

**Guidelines and Best Practices
for MSMEs to assure resiliency
and progress towards a
circular economy in
sustainable resource
management and critical raw
material supply chain
solutions in Tajikistan.**



RESOURCE MANAGEMENT WEEK 2021

ENABLING SUSTAINABILITY PRINCIPLES IN RESOURCE MANAGEMENT



UNECE

Executive Summary

COVID-19 and the impact on micro-, small, and medium enterprises (MSMEs) in Tajikistan



The Small and medium business makes it possible to realize an individual's creative abilities, entrepreneurship, initiative, and creates a competitive environment, which allows, with the existing variety of forms of ownership, to eliminate the shortage of many types of products to improve social relations.

The advantage of this sector is that it can quickly respond to changes in the market and switch to new goods and services. It can meet market demand promptly and survive in conditions of a shortage of raw materials, capital, information, etc.

Studies of many scientists - economists are devoted to the problems of small and medium-sized businesses. However, several aspects of the problem of small and medium-sized businesses in the specific conditions of the transitional economy of Tajikistan remain insufficiently studied. This concern, first of all, the peculiarities of its development, the formation of economic mechanisms of state support, regional differences in the formation and development of this sphere of activity, etc.

Purposeful state support for small and medium-sized businesses is vital for the formation of a market economy. State aid is effective only when it is based on a coherent system of consistent measures to support small and medium-sized businesses.

Introduction

COVID-19 and the impact on micro-, small, and medium enterprises (MSMEs) in Tajikistan



The Government of the Republic of Tajikistan, with the development partners' participation, has initiated a comprehensive assessment of the socio-economic impact of COVID-19 to facilitate informed and targeted recovery responses. The purpose of the assessment was to understand the current, medium, and long-term impact of COVID-19 in all regions of the country on the life and well-being of the Republic of Tajikistan population, as well as on micro, small and medium-sized enterprises, and the informal sector. The assessment is based on primary and secondary sources of information. Its findings highlight the need for a quick response to provide direct assistance to vulnerable populations in rural and urban areas, accelerate reforms, build resilience at the household and institutional level to quickly adapt to socioeconomic challenges and introduce innovative operation and service delivery method.

The international community has responded with humanitarian aid, soft loans and grants. To support the economy in the context of a pandemic in May, the IMF allocated Tajikistan \$ 189 million under the mechanism of accelerated concessional lending for 10 years with a 5-year grace period. The balance of Tajikistan's debt to the Fund at the beginning of 2020 was about \$ 30 million. Tajikistan was also among the 25 countries globally (the only one in the post-Soviet space). The IMF has facilitated the payment of debts by providing grants for two years.

Background

COVID-19 and the impact on micro-, small, and medium enterprises (MSMEs) in Tajikistan



Micro, small and medium-sized enterprises (MSMEs) are the main economic development drivers in almost all world economies. They have been particularly hard hit by the pandemic for various reasons. In most cases, MSMEs lack the financial means to overcome delays in the supply of raw materials caused by disruption or interruption in supply chains. One of the main challenges for these companies is to retain qualified employees. Another challenge is the compensation for non-payments due to delays and the fulfillment of longer-term supply contracts due to the non-delivery of raw materials.

The most common negative impacts on MSMEs firms' inability to pay off loans, pay taxes, produce goods or services at pre-COVID-19 levels, scale-up businesses, and pay workers' salaries. For example, more than 25% of MSMEs reported difficulties in repaying loans, and 22.6% of MSMEs experience difficulties in paying taxes regularly, which indicates low liquidity of funds for most of the surveyed MSMEs.

Background

COVID-19 and the impact on micro-, small, and medium enterprises (MSMEs) in Tajikistan



COVID-19 outbreak has temporarily disrupted relationships between MSMEs and buyers, suppliers, customers, and markets.

A total of 31.7% of MSMEs whose supply chains were affected said their production was disrupted. This means that offices, workshops, and factories have been closed since May 2020 (as confirmed by reports). Access to resources was also limited; many enterprises faced severe logistical problems, which, in turn, led to restrictions on access to transport services within the country and in the region. Besides, sales were understandably disrupted due to the temporary closure of local bazaars and markets and international trade restrictions (including small-scale cross-border trade). Other MSMEs have found it challenging to connect with clients and carry out their marketing activities, for example, due to inability to adapt to changing business conditions and lack of flexibility in physical operations.

In terms of value chains, 41.3% of affected MSMEs reported an interruption in customer relationships. Another 16.6% of MSMEs reported limited access to local markets (e.g., bazaars, grocery stores, etc.), and 12.7% of MSMEs said they have difficulty finding or purchasing materials from affiliates (or contractors) suppliers and sellers throughout the country.

Background

Opportunities for CRM supply MSMEs in economic recovery in Tajikistan



A significant part of the financial industry can also find positive aspects of today's development of events.

