REAP
Resource Efficiency in Agri-food production and processing

Project Funded by
switchasia
Funded by the European Union

# Sustainable Consumption and Production (SCP) Policy Papers by the REAP Project



Tajikistan

Uzbekistan

2020-2024

Project Implemented by
carec
NASMB TAJIKISTAN
CHAMBER OF COMMERCE AND INDUSTRY OF UZBEKISTAN
adelphi
AUSTRIA RECYCLING
STENUM Asia
teri The Energy and Resources Institute

## Introduction

The "Resource Efficiency in Agri-food Production and Processing" (REAP) project is executed along two primary dimensions: direct industry support and stakeholder engagement. The project's core activity centers on providing direct support to micro, small, and medium enterprises (MSMEs) within the agri-food production and processing sector. This support is delivered through capacity-building initiatives, direct consultation, and comprehensive guidance for implementing Sustainable Consumption and Production (SCP) practices.

In addition to direct industry support, the REAP project has developed and executed specific activities aimed at engaging key stakeholder groups. These engagements include stakeholder roundtables, policy dialogues, and financial sector interactions, all designed to foster a robust support framework for SCP adoption in MSMEs. A critical component of these activities involves working with policy stakeholders to integrate the project's outcomes into national and regional policy frameworks, thereby creating conducive conditions for SCP implementation at both the MSME and cluster levels.

This publication presents a detailed account of SCP policy activities under the REAP project, focusing on its implementation in Tajikistan and Uzbekistan between 2020 and 2024.

## Methodology

The project methodology unfolds in several stages:

- **Input Papers:** Initially, the project team conducted extensive desk research to draft 'Input Papers' for each country. These papers assessed the existing SCP policy ecosystem and identified current policies and policy gaps within the industrial sector.
- **National Policy Roundtables:** The 'Input Papers' served as foundational documents for the 'National Policy Roundtables' held in each country. These multi-stakeholder roundtables included participants from governmental bodies, academic institutions, industrial stakeholders, and NGOs. The discussions focused on identifying implementation challenges and drafting policy solution prototypes for SCP in the industrial sector.
- **Output Papers:** The outcomes of the National Policy Roundtables were documented as 'Output Papers'. These papers encapsulate the proposed policy solution prototypes and were subsequently discussed for further refinement.
- **National Authorities Meet:** The refined 'Output Papers' were presented at the 'National Authorities Meet' in each country. These meetings included representatives from various ministries and governmental bodies involved in SCP or Resource Efficiency policies. The discussions aimed to align the proposed solutions with national policy frameworks and ensure broad governmental support.

This structured approach has enabled the REAP project to create a comprehensive policy support framework for SCP adoption in the industrial sectors of Tajikistan and Uzbekistan.

## Authors

Mr. Amarnath Munnolimath (adelphi, Germany)

Ms. Aikena Orolbaeva (adelphi, Germany)

Ms. Daria Gettueva (adelphi, Germany)

Mr. Turan Makhamatdinov (CCIU, Uzbekistan)

Ms. Madina Karimova (NASMBRT, Tajikistan)

Ms. Nilufari Farrukhi (NASMBRT, Tajikistan)

**Photo credits:** REAP

**Project Website:** www.reap-centralasia.org

**Email:** info@reap-centralasia.org

## Timeline of events:

- **Input Papers:** Finalised by February 2021
- **National Policy Roundtables:** 12 July 2022 (Tajikistan), 14 June 2022 (Uzbekistan)
- **Output Papers:** Finalised by February 2023
- **National Authorities Meet:** 23 April 2024 (Tajikistan), 02 May 2024 (Uzbekistan)
- **This document published:** July 2024

## Papers:

Project Funded by switchasia GRANTS PROGRAMME

# POLICY BRIEF (Input Paper)

February 2021

## Understanding Sustainable Consumption and Production (SCP) Policy Ecosystem for MSMEs in Tajikistan

Tajikistan

Amarnath Munnolimath (adelphi, Germany), Daria Gettueva (adelphi, Germany), Madina Karimova (NASMBRT, Tajikistan)

## Background

The COVID-19 pandemic had a significant adverse impact on the Tajik economy. Real GDP growth slowed to 4.2 percent year-on-year in the first nine months of 2020, compared to 7.2 percent a year earlier[1]. Agriculture is vital for Tajikistan's economy, amounting to 25.5% of the GDP in 2018[2]. The country's main agri-food products include grains, fresh and canned vegetables and fruits, dry fruits, meat and dairy products, animal and vegetable oils, processed food and confectionery products, alcoholic and non-alcoholic drinks, tobacco products etc. As per the latest count of 2019, there were a total of 337 agri-food companies [3]. The industry's development potential is curtailed by deficiencies in the supply management of temperature sensitive produce, poor transport infrastructure, and limited access to information, caused by limitations in mobile network coverage. Food insecurity continues to affect the population as the country has suffered severe droughts and continues to experience recurrent shortages of water and energy in its rural regions. As a result, 70% of Tajikistan's food is imported even though climatic conditions would allow for increase in self-sufficiency and exports in a more suitable economic environment.[4] In part, the current situation is brought about by the use of insufficient and outdated equipment, which leads to bottlenecks at both planting and harvest time. In 2013, the Energy Charter Secretariat found the need for replacement of worn out pumping stations by efficient electric motors and the introduction of modern irrigation systems in the agriculture sector.

