OECD Policy Component of the Central Asia Invest Programme

Enhancing Investment Promotion in Tajikistan

First Capacity-Building Event

Webinar, 17 May 2022, 10:00-11:30 (Paris, France)
Workshop objectives
The session aims to support the implementation of the short-term recommendations

The overall objective is to support Tajikistan’s efforts to enhance its investment promotion practices:

i. **Outline the key findings from the OECD report**

ii. **Focus on short-term recommendations**

iii. **Share investment promotion best practices from Estonia**
Where do we stand today?
Investment promotion remains an ongoing endeavour

Launch of the report:
Investment Promotion in Tajikistan

Upcoming

April 2022

Capacity Building workshop I
Start implementing the short-term recommendations

Support with the implementation and good practices

Check out the OECD Central Asia website

Keep an eye out on the OECD Eurasia website

OECD Eurasia Competitiveness Programme
COVID-19 made investment promotion more important than ever

At the same time, it has also become more challenging to attract investment

**TRENDS**

- Tajikistan’s FDI was always low relative to peers
- Now FDI has dropped 53% in 2020, greater than the estimated global average of 42%
- Tajikistan’s economy is suffering greatly from the COVID-19 pandemic and the impact of the war and sanctions, especially due to a loss of remittances, reducing domestic capital for investment
- Tajikistan’s FDI is undiversified and concentrated in the mining sector

**GOVERNMENT PERSPECTIVE**

- Strained government finances mean public investment is not a sustainable solution
- FDI is needed to create high-quality jobs that reduce reliance on labour migration
- FDI in non-extractive industries could contribute to diversification
Assessment framework for investment promotion
The review focuses on three areas: i) promotion ii) institutions iii) facilitation

1. **Investment promotion**
   - Image building
   - Investment generation

2. **Institutional setting**
   - (institutions/strategy/resources)

3. **Investment facilitation**
   - Investor servicing (facilitation)
   - Aftercare
   - Policy advocacy

**Policy Framework**
- Investment policy
- All policies that contribute to shaping the business climate

Note: (*) In some countries (not considered as « good practice » although relevance can be discussed in specific contexts / areas).
### Investment promotion: image building

Tajikistan could more visibly promote investment opportunities and target investors.

<table>
<thead>
<tr>
<th>Information provider and image builder</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Numerous websites exist which provide information for investors, but many do not work, are not regularly updated, or are only in Russian or Tajik.</td>
</tr>
<tr>
<td>• Businessportal.tj is a significant improvement over previous iterations, with key pieces of legislation available.</td>
</tr>
<tr>
<td>• The main marketing tools are websites and the country’s investor guide.</td>
</tr>
<tr>
<td>• Each FEZ promotes itself independently (except for selected campaigns at the subnational level), with differences in quality and intensity (some have own websites).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The State Committee/TajInvest organise business trips/ and one-on-one meetings with prospective investors.</td>
</tr>
<tr>
<td>• Tajikistan organises trade fairs/ trips of business delegations and signs co-operation agreements with certain countries.</td>
</tr>
<tr>
<td>• The SCISPM does not have offices abroad but co-operates closely with the MFA and its network of Embassies and Consulates abroad.</td>
</tr>
<tr>
<td>• Tajikistan has no systematic way to keep track of potential investors and follow up with them.</td>
</tr>
<tr>
<td>• Tajikistan does not proactively find and reach out to investors who have not yet strongly considered investing.</td>
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</tbody>
</table>
### SWOT Analysis of Tajikistan’s IPA website

