of the broad-based economic growth of Tajikistan is regional transport and its further development, that will require substantial investment and related reforms. In transport the main priorities are: - to accelerate reforms in the policy, legislative and regulatory frameworks for road, rail and air; and, - to develop regional networks that will help improve Tajikistan's access to international markets. Until the recent involvement of China and Iran the number of development partners active in transport was relatively small (ADB,

EBRD, IsDB, the Kuwait Fund, the OPEC Fund and the Saudi Fund) and almost entirely in roads. The ADB's CAREC program has a Transport Sector Coordination Committee that seeks to harmonize the IFIs interventions in the sector. A Transport Sector Master Plan for 2008-2025, prepared with ADB support, provides the basis for the Government's strategic planning and, as such, it will also provide a framework for JCPS partners' support during Poverty Reduction Strategy for 2010-2012. Meanwhile, given the extent and poor condition of the country's transport infrastructure, additional external assistance is needed."

*In general, the Tajik Government takes a diverse approach to infrastructure investment policy*, e.g. the country is currently involved in TRACECA Project, CAREC Transport Strategy Project with support from ADB and numerous projects funded by EBRD and other donors, all for the improvement and development of the national transport infrastructure network. With technical assistance from ADB the Ministry of Transport and Communication of Tajikistan has developed the aforementioned Tajikistan's Transport Sector Master Plan, which highlights the Government's investment priorities in the short, medium, and longer term. This Ministry is the key Governmental Agency responsible for monitoring, operating and investing in national road and bridge networks. Annex 3 contains a brief analysis of road conditions in Tajikistan prepared by the Ministry.

## 1.1 IMPLEMENTATION PROCESS

In receiving loans and grants from different international financial institutions the Government of Tajikistan identifies executing and implementing agencies in order to provide successful implementation of investment projects. For this purpose the Government creates specific bodies in the form of Project Management Units (PMU), Project Implementation Units (PIU) or Project Coordination Units (PCU). In some cases the functions of the implementing agencies are imposed on ministries or agencies. In general, all projects between international donors and local beneficiaries are coordinated and monitored by the Tajik Government. The overall decision process can be described as follows:

- 1) The project idea is discussed between international donors and local beneficiaries;
- 2) The Government is officially informed and subsequently forwards the project idea (concept) to the State Committee on Investments and State Property Management for detailed review. This Committee is responsible for the involvement, use, coordination and monitoring of outside aid to Tajikistan;
- 3) The Committee reviews and discusses in detail the project idea with relevant ministries and other government agencies, including the Ministry of Finance;
- 4) Following discussions, the Committee informs and makes suggestions to the Government. Based on this the Government coordinates with the Ministry of Finance to determine how to include the proposed project into the Public Investments, Grants and Technical Assistance Program of Tajikistan (made for three years, updated annually);
- 5) Following this the international donor and local beneficiary prepares the required Project;
- 6) Agreements (Financing Agreement, Project Implementation Agreement etc) are then determined;

- 7) For the IFI's projects, where the Government Guarantee is required, the signing of the Financing Agreements by a local beneficiary (e.g. Loan Agreements) shall be authorised by the President of Tajikistan. The Government Guarantee is issued by the Ministry of Finance of Tajikistan;
- 8) The implementation of the project starts after signing and putting into effect all basic project-related agreements.

## 1.2 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE

Legislation and regulations of Tajikistan in the sphere of investments include:

- Civil Code;
- Tax Code;
- Customs Code;
- Land Code;
- Law «On investments»;
- Law «On banks and bank activities»;
- Law «On international treaties»;
- Law «On state registration of legal entity»;
- Law «On competition and limitation of monopolistic activity in commodity markets»;
- Law «On licensing of separate types of activity»;
- Law «On state procurement of goods, works and services»;
- Law «On agreements on production sharing»;
- Law «On state duty»;
- Law «On concession»;
- Law «On leasing»;

*Note:* National legislation regulating investment activities in Tajikistan is periodically updated and adjusted and takes into account the local needs and recommendations provided by IFIs and other political organisations.

## II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT

Over recent years the President and Government of Tajikistan have expressed a political will to facilitate private sector involvement, including by Public Private Partnerships, in order to implement investment projects. A good recent example is the IMF project, valued at US \$ 26. million, in which the Pamir Energy Corporation was founded (70% belongs to Aga Khan Foundation) to own and operate the power energy generation and distribution system in Gorniy Badakhshan (autonomic republic of Tajikistan). However, the practical experience of the Government in PPP is limited and all proposed concepts are considered very carefully.

The Civil Code, Law on Concession and Law on Leasing must be considered during this process. With technical and consultancy assistance from the IFIs (ADB, World Bank, SECO) the local legislation related to PPP is reformed and adjusted from time to time. In the IFI's

point of view, the existing PPP legislation is not sufficient and there are some legal gaps which can lead to certain risks for potential private investors. With assistance of ADB, World Bank and Swiss Cooperation (SECO) local legislation is under permanent monitoring and undergoes improvement recommendations.

At present, no agency is specifically responsible for private sector infrastructure procurement. However, this task could be implemented by:

- State Committee on Investments and State Property Management;
- Ministry of Economic Development and Trade;
- Ministry of Finance;
- Ministry of Transport and Communication.

### III. SOURCES OF FINANCING

The IFIs support infrastructure development usually through project financing. This financing includes provision of loans, credits and grants to local beneficiaries. In most cases, the loans and credits are given against the Government Guarantee or the Bank's Guarantee depending on amount and project profile. A selection of established IFI's and government agencies that provides financial service and support in Tajikistan include:

#### *International financial institutions:*

- European Bank for Reconstruction and Development;
- World Bank Group;
- Asian Development Bank;
- European Commission;
- United States Agency for International Development;
- UK Department for International Development;
- Swiss Cooperation;
- German KfW Bank;
- Islamic Development Bank;
- Kuwait Fund for Arabic Economic Development;
- The OPEC Fund;
- Swedish International Development Cooperation Agency;
- Japan International Cooperation Agency;
- Aga Khan Foundation, Tajikistan.

*Note:* At present, foreign aid to Tajikistan is provided by about 80 international organisations.

#### *Local financial institutions that provide project financing include:*

- JSC "Tojiksodirotbank";
- JSC "Oriyonbank";
- JSC "Agroinvestbank";
- JSC "Tajprombank";
- JSC "Eskhatabank".

It should be noted that the Governments of China and Iran provide the financial and technical support for Tajikistan to implement several road and tunnel infrastructure development projects.