In Tajikistan, over 60% of the population lives in rural areas. A considerable segment of the labor force (43%) is in agriculture, and the International Finance Corporation (IFC) reports that micro, small and medium entreprises (MSMEs), which comprise over 95% of all private companies in the country, are the biggest employers in rural areas and for disadvantaged members of society. Despite this, their contribution to the GDP is low, amounting to only 30%. Such a low share of GDP is brought about by a number of structural impediments including underdeveloped value chains and regulatory and economic barriers, as well as by relatively small turnover.[5] Cumulatively, these factors have caused a 17.3% increase in the price of food between April 2019 and April 2020.[6]

[1] http://documents1.worldbank.org/curated/en/856841608613708986/pdf/Tajikistan-Economic-Slowdown-Amid-the-Pandemic.pdf
[2] https://www.s-ge.com/sites/default/files/publication/free/economic-report-tajikistan-eda-2019-12.pdf
[3] https://www.export.gov/apex/article2?id=Tajikistan-Food-Processing-and-Packaging
[4] https://www.s-ge.com/sites/default/files/publication/free/economic-report-tajikistan-eda-2020-07.pdf
[5] http://www.oecd.org/eurasia/competitiveness-programme/central-asia/EnhancingAccesstoFinanceforSMEDevelopmentinTajikistan.pdf
[6] https://tradingeconomics.com/tajikistan/food-inflation

A key condition for improving economic growth and investment involves improving the business environment in agri-food processing by introducing more efficient production techniques. Compared to its neighbors, Tajikistan has fewer clusters in the agri-food processing sector and a generally lower share of MSMEs along the supply chain. A large number of MSMEs work in the dry fruit processing segment and are located in Sugdh and Khatlon provinces.

Processing companies in Tajikistan face instability or shortages in the supply of raw materials, which affects their competitiveness in the food market. Enterprises are limited in the use of innovative and high-tech technologies necessary for the modernization and development of production, due to the low level of interaction between scientific institutions and manufacturers. In addition, there are further challenges due to expensive credits and lack of experience in building private partnerships for attracting resources[7].

In December 2018, the National Association of Small and Medium Businesses of the Republic of Tajikistan (NASMBRT) held a first conference on clusters in Dushanbe. The conference initiated the national discussion on clusterization and in the beginning of 2019, the inter-agency working group on the formation / development of clusters in the agri-food sector was established[8]. This group reflects the interest of the government, development partners and local business on the formation of a sustainable and effective system, which would establish an environmental framework for clusters in chosen pilot areas. Given high competition in the world market, including the Central Asian region, the agricultural sector of Tajikistan needs accelerated clusterization. The Government of Tajikistan initiated the National Clusterization Programme on 28 October 2020[9]. This will stimulate the growth of production capacities and export of certified products.

MSMEs' attitudes in the agri-food processing industry are characterized by a low level of awareness for the environmental impacts of production and the corresponding economic losses (e.g. due to higher energy consumption, material/food losses etc.). No awareness exists on sustainable consumption and production (SCP) in the targeted sector and there is also a lack of financial literacy among target groups, lack of access to finance to adopt SCP practices, and lack of knowledge in financial institutions to develop specific financing schemes for SCP investments.

MSMEs in rural Tajikistan also often suffer from electricity shortages (in winter) and generally have limited access to energy. This causes up to 30% damage to agricultural produce and forces around 850 small and medium enterprises to close down annually. It is therefore crucial to ensure reliable energy supply both for food security and economic development of the country[10].

Although **value chain** development has progressed in recent years, the access to regional and global value chains (GVC) for MSMEs has been limited. In particular, relatively little attention has been paid to realize the potential of agri-food processing sector. The value chains there are mostly perceived as fragmented and disjointed. Outdated equipment significantly limits production capacity and increases inefficiency in the use of resources. This leads to a further decrease in comparative advantage due to the inefficiencies in production. To date, some development partners have supported food processing plants, however, low domestic demand

[7] https://www.adb.org/sites/default/files/project-documents/47098/47098-001-tacr-01-ru_0.pdf

[8] http://www.namsb.tj/ru/activities/projects/candy4/materials

[9] http://www.adlia.tj/show_doc.fwx?Rgn=137516

with no value chain development and access to bigger markets, and limited production capability mean that food processing plants operate at a fraction of their capacity[11].

In order to create a comparative advantage and enter GVCs, there is a need to fill in the gaps in the lack of access to modern machinery, know-how, financial resources, and skilled labor. Some of the preconditions for entering GVCs are diversification of production and trade, private investment, professional education and training, financial system development, transport and communications infrastructure, and business regulation[12].