With serious progress made, Tajikistan now has a clear roadmap to improve its site strategy.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed information on Tajik legal environment in the business guide with interactive tool</td>
<td>Business guide and various other information only in Russian</td>
<td>Major selling points for investors have been identified by SCISPM</td>
<td>Recent sanctions on Russia impacting Tajikistan directly and indirectly</td>
</tr>
<tr>
<td>Overview of example projects and priority sectors</td>
<td>Many pages have not been updated recently, which is visible with use of (old) timestamps</td>
<td>Website infrastructure and responsible individuals and mandates are in place</td>
<td>Digitalisation is noted as a priority of Tajikistan, but there are no digitalisation projects listed</td>
</tr>
<tr>
<td>Some detailed sectors with specific value propositions (Investcom.tj)</td>
<td>Conflicting priority sectors and investment projects between sites</td>
<td>Visually pleasing interactive calendar and investment map are in place</td>
<td>Visibly outdated site content and information does not exude confidence in digitalisation, nor FDI, being a serious priority and could undermine future investment promotion efforts</td>
</tr>
<tr>
<td>Interactive and detailed map of investment opportunities</td>
<td>Not all projects include investment maps</td>
<td>20% of its budget is spent on image-building and marketing activities (vs 18% in OECD countries), but this is spread over multiple websites, media, materials, and events</td>
<td></td>
</tr>
<tr>
<td>Frequent news articles posted</td>
<td>Lack of clear value proposition for Tajikistan on 2/3 websites</td>
<td>Specific investors/countries are not yet targeted</td>
<td></td>
</tr>
<tr>
<td>Started updating sites in accordance with recommendations (recent statistics, Ru/En)</td>
<td>Clear logistical and organizational information missing or impossible to complete online</td>
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</tbody>
</table>
Tajikistan’s websites: updates since the start of the report

Statistics on Investcom.tj have been updated, including the key sectors of FDI and the source countries in a presentation.

News have been posted in English and Russian 1-2 times per month.


https://b2b.tj/en/news
Several government bodies have been carrying out investment promotion, incl. the SCISPM/ TajInvest/ MinFin/ MinEco/ Min Industry/ business associations. Changes in the leadership of the SCISPM and 5 organisational reforms in the past 10 years request better oversight. Regional promotion bodies exist, but they lack capacity/ skills/ co-ordination.

The SCISPM lacks an updated strategy, and is relying on outdated legal documents to promote investment (from 2012). Investment promotion in Tajikistan could benefit from a prioritisation strategy targeting specific sectors and projects.

There is no common strategy or coordination mechanism in place, among the regional entities, FEZ or with TAJinvest.

Investors need a clear point of contact, which can be advertised on ONE website.
How can Tajikistan answer the four essential questions?
A good strategy is underpinned by clear logic

1. **WHY** does Tajikistan need FDI?
   One reason: creating high-quality jobs to reduce labour migration

2. In **WHAT** priority sectors does Tajikistan want investment?
   Narrowly defined, economically viable sectors that also create many quality jobs, e.g. cotton ready-wear garments

3. **WHOM** should Tajikistan target for investment?
   For instance, South Korean investors, who already invested in the textile sector

4. **HOW** should Tajikistan attract investment?
   Proactive methods of outreach to target investors

M&E: is this whole cycle meeting the original development goal? Are there more high-quality jobs in the country resulting from FDI?

**Strengths**
- Abundant water, large agricultural labour force
- Food processing
- Market research

**Longlisted sector**
- Market research

**Specific shortlisted sector**
- Manufacturing dried fruits

**Development goals**
- Diversification, increasing job opportunities in sectors rural areas
- Select 3-5 sectors consistently and proactively

**Promotion of sectors**
- Consistently and proactively
With COVID-19 hitting, OECD IPAs have aimed to retain investors already in the country – Tajikistan could take a similar approach.

- The IPA survey results suggest that Tajikistan aims to do too much with too little:
  - Tajikistan reports a high number of interactions with other institutions, the highest in the region and above OECD and LAC averages.
  - It also tracks the most monitoring/evaluation indicators (24) compared to Eurasia (11) and OECD countries (9.8).
- It allocates a smaller share of its resources to investment facilitation and aftercare than its peers.
- At the same time, it performs a higher number of facilitation and aftercare activities than regional averages, raising the question of resource/activity allocation.
**Facilitation and aftercare**

Tajikistan’s IPAs need to help investors navigate bureaucracy and address their grievances.

