

Development Forum Tajikistan

**“Taxation, improvement of the financial sector,
and private sector development”**

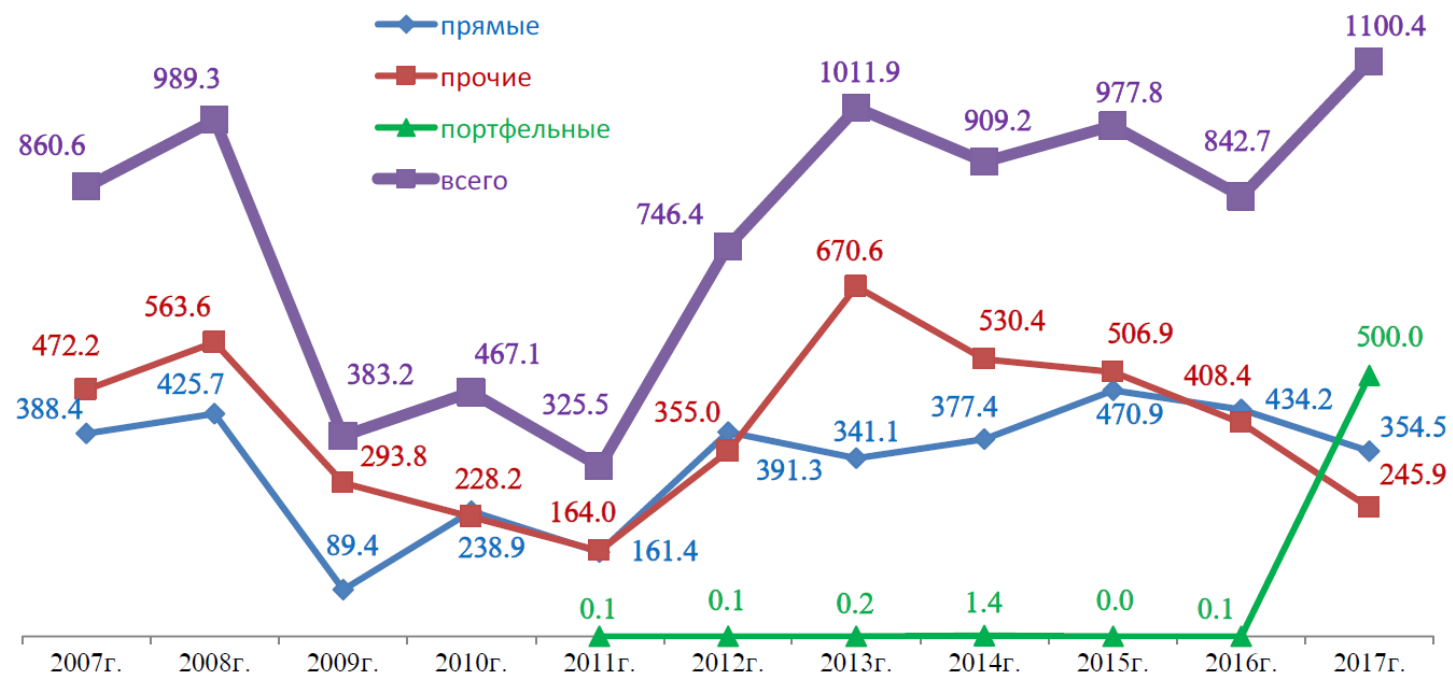
DCC Economic and Private Sector Initiative Lead