## Current status of SCP Regulation

According to the UNDP assessment report, the following objectives are to be achieved by 2030: **Access to energy**: ensure access to regular and reliable electricity to 5.6 million people, living in rural areas of Tajikistan. **Energy efficiency**: reduce energy losses up to 10% in power grids and up to 20% in thermal grids, as well as increase the efficiency of energy use in all economic sectors, irrigation systems and final users up to 20% against the baseline. **Renewable energy sources**: increase energy production from renewable energy sources up to 20% against the baseline[13]. This is relevant for SCP regulations inasmuch as all three objectives play directly into the sustainability of consumption and production.

Energy efficiency and renewable energy sources are among priority subjects for Tajikistan's government. Tajikistan annually allocates about USD 300 million for the development of fuel-energy complex. Several executive policy frameworks have been put in place. These include programmes (e.g. Long-term Programme for Building Small Hydropower Plants 2009–2020, The Target Programme for the Widespread Use of Renewable Energy Sources), laws (e.g. the Law on the "Use of Renewable Energy Sources", the Law on "Energy saving and energy efficiency") and secondary legislation (19 by-laws) that outline policies and measures on energy efficiency and renewable energy[14].

The Committee on Environmental Protection is responsible for natural resources management and environmental protection and is the main authority to coordinate and manage climate finance at national level. The Ministry of Agriculture along with the Ministry of Energy and Water Resources are among key national players that design and implement policies in energy efficiency for agri-food production and processing sector. While the former is responsible for elaboration and implementation of the common national agricultural policy, the latter takes care of implementing the energy policy, including licensing and regulation of renewable energy sources[15]. Among other important national actors are the Ministry of Economic Development and Trade, responsible for developing and implementing economic development programmes and strategies and the Ministry of Industry and New Technologies that develops and implements industrial policy related to mining, metallurgical industry, machinery, cement, lighting, food processing, and coal industries, amongst others[16].

The "Action Plan to implement 300 reform days in supporting entrepreneurship and improving investment climate in the Republic of Tajikistan" focuses on contributing to the development of an integrated agricultural sector, introducing new methods of innovative and technological management in the agricultural sector, and increasing the volume of exports of agricultural

[11] https://www.adb.org/sites/default/files/publication/534291/adbi-wp1020.pdf

[12] Ibid.

[13] https://www.tj.undp.org/content/tajikistan/en/home/library/environment_energy/sustainable-energy-for-all/

[14] https://www.eurasia.undp.org/content/rbec/en/home/library/environment_energy/renewable-energy-snapshots.html

[15] https://www.oecd.org/environment/outreach/Tajikistan_Financing_Climate_Action.Nov2016%20rev%20Feb%202017.pdf

[16] Ibid.

products. The implementing agencies are Ministry of Rural, Economic Development and Trade, State Committee on Investments and State Property Management, Committee for Food Safety, Committee for Territorial Development, Agency for Standardization, Metrology, Certification and Trade Inspection, and Agency for Export[17].

Governmental agencies have supported private sector institutions in launching the initiative on implementation of the cluster approach in agriculture and the programme on the creation of favorable conditions for the implementation of good agricultural practices in agricultural production (Global G. A. P.) standards for agriculture production. The initiative was added to the Action Plan to implement 300 days of reforms[18]. The Government of Tajikistan approved the Global G. A. P. Programme and the Action Plan on 28 October 2020[19].

The innovative development program of the Republic of Tajikistan for 2011-2020 (Decree of the Government of the Republic of Tajikistan of April 30, 2011 No. 227) outlines the need to increase the country's scientific and technological potential through large-scale scientific and technological solutions. The goal of the programme is to create an effective innovation system that will contribute to an increase in the technological level and competitiveness of products that will reach the domestic and external markets. The programme works towards the growth of import substitution, socio-economic development and the achievement of national strategic goals[20].

The Agrarian Policy Concept of the Republic of Tajikistan (Resolution of the Government of the Republic of Tajikistan of December 31, 2008 No. 658) aims at increasing the efficiency of the use of resources and a rational distribution of agricultural production. Among its goals is improvement in the provision of raw materials for food and industry, stabilization of food markets, support and protection of commodity producers in agro-industrial complexes, and an increase of the living standard among the rural population[21].

## Important actors and programmes

Industry and agriculture are the two largest sectors to which National Bank of Tajikistan (NBT) and Monetary Financial Institutions (MFI) lend finances. While bank portfolios are divided among industry (38%), foreign trade (17%), agriculture (12%), consumption (11%) and construction (11%), the two main sectors for MFI are consumption (34%) and agriculture (26%)[22].

Some of the most active international donors are the World Bank (WB), the Asian Development Bank (ADB), the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), the Climate Investment funds (CIF). The Committee on Environmental Protection, the Ministry of Agriculture and the Ministry of Energy and Water Resources are the key authorities to coordinate and manage climate finance on national level.