The macroeconomic forecast for 2021 of the Eurasian Development Bank (EDB) reports that the economic growth of Tajikistan will be 6.1%. According to the EDB forecast, Tajikistan's economy will grow by 6.1% in 2021. A full recovery of GDP to the pre-crisis level of the IV quarter of 2019 will occur only in Kazakhstan. The EDB member countries underwent massive social and economic shocks in 2020 due to the consequences of the COVID-19 pandemic. The member states' aggregated GDP will decrease by 3.8% at the end of 2020 after growing by 1.7% a year earlier. State support for the economy in Tajikistan is relatively small and amounts to about 2.5% of GDP. This is due to the republic's limited fiscal reserves. Compared to 2019, where the economy grew by 7.5%, the Tajik economy's growth in 2020 will be 4.5%. In 2021, the country's economy will receive support from remittances from labour migrants, as the economy will recover in donor states, primarily in Russia

A brief overview of opportunities for MSMEs in critical raw material supply in Tajikistan

COVID-19 and the impact on micro-, small, and medium enterprises (MSMEs) in Tajikistan



The need to develop the potential of rare earth mineralization on the Republic of Tajikistan's territory has arisen due to the increased consumption of rare earth elements for high-tech products used, particularly in the defence, energy and space industries.

Currently, the US Geological Survey has proposed to study the potential of REEs in Kazakhstan, Kyrgyzstan and Tajikistan as part of a prospecting project launched in 2012 in Afghanistan. At the same time, a method was developed for identifying promising areas, based on the use of space images, statistical processing of primary data with further refinement through testing in the field and determination of rare and trace elements using precision laboratory analytics, isotope dating and formation analysis of host rocks, including petrology, and geochemistry.

Based on the analysis and assessment of the state of the Republic of Tajikistan's mineral resource base, the Program for the study and assessment of reserves of rare metals for 2016-2026 was developed and approved by the government. The Program analyzed the current state of geological exploration of the entire territory of the republic of relatively rare metals until 2014, determined the directions of exploration work and the expected results. Based on the work performed in recent years, promising areas of REE have been identified in some areas, recommended by specialists for setting up a more detailed geological study there.

Post COVID-19 outlook

Opportunities for CRM supply MSMEs in economic recovery in Tajikistan



In the short term, the scale of support for MSMEs from the Government of the Republic of Tajikistan largely depends on the total size of the state budget, on monetary and fiscal policy instruments, as well as on various indirect indicators such as GDP per capita, which are a vital factor, determining the Government of the Republic of Tajikistan's ability to provide adequate support to business, without resorting to external official development assistance.

According to Tajikistan's Economic Update: “The economic downturn amid the pandemic, after a sharp decline in April and May 2020, the labour market began to recover quickly from June to August in the absence of lockdown measures. However, serious vulnerabilities remain.

With the right political response, the Tajik economy is expected to gradually return in 2021–2022. This scenario assumes a vaccine's availability, a more robust regional economy, and recovery in remittances and international trade. To ensure the public finances' efficiency, the government has pledged to consolidate the budget and updated its Debt Management Strategy 2021-2023 to work out borrowing criteria and debt ceilings over the medium term.

Guidelines and Best Practices for navigating challenges for MSMEs in the raw material supply business environment in Tajikistan



The development of small business and creating a mechanism and instruments of state support for the small business acts, naturally, as one of the strategic directions of market reforms. Simultaneously, the formation, development, and system of state and public support for small business is a complicated, complex problem, the successful solution of which is a significant factor in economic recovery, and, consequently, in raising the standard of living of the people. Small business must be attributed to the priority and critical sectors of the modern economy.

Achieving high rates of development of small and medium-sized businesses is possible through the implementation of the following measures: the creation of effective mechanisms for financial and credit support and insurance of risks of small businesses; ensuring reliable social protection and safety of entrepreneurs; creation of positive organizational mechanisms for the interaction of small business with the market and government agencies; removal of administrative barriers to the development of small business; the formation of competitive markets and market mechanisms in the economy, transparency and equality of all forms of ownership; achieving a general understanding of business principles, including the principles of modern management, financial and marketing analysis; assistance to small and medium-sized businesses in finding partners both within the country and abroad; creation of favourable conditions for providing microcredits to the poor for organizing their business.

National and international institutions are of great help in simplifying business practices and registering MSME businesses. In the short term, during a pandemic, non-bureaucratic relief measures, such as simplifying import regulations, can significantly ease MSMEs' burden.

Simplifying laws and regulations can significantly improve the position of MSMEs in the long term. National and international institutions and companies provide all kinds of training on the Internet, such as developing entrepreneurship skills, access to markets and business, access to finance, etc.

Thank you!

Rahmonbek Bakhtdavlatov
Consultant

UNECE

Date __ | __ | 2021, Geneva



RESOURCE MANAGEMENT WEEK 2021

ENABLING SUSTAINABILITY PRINCIPLES IN RESOURCE MANAGEMENT



UNECE