Ms. Kristin Laabs

Dushanbe, July 3

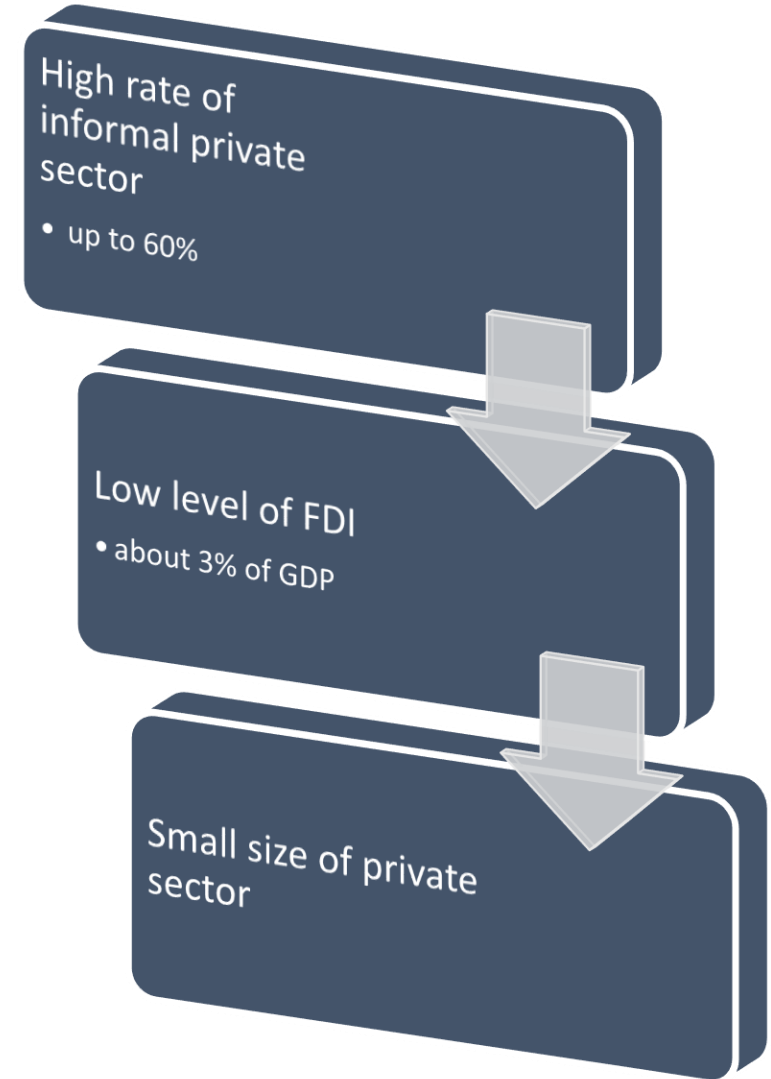
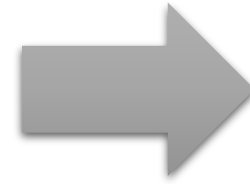
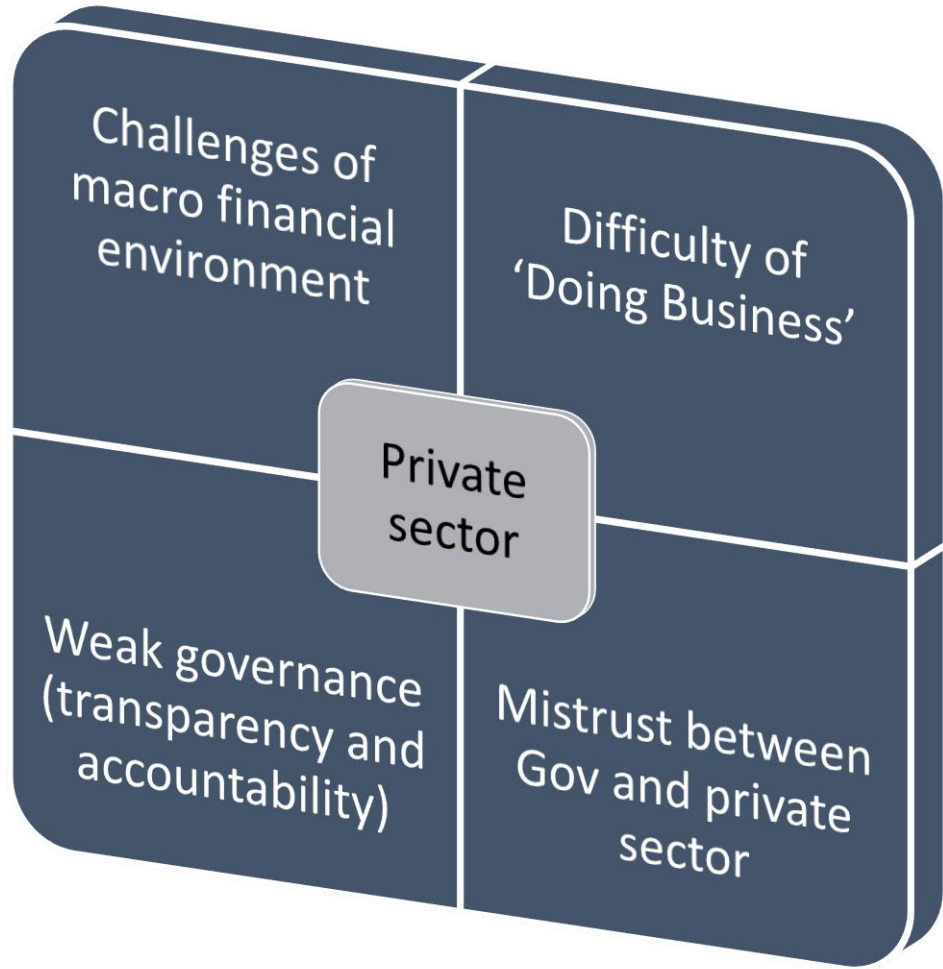
FDI's flow to Tajikistan (2007-2017)