A number of International organizations have engaged in developing agriculture practices. The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and Habitat for

[17] https://investcom.tj/uploads/docfiles/5cc127e7df26e.pdf

[18] https://www.dialog.tj/news/svoevremennoe-vnedrenie-standarta-global-g-a-p-pozvolit-selkhozproizvoditelyam-tadzhikistana-stat-vostrebovannymi-eksportjorami-bezopasnoj-pishchevoj-produktsii

[19] http://investmentcouncil.tj/upload/iblock/6ba/Brief%20Note_global%20gap_eng1.pdf

[20] http://innovation.tj/documents/menu/ru/Ob_utverzhdenii_programma.pdf

[21] http://www.cawater-info.net/library/rus/tj_658-2008.pdf

[22] Ibid.

Humanity are two development agencies in Tajikistan that have initiated home energy efficiency market development programs driven by private sector small and medium enterprise (SME) suppliers in combination with microfinance[23]. In addition, the Climate Finance Readiness Programme development at national level was facilitated through GIZ and has assisted Tajikistan and other partner countries in planning, accessing and managing climate finance since late 2012[24]. The GIZ project "Towards Rural Inclusive Growth and Economic Resilience" aims at increasing competitiveness and value creation among MSMEs and small producers in the agricultural sector, thereby contributing to the environmental and socially sustainable economic development[25].

The "TA for Feasibility Study for Establishment of Fruit Cluster in Sugdh Province, Tajikistan" implemented by the Islamic Development Bank focuses on developing a fruit cluster in Sughd province with the state-of-art facilities for production and trade of dry fruits through a feasibility study for establishment of the fruit cluster in Sugdh. The cluster will help develop a competitive horticultural production and processing sector to promote value-added exports in compliance with international quality standards[26].

Feed the Future project of The United States Agency for International Development (USAID) assisted in the development of policy and the adoption of the new Law of the Republic of Tajikistan "On Dehkan Farm", which provides small Dehkan farms with greater security by strengthening their property rights and allowing them to create their own legal associations recognized by the Civil Code. In addition, USAID promoted private sector engagement in agriculture by collaborating with 20 local entrepreneurs, invested more than USD 1.48 million in 2017 to establish cold storage, canning, drying and livestock feed processing facilities. They also provided about USD 1.8 million in loans to SMEs in 2017[27].

Green Economy Financing Facility (GEFF) provides climate finance through local financial institutions. The support is available in the form of grants and loans, primarily in agriculture and agri-business investing in high performing technologies. It is supported by EBRD, European Union (EU), Green Climate Fund (GCF) and South Korea[28].

Additionally, the GCF and EBRD co-financed programme FP025 (2018-2033) delivers climate finance to the private sector, including MSMEs through Partner Financial Institutions, which funds "scalable and replicable projects across industrial, commercial, residential, transport and agricultural sectors"[29]. The programme supports "investment in high performance climate technologies, including renewable energy, energy efficiency and climate adaptation measures, such as improving water management"[30].

## Problem Analysis

Though Tajikistan's economy has been developing rapidly, many of the Energy Efficiency initiatives previously mentioned have underlying challenges such as political acceptability and

[23] https://www.adb.org/sites/default/files/linked-documents/45229-001-taj-oth-03.pdf
[24] https://www.giz.de/de/downloads/giz2017-en-cfready-support-so-far.pdf
[25] https://www.giz.de/en/worldwide/78041.html
[26] https://www.isdb.org/projects/data/uid-pj0033033
[27] https://www.usaid.gov/tajikistan/economic-growth-and-trade
[28] https://www.ebrd.com/news/2019/ebrd-eu-gcf-and-south-korea-boost-climate-finance-in-tajikistan.html
[29] https://www.greenclimate.fund/project/fp025
[30] https://www.greenclimate.fund/news/gcf-gives-green-light-to-largest-climate-project-to-date-in-ebrd-partnership

feasibility of implementation. While policies in Tajikistan increasingly focus on environmental issues, there is no explicit SCP strategy.

As explained above, the need for energy efficiency has been recognized by many strategy papers. A number of specific policy measures and actions were undertaken in the past few years, ranging from strengthening access to credit through launching a unified collateral registry and easing up registration procedures for new businesses, to strengthening the institutional framework to support the agricultural sector[31]. Many of these developments however, are either initiated or supported by international donor organizations. There are relatively few actions that were implemented by the government. More attention from the government is required to effectively unite and implement all actions. Only a comprehensive strategy tackling existing institutional, informational, technical, financial, and market barriers all at once can significantly improve SCP in Tajikistan agri-food production and processing. This means that effort should be made to support Tajik government in formulation of a viable SCP policy framework that can be incorporated in Tajikistan's law.

At the moment,**the main focus lies outside of SCP in the agri-food sector.** While there are many initiatives focusing on climate finance, renewable energy or energy and water efficiency in agriculture and rural areas, there are very few that focus on SCP among MSMEs. Furthermore promoting cleaner production and energy efficiency actions mostly focus on households, hydroelectricity, alternative energy and industry in general. MSMEs in agri-food production and processing sector have not yet been identified as an explicit and promising target group. Therefore, support schemes should consider existing technical and financial capacity constraints as well as the specific needs of these MSMEs.