- **Tajikistan has a legal framework for investment generally in line with good practices, but investors struggle with de facto implementation**
  - Recent reforms have not been enough to ease bureaucratic hurdles for investors, including acquiring land, registration, licensing, complying with complex regulations, etc; digital options are not well developed, especially in English.
  - The need to obtain permission to invest from the SCISPM is a major impediment over which the SCISPM has full control.

- **The SCISPM cannot do enough to help**
  - The SCISPM does not have the legal authority to provide needed documents or act as an intermediary between government agencies.
  - Tajikistan’s IPAs do not provide clear online resources to help investors obtain necessary documents from other agencies, like permits.
  - The process to request the SCISPM’s assistance is difficult.

- **Investors need better aftercare**
  - The SCISPM engages in policy advocacy already, but investors want more PPD opportunities.
  - Investors often face legal issues, especially enforcement of tax laws, and cannot rely on the SCISPM as an advocate due to its limited powers.

**COVID-19 requests to improve the information availability and support measures for investors**
### Timeline to implement recommendations

Identified recommendations are to be implemented in short, medium, and long-term phases.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Short-term &lt;1 year</th>
<th>Medium-term 1-2 years</th>
<th>Long-term 3-5 years</th>
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<tbody>
<tr>
<td><strong>1.</strong> <strong>Identify Tajikistan’s strengths &amp; put them on the websites</strong></td>
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<tr>
<td>Create a long list of potential priority sectors</td>
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<td>Choose 3-5 specific priority sectors</td>
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<td>Update websites &amp; set up a database of potential investors</td>
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<td>Research and conduct proactive outreach to investors</td>
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<td><strong>2.</strong> <strong>Make a plan to create a strategy &amp; begin market research</strong></td>
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<tr>
<td>Approve an overarching investment promotion strategy</td>
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<td>Harmonise investment laws &amp; charters of IPAs</td>
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<tr>
<td>Allocate multi-year funding to assure independence</td>
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<tr>
<td>Include COVID-19 information on the website</td>
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<tr>
<td><strong>3.</strong> <strong>Simplify process to request assistance from the SCISPM</strong></td>
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<td>Provide instructions for obtaining services from other agencies</td>
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<tr>
<td>Empower the SCISPM to provide services directly</td>
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<tr>
<td>Collect pandemic-related information from investors</td>
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<tr>
<td>Increase PPD opportunities and improve legal advocacy</td>
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*Today’s focus:*

- Make a plan to create a strategy & begin market research
- Approve an overarching investment promotion strategy
- Harmonise investment laws & charters of IPAs
- Allocate multi-year funding to assure independence
- Include COVID-19 information on the website
Overview of short-term recommendations

Tajikistan can better target investors by setting up a realistic strategy

1. **Investment promotion activities**
   - Make sure the proper tools for promotional activities are in place:
     - Develop a clear and realistic value proposition and put it on websites
     - Analyse pre-existing work and studies on viable target sectors to create a long-list of potential priority sectors
     - Prioritise updating websites for simplicity, consistency, English translations, and working links
     - Create a CRM system or at least a shared database and begin to store investor information there

2. **Institutions and strategy**
   - Strengthen the institutional setting and strategy of investment promotion:
     - Make a detailed plan for the development of an investment promotion strategy, including timeline, resources, and research methods with public and private stakeholders

3. **Facilitation and aftercare for investors**
   - Better leverage the policy advocacy function and improve the facilitation system:
     - Include a COVID-19 section on the sites with policy & economic changes & consider newsletters or individual outreach to current investors to assess current challenges & offer support
     - Collaborate with BIOs & the development community to maximise info collection on pandemic effects & use this information in policy advocacy
     - Simplify or remove the application process for requesting SCISPM assistance
     - Showcase the investment agreement as a tool on the IPA websites

**Case studies**

- South Korea
- Ireland
- Singapore
- Malaysia

OECD Eurasia Competitiveness Programme
International good practice – South Korea (1/2)
SK breaks down its comparative advantages in industries and regions

Interactive map shows KPIs and key industries within the city/region for potential network effects

Macro-economic indicators given...