Поступления иностранных инвестиций за 2007-2017 годы.
(млн.дол.США)

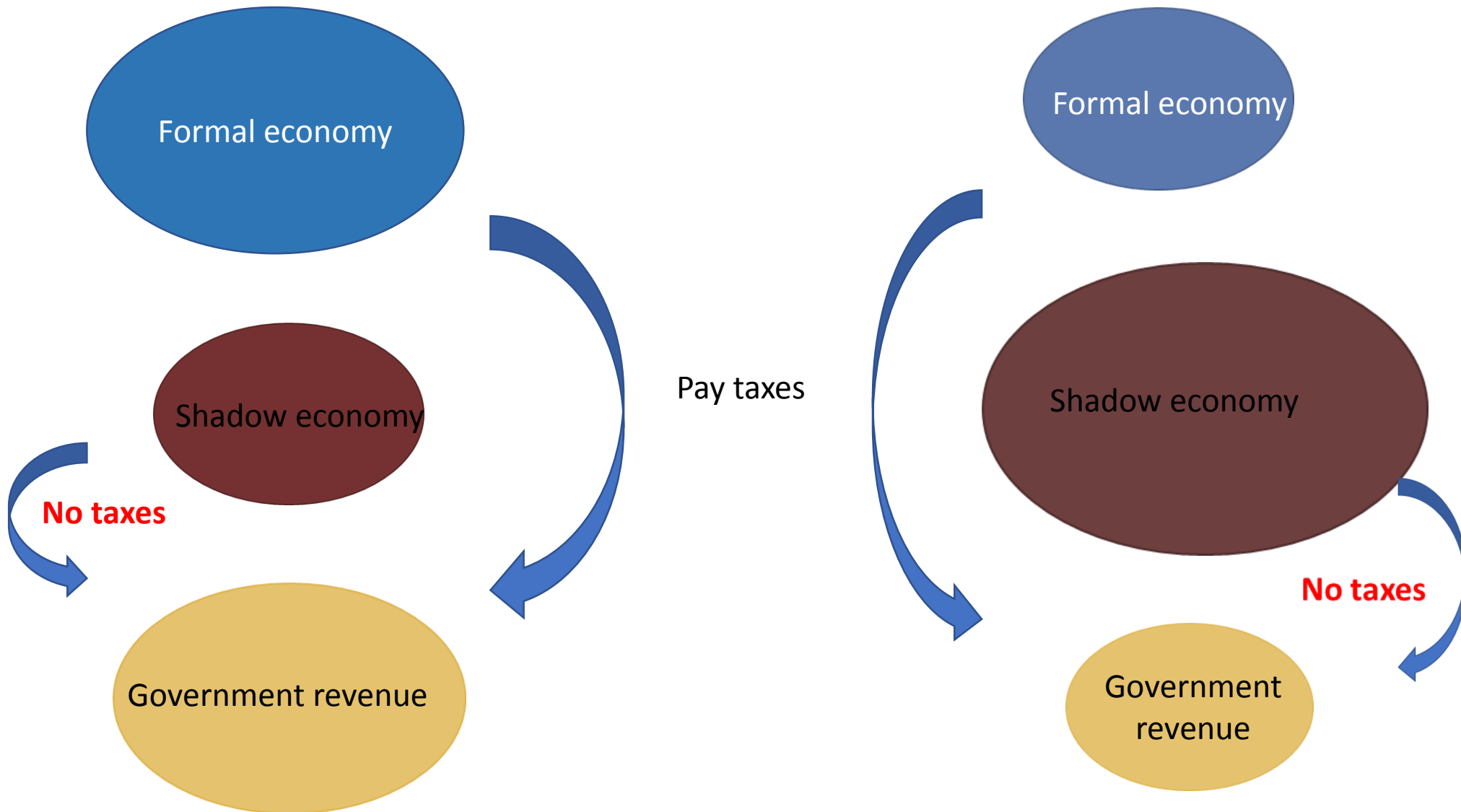


- For the last 10 years the volume of foreign investments is almost on the same level (US\$990 mln-1100 mln)
- Since 2015 there is a reduction of total investments volume (exl Eurobonds): by 14% in 2016 , by 39% in 2017
- FDI(exl Eurobonds) : US\$ 471mln in 2015 vs US\$ 355 mln in 2017
- Other (under sovereign guarantee): US\$ 507mln in 2015 vs US\$ 246 mln in 2017

Private sector's challenges



Formal economy vs shadow economy



Potential solutions

NBT, MoF,
MoETD

SCI, CCII, MoF
Tax committee

MoJ, SCI,
Parliament, media
outlets, CSOs

PPP Council,
SCI, MoETD

Rightsizing fiscal and monetary policies

Creating business friendly environment

Strengthen enforceability

Reduction of state footprint

Financial sector reform
ongoing support from IMF, WB, ADB, EBRD, IFC, SECO
Issues to resolve: **Financial Sector Resilience:** low level of capitalization, lack of resolution mechanisms, relatively high NPL, weak CG, large banks healthy practice, equal treatment of market players

Public sector reform
ongoing support of DFID, WB, ADB, USAID, UNDP, EFSD
Issues to resolve:
1. Strengthening public financial management
2. Improvement of public sector system
3. Fiscal risks/Fiscal transparency
4. Low capacity to delivery services

Tax reform
Ongoing support from WB, EU
Issues to resolve:
1. Tax administration issues (simplification of rules and regulations)
2. Tax targets
3. Tax incentives optimization
4. PPD on tax issues on technical level and capacity building of the MoF on tax policies

Leveraging technologies (e-government)
Issues to resolve:
1. Telecom sector challenges

Strengthening rule of law
(economic courts etc)
Ongoing support from DFID
Main principles :
1. Enforcement of the rules without exemptions.
2. Simplification of rules and regulations.
3. Right incentives for government employees,

Privatizing SOEs PPPs (in energy, healthcare, education, transport)

Financial sector

Reforms 2015-2016 Focused to Tackle to Roots of Financial Crisis

Unhealthy lending practices & Inadequate risk management

Unequal treatment of market players by regulator

Distorted resource mobilization & allocations, exacerbated by poor corporate governance, reporting & provisioning practices