There is a **lack of incentives from the regulatory institutions** to promote SCP. Even though the price cap on energy has been gradually increasing in recent years, it is still substantially subsidized to keep the prices low. In addition, there are no subsidies or tax reductions to promote clean technology use, while the financial opportunities of MSMEs remain constrained, leaving them with outdated machinery and energy inefficiency. In addition, high loan rates and ineffective schemes further hinder their access to cleantech finance[32].

There are a number of financing schemes available through partner banks of various development agencies and international financing institutions. However, a huge share is directed towards energy efficiency in rural houses and micro-finance. There are generally **fewer options for medium scale finance**, as it poses larger risks both for finance institutions and MSMEs. In addition, this requires cleantech finance knowledge for both lending institutions and MSMEs.

Perhaps, an even bigger obstacle for normalizing SCP in the agri-food production and processing sector is a **lack of knowledge regarding SCP** in the regulatory institutions. There is low technical capacity and limited expertise about energy efficiency methods in MSMEs, and the lack of awareness campaigns and awareness programs creates a knowledge barrier towards SCP. The lack of correct labelling, product familiarity and distribution networks related to SCP technologies creates difficulties in incorporating them in the SME production chains.

The industry owners have **limited interest in resource efficiency measures**. This happens when there is no clear knowledge about the benefits of adopting SCP practices in their MSMEs. The industry has not been exposed to trainings or education programs promoted by the government. There are limited training facilities and no academic programs with this information.

[31] https://www.oecd.org/environment/outreach/Tajikistan_Financing_Climate_Action.Nov2016%20rev%20Feb%202017.pdf

[32] https://www.adb.org/sites/default/files/linked-documents/45229-001-taj-oth-03.pdf

## Recommendations

Based on this problem analysis, the following points have been identified to promote SCP among MSMEs in Tajikistan agri-food processing sector:

- Raise awareness for MSMEs' SCP challenges among policy stakeholders to highlight the need for tailor-made policy formulation and implementation;
- Promote the agri-food production and processing sector as a priority area for SCP activities and policies through aligning with the measures to achieve the national goal on food security;
- Increase the information exchange among MSMEs, stakeholders and financial institutions, raising awareness for MSMEs' cleantech financial needs among financing institutions;
- Increase finance accessibility through boosting cooperation with state-owned banks, providing them with up to date data on market demand to stimulate more loans under better conditions;
- Stimulate value chain development, creating competitiveness;
- Focus on establishment of agri-food clusters;
- Provide incentives to encourage innovations in MSMEs for ensuring implementing SCP measures;
- Create a policy instrument that mixes reward/penalty, motivation and support for the enterprises that decide on SCP measures, which will facilitate the enforcement of energy efficiency measures and awareness among many financial institutions;
- Create awareness among MSMEs about the benefits of SCP measures in the agri-food production and processing sector and gradually build their technological know-how.

**Disclaimer:** This paper has been produced with the financial support of the European Union in the framework of the project "Resource Efficiency in Agri-food Production and Processing (REAP)". Its contents are the sole responsibility of the authors and do not necessarily reflect the views of the European Union.

## References:


- Economic Slowdown Amid the Pandemic (2020), Tajikistan, Country Economic Update - Fall 2020, World Bank Group http://documents1.worldbank.org/curated/en/856841608613708986/pdf/Tajikistan-Economic-Slowdown-Amid-the-Pandemic.pdf
- Action Plan to implement 300 reform days in Supporting Entrepreneurship and Improving Investment Climate in the Republic of Tajikistan. https://investcom.tj/uploads/docfiles/5cc127e7df26e.pdf
- Asian Development Bank Institute (2015): Private sector development roadmap. https://www.adb.org/sites/default/files/linked-documents/45229-001-taj-oth-03.pdf
- Asian Development Bank Institute (2019): Leveraging SME finance through value chains in Tajikistan. https://www.adb.org/sites/default/files/publication/534291/adbi-wp1020.pdf
- Annual Economic Report (2020), Tajikistan, Embassy of Switzerland in Tajikistan with residence in Nur-Sultan https://www.s-ge.com/sites/default/files/publication/free/economic-report-tajikistan-eda-2020-07.pdf
- Dialog: Tajikistan and the world (2019): Implementation of G.A.P. standards. https://www.dialog.tj/news/svoevremennoe-vnedrenie-standarta-global-g-a-p-pozvolit-selkhozproizvoditelyam-tadzhikistana-stat-vostrebovannymi-eksportjorami-bezopasnoj-pishchevoj-produktsii
- EBRD, EU, GCF and South Korea boost climate finance in Tajikistan. https://www.ebrd.com/news/2019/ebrd-eu-gcf-and-south-korea-boost-climate-finance-in-tajikistan.html
- Embassy of Switzerland in Tajikistan (2019): Annual economic report. https://www.s-ge.com/sites/default/files/publication/free/economic-report-tajikistan-eda-2019-12.pdf
- GIZ (2019): Promoting inclusive economic growth in Tajikistan. https://www.giz.de/en/worldwide/78041.html
- GIZ (2019): The Climate Finance Readiness Programme. https://www.giz.de/de/downloads/giz2017-en-cfready-support-so-far.pdf
- Government of the Republic of Tajikistan (2008): On approval of the Concept of Agrarian Policy of the Republic of Tajikistan. http://www.cawater-info.net/library/rus/tj_658-2008.pdf
- Government of the Republic of Tajikistan (2011): On approval of the Innovation Development Programme of the Republic of Tajikistan for 2011-2020. http://innovation.tj/documents/menu/ru/Ob_utverzhdenii_programma.pdf
- Green Climate Fund (2016). https://www.greenclimate.fund/project/fp025