...but also industry-specific ones where SK excels and its comparison with other countries

https://www.investkorea.org/ik-en/index.do
International good practice – South Korea (2/2)
For each industry, a detailed pdf and potential partner list is provided.

For each key industry, an overview is given along with strong points and competitive advantages.

Each sector has a guidebook with an industry overview (trends, FDI, policy, partners...).

There is also a detailed list of potential partners and organizations in a separate pdf file.

https://www.investkorea.org/ik-en/index.do

OECD Eurasia Competitiveness Programme
International good practice – Singapore (1/2)
Singapore allows locals and foreign firms to connect online

Business network to put investors and domestic firms in contact with each other

Select Singapore organizations based on their services or specialty

Why use Connections Concierge
- Direct and cost-free access to the right person from each service provider
- Swift responses to your queries — expect a reply within three working days
- Peace of mind as EDB thoroughly screens all providers in our network

Select a listing

General Service Providers
Find service providers for any kind of businesses.

Family Office Specialists
Find service providers specifically for Family Offices.

Local firms can sign up to be part of the network

Would you like your business listed on Connections Concierge?
EDB recruits service providers for the Connections Concierge annually. Between July 2021 and August 2021, we called for an Expression of Interest (EOI) and have closed the recruitment for 2022 service providers. The next opportunity for you to express interest is in Q2 2022 (date to be confirmed). You may check this website for the latest information.

https://www.edb.gov.sg/
International good practice – Singapore (2/2)

Singapore enables online business incorporation and provides further support

One of the world’s easiest places to do business. The website provides some key processes when starting the investment journey with Singapore.

Provides a cost estimate of opening up operations.

Various available incentives are explained.

https://www.edb.gov.sg/
International good practice – Ireland
The 2021-2024 FDI strategy is an excellent agenda-setting example for IPAs

Ireland defined its 5 pillars of sustainable growth based on its context and recent FDI developments

02 A CHANGED GLOBAL ENVIRONMENT FOR FDI
03 IMPACT OF FDI IN IRELAND

- To win investment to support job creation and economic activity.
- To partner with clients for future growth in Ireland.
- To win investment to advance regional development.
- To embrace an inclusive and green recovery.
- To maximise FDI’s positive impact on local businesses and communities.

It set out concrete targets for the next 4 years

And it developed this strategy for regional centres and cities

International good practice – Malaysia
Gives insights on processes to follow for investors visiting Malaysia

Visible pop-up as soon as site is opened

Different processes according to length and type of investor

In-depth explanation with steps to follow to enter the country

Short Term Business Travellers: Potential Investors

How long will you be staying in Malaysia?

Short Term Stay
Staying for 14 days or less

Long Term Stay
Staying for more than 14 days

Required documents:
1. Invitation letter from a government agency or company registered in Malaysia
2. Detailed itinerary
3. Flight itinerary with ETA and ETDL
4. Copy of Passport ID Page (Coloured)
5. Employment Confirmation Letter (if applicable)
6. Letter of Undertaking and Indemnity (if applicable)
7. Approval Letter (if applicable)
8. Visa from the Malaysian Embassy / High Commission
9. Complete Letter of Understanding (if applicable)
10. Computer generated Negative COVID-19 PCR test result
11. Health Declaration Form from MCDH

Learn more about the guidelines and process flow
Apply for the Entry Permission Approval
For Potential Investors, Business Customers, Technical Experts and Existing Investors

https://www.mida.gov.my/
Thank you for your attention!

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Policy Analyst
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### Institutional Mandate

- Part of the Korea Trade-Investment Promotion Agency (KOTRA), responsible for policy implementation. KOTRA/IK is under the Ministry of Trade, Industry and Energy (policy making) and Foreign Investment Committee (policy coordination).