Low levels of capitalization, particularly within systemic banks

High NPLs erode capital to below the minimum threshold



STABILITY & INTEGRITY



Financial Stability and Integrity



Banking regulation, supervision, and crisis management



Macro-financial monitoring



ACCESS & INCLUSION



SME access to finance

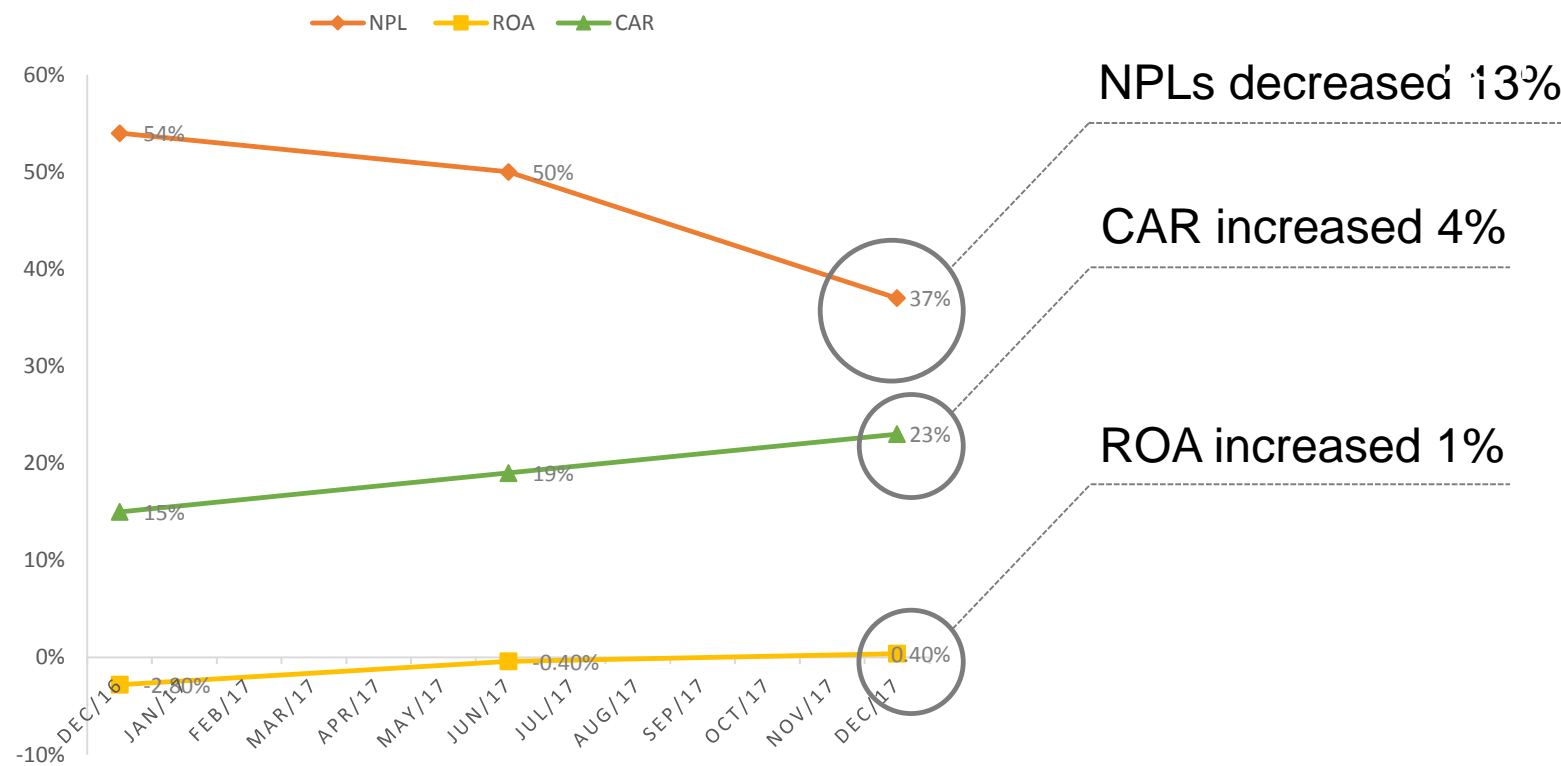


Payment & Credit infrastructure



Responsible financial access

Active Reforms in Financial Sector Brought Tangible Early Results Within 36 Month



Interministerial Financial Stability Committee is Approved June 2018

Potential solutions – Public Private Partnerships- game-changer for infra and social service delivery

- Challenges

- No long-term vision on PPP;
- Weak institutional capacity to generate development-relevant and fiscally-responsible PPPs;

- Solutions:

- Establishment of Project Development Facility (Pre/Feasibility studies and transaction advisory services)
- Strengthening capacity of PPP Center and line ministries, and awareness campaign;
- Build on success stories
- Prioritization of PPP projects

Thank you!