- Green Climate Fund (2017). https://www.greenclimate.fund/news/gcf-gives-green-light-to-largest-climate-project-to-date-in-ebrd-partnership
- National Association of Small and Medium Business of the Republic of Tajikistan. http://www.namsb.tj/en/activities/projects/candy4/materials
- National Bank of Tajikistan: Banking system system situation in the first half of 2020. http://nbt.tj/en/news/501547/
- OECD (2015): Private Sector Development Handbook: Enhancing access to finance for SME development in Tajikistan. http://www.oecd.org/eurasia/competitiveness-programme/central-asia/EnhancingAccesstoFinanceforSMEDevelopmentinTajikistan.pdf
- OECD (2016): Financing Climate Action in Tajikistan. https://www.oecd.org/environment/outreach/Tajikistan_Financing_Climate_Action.Nov2016%20rev%20Feb%202017.pdf
- Secretarial of the Counsultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan (2020): Reforms in the Field of Agricultural Production http://investmentcouncil.tj/upload/iblock/6ba/Brief%20Note_global%20gap_eng1.pdf
- Tajikistan Country Commercial Guide (2019): Food processing and packaging. https://www.export.gov/apex/article2?id=Tajikistan-Food-Processing-and-Packaging
- The concept of creation and development of agro-industrial clusters in the Republic of Tajikistan for the period up to 2040 (2020). http://www.adlia.tj/show_doc.fwx?Rgn=137516
- The World Bank (2019): Country economic Update – Fall 2019. https://www.worldbank.org/en/country/tajikistan/publication/economic-update-fall-2019
- Trading economics (2020): Tajikistan food inflation. https://tradingeconomics.com/tajikistan/food-inflation
- UNDP Europe and Central Asia (2013): Sustainable energy for all. https://www.tj.undp.org/content/tajikistan/en/home/library/environment_energy/sustainable-energy-for-all/
- UNDP Europe and Central Asia (2014): Renewable energy snapshots. https://www.eurasia.undp.org/content/rbec/en/home/library/environment_energy/renewable-energy-snapshots.html
- USAID (2020): Economic growth and trade. https://www.usaid.gov/tajikistan/economic-growth-and-trade

REAP
Resource Efficiency in Agri-food production and processing

Project Funded by
switchasia GRANTS PROGRAMME
Funded by the European Union

# National Policy Roundtable in Tajikistan on Sustainable Consumption and Production

*Output Paper*

Tajikistan

## February 2023

Project Implemented by
carec
NASMB TAJIKISTAN
CHAMBER OF COMMERCE AND INDUSTRY OF UZBEKISTAN
adelphi
AUSTRIA RECYCLING
STENUM Asia
teri The Energy and Resources Institute

# Imprint

**Suggested citation:** REAP (2023) Output Paper for the Tajik National Policy Roundtable on SCP.

**Authors:** Amarnath Munnolimath (adelphi, Germany), Aikena Orolbaeva (adelphi, Germany)Madina Karimova (NASMBRT, Tajikistan) and Nilufari Farrukhi (NASMBRT, Tajikistan)

The project team expresses its gratitude to all the participants of the round table for a very valuable and highly appreciated contribution.

**Photo credits:** REAP

**Project Website:** www.reap-centralasia.org

**Email**: info@reap-centralasia.org

## SDGs


## Disclaimer

# List of acronyms

| | |
|---|---|
| CE | Circular Economy |
| GBAO | Gorno-Badakhshan Autonomous Region |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| MoINT | Ministry of Industry and New Technologies of the Republic of Tajikistan |
| MoLME | Ministry of Labour, Migration and Employment of population of the Republic of Tajikistan |
| MSME | Micro, Small & Medium Enterprises |
| NASMB RT | National Association of Small and Medium Businesses of the Republic of Tajikistan |
| NDC | Nationally Determined Contributions |
| RE | Resource efficiency |
| REAP | Resource Efficiency in Agri-food Production and Processing |
| RECP | Resource Efficient and Cleaner Production |
| SCP | Sustainable Consumption and Production |
| SDG | Sustainable Development Goals |
| TC | Technical Consultants |
| UNEP | United Nations Environment Programme |