- National IPA to support the establishment of foreign businesses in the country.

### Institutions & Strategy

- Intuitive, clean, well-structured and interactive layout in four languages.

### Sector & Agency Targeting

- Why Korea, drawing on its strengths (digital infrastructure, workforce, innovation & business hub, e-com) as well as giving (macroeconomic) statistics.

- Can drill down to the regional level to look at each city or region's strengths and information.

### Facilitation & Advocacy

- Guides are available for all processes related to setting up a business, (firm definition, legal requirements, taxation, visas life in SK...)

- Incentives clearly listed as well as an overview of which SEZ/region would best fit according to different criteria.

- Fleshed out self-service section (in-depth FAQs) and a possibility to contact an employee who will respond publicly or privately, which augments the online knowledge base.

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**Source:** OECD analysis

International good practices (1)

South Korea has a holistic, one stop shop with many facilitation and advocacy initiatives.
### Institutional Mandate
- Kazakh Invest JSC, owned by the Ministry of Foreign Affairs
- Former “National Export and Investment Agency” renamed with updated website
- A single negotiator on behalf of the Government in discussing the prospects and conditions for the implementation of investment projects

### Institutions & Strategy
- “One-Stop Shop”, including incentives; permits; and assistance.
- CRM system to monitor and control the progress of investment projects, allowing investors to send inquiries and initiatives, and ensure transparency in all stages of investment

### Sector & Agency Targeting
- Zoom on the 6 key FDI industries
- Interactive regional breakdown with investment opportunities in each geographic area, including support to do on-site visits
- Recommendations of potential local partners and networking

### Facilitation & Advocacy
- Pop-up with dedicated hotline for questions on Russian sanctions (March 2022)
- 24/7 hotline available

Source: OECD analysis
## Institutional Mandate

- Malaysian Investment Development Authority, agency to drive investment into manufacturing and services sector
- Part of the Ministry of International Trade and Industry

## Institutions & Strategy

- Intuitively structured “One-Stop Shop”
- Provides many services online, included a centralized process (single point of contact/entry) for any FDI applications, statistics database, surveys, scheduling an appointment with a MIDA representative...

## Sector & Agency Targeting

- Top 9 industries highlighted with a guidebook for each industry with policies, incentives, and facilities

## Facilitation & Advocacy

- Strong COVID facilitation: a red box following the site visitor for more information. By clicking it, all the details are given in an understandable manner depending on what type of investor and business traveller

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Source: OECD analysis
### International good practices (4)

**Singapore provides an interactive database to link domestic and foreign firms/investors**

<table>
<thead>
<tr>
<th>Institutional Mandate</th>
<th>Institutions &amp; Strategy</th>
<th>Sector &amp; Agency Targeting</th>
<th>Facilitation &amp; Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Singapore Economic Development Board is responsible for strategies that enhance Singapore’s position as a global centre for business, innovation, and talent</td>
<td>• Includes a “One-Stop Shop” from choosing business structure to registration, taxes, and visa/immigration support</td>
<td>• Puts desired FDI industries in the spotlight, making it very clear for relevant investors that Singapore is a suitable destination for them – and one that will welcome them with open arms, with additional incentives being given too</td>
<td>• An interactive database of General Service Providers and Family Run shops that one can explore to contact and request for more information or assistance (legal, co-working, lodging, financial services…)</td>
</tr>
<tr>
<td>• Part of the Ministry of Trade and Industry</td>
<td>• It includes a set up cost calculator for potential investors to estimate the cost of market entry</td>
<td></td>
<td>• It is also open for Singaporean companies to join, creating a true network with synergies for local and international companies</td>
</tr>
<tr>
<td>• Responsible for industries representing 1/3rd of Singapore’s GDP</td>
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</tr>
</tbody>
</table>

Source: OECD analysis