# Introduction

Unsustainable consumption and production practices are a leading driver of environmental degradation, pollution, loss of biodiversity and climate change. This has led to countries mobilising efforts to reduce the negative impacts of production and consumption in an attempt to preserve nature. One of the Sustainable Development Goals adopted by UN countries is SDG 12 – **Sustainable Consumption and Production (SCP)**, which encompasses among others the efficient use of resources in agri-food processing and production. Actions on SCP contribute to other SDGs such as Goal 7 – Affordable and clean energy, Goal 8 – Decent work and economic growth, Goal 9 – Industry innovation infrastructure, and Goal 13 – Climate action through climate mitigation.

The REAP project aims to switch agro-processing production practices in Uzbekistan and Tajikistan into a cleaner and more resource-efficient path. The project support is provided in two main dimensions. The first is a direct support to MSMEs and the second is stakeholder engagement. **Direct support** implies a set of measures, including capacity building measures, direct assessment and consultation on the efficiency of resource use in the production process in agri-food MSMEs. It is delivered by project staff and REAP technical consultants (TCs), who then provide: recommendations on possible modifications to equipment and production procedures; as well as guidance through the process of implementing SCP practices. Besides, in order to accelerate the introduction of clean technologies in MSMEs the TCs of the project act as an intermediary between MSMEs, potential technology providers, and financial institutions.

In addition, as an **indirect support**, certain multi-stakeholder activities described below are envisaged to ensure the sustainability of SCP implementation and uptake not only on the ground but also at the institutional level. They are intended to support the creation of a supportive and favourable institutional framework enabling MSMEs to transition to greener production.

In summer 2022, a set of activities was launched to promote the **financial inclusion** of MSMEs in the adoption of SCP technologies, through access to investment in clean or green technologies.

The other main pillar of institutional support is **policy advocacy** – the process of facilitating dialogue for policy change in order to create policy mechanisms for implementing SCP at the national level. These activities include the development of policy briefs to inform stakeholders on the legal framework for SCP and strengthening the impact of the outcomes of the roundtables. The latter creates a platform for exchange between relevant policymakers, business associations and MSMEs, and is aimed at motivating established coalitions to promote policy mechanisms supporting SCP uptake. This ***Output Paper (report)*** is a result of a policy roundtable organised by National Association of Small and Medium Business of the Republic of Tajikistan (NASMB RT) and adelphi gGmbH on **12 July 2022 in Dushanbe**, Tajikistan. It is intended to describe the methodology used for the event as well as to summarise the outcomes with the purpose of further dissemination of the results.

### Methodology

The project's policy advocacy activities are structured in a two-stage approach. In the first stage, the project team prepares a policy input paper that encompasses a comprehensive overview of the country's background within the Sustainable Consumption and Production (SCP) framework. It also meticulously outlines the existing major policies contributing to SCP, delving into an analysis of the gaps in policy implementation and offering recommendations for immediate action.

Moving on to the second stage of the policy activities, the policy input paper will be subjected to a broad and inclusive discussion among various stakeholders in the SCP ecosystem. These stakeholders include policy makers, industry associations, public sector organizations, and academia. The primary focus during this stage will be on the development of policy mechanisms and policy implementation solutions aimed at bolstering

the adoption of SCP practices within the industry. These solutions will be crafted through the inspiration drawn from successful global SCP policy case studies, with the goal of promoting sustainable practices at the industry level.

In this output paper, we have drafted such 4 policy mechanisms that have been discussed and designed by participants of the national policy roundtable on SCP in Tajikistan.

# Content

# Training of SCP technical consultants – *REAP project approach*

## Background

The National Policy agenda sets energy efficiency as a priority, and the Agrarian Policy Concept of the Republic of Tajikistan targets resource efficiency. To achieve these objectives, it is vital to establish foundational mechanisms. One fundamental element currently absent is a professional resource-efficiency measurement service for MSMEs providing baseline assessment and guiding them through the process of transition to resource efficiency.

The REAP project, implemented locally by the NASMB RT, is one of the initiatives in the country to develop the capacity of local TCs that can provide resource efficiency assessment services in agri-food processing MSMEs.

A similar approach was implemented in other countries such as Bangladesh, Sri Lanka and Nepal, where TCs were trained and the initiative has been taken further after the end of the project. Thus far, in Tajikistan, REAP project trained 11 TCs.

Observed high demand of MSMEs for SCP TC services demonstrates the viability and the benefit of replicating this approach owing to monetary saving registered by MSMEs but not limited to it. To this end, more REAP TCs need to be trained to increase geographical coverage (including remote areas) for accelerating service delivery to local MSMEs and facilitating the adoption of SCP practices.

## Key challenges addressed

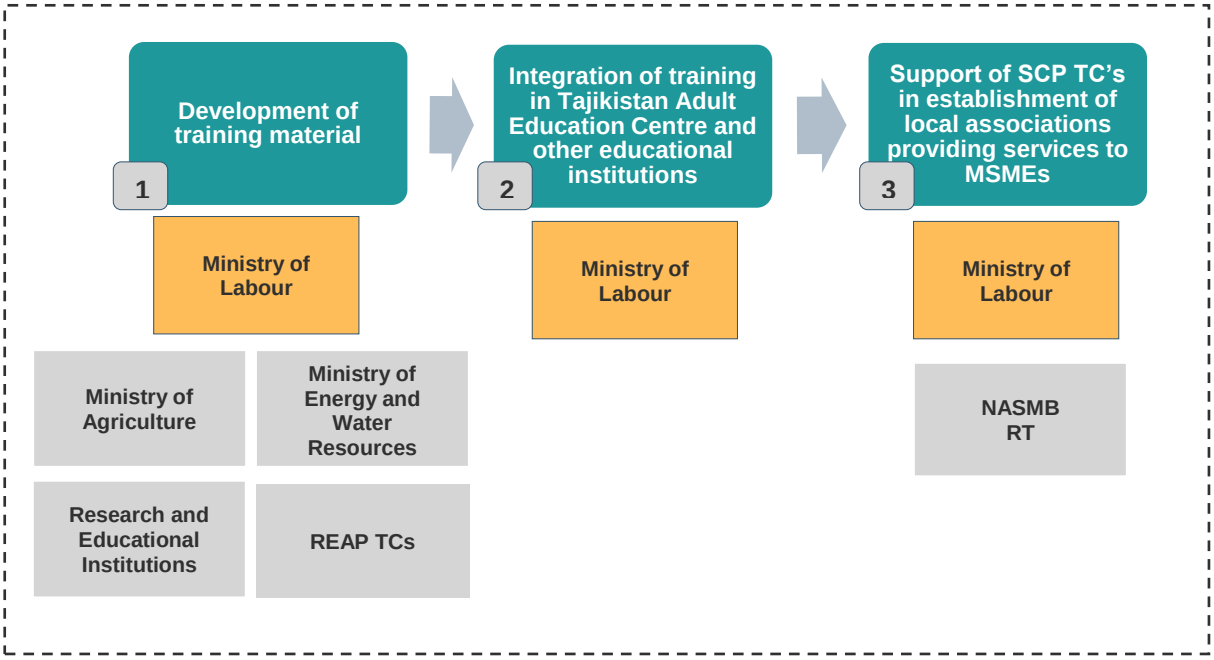
- Lack of technological knowledge of local specialists serving MSMEs;
- Lack of available specialists able to assess resource efficiency in MSMEs and provide advisory services for improving it;
- Lack of practical evidence-based (case-based) analysis for deciding on the viability of adopting SCP measures for individual MSMEs;
- Growth in employment.

## Solution Overview

The solution is to replicate the REAP approach and train more TCs for increasing the accessibility of services on assessment of resource efficiency for MSMEs. The proposed principal implementer could be the Ministry of Labour, Migration and Employment of Population of the Republic of Tajikistan (MoLME) owing to the jurisdiction of the institution corresponding to the proposed solution. Mandate of MoLME among other matters include: developing and approving adult education programmes and curricula, as well as organising adult education in cooperation with the relevant ministries and agencies (Ministry of Labour, Migration and employment of population of the Republic of Tajikistan, n.d.). Essentially, the solution is to incorporate the training program in the programs provided by the state agency “Adult Education Centre in Tajikistan”.

The program can be developed in collaboration with REAP project team, trained local TCs, relevant ministries, and agencies. This will enable the study programme to be tailored to current conditions in the country. Moreover, it will allow the programme to benefit from the expertise within from REAP project. In addition, the cooperation with international partners is envisaged to facilitate knowledge exchange and enhance the training program. International consultants may also be involved in teaching. Alongside the technical training orientation training will be provided for non-direct stakeholder groups interested in the subject, for example policymakers.

Furthermore, the solution entails establishing regional associations of SCP TCs in the districts with the assistance of NASMB RT. These associations can act as knowledge hubs for wider stakeholder groups. Drawing on the example of REAP project, local TCs can serve as a connecting link between supporting elements for SCP implementation.




## Key Stakeholders

| Group | Key actors | Role/function |
|---|---|---|
| **Governmental authorities** | Ministry of Labour, Migration and Employment of Population of the Republic of Tajikistan | • Lead organization of training for SCP TCs;<br>• Establish long-term cooperation with relevant ministries and agencies to develop, launch and manage the implementation of the SCP training;<br>• Ensure funds for elaboration and the delivery of SCP training;<br>• Designate a responsible team to work on SCP training preparation and implementation;<br>• Monitor the effectiveness of the training based on the efficiency of the established local associations of SCP TCs. |
| | • Ministry of Energy and Water Resources;<br>• Ministry of Agriculture | • Support the MoLME in provision of information for enhancing the training program; |

| | | |
|---|---|---|
| | | • Designate agency/ministry representatives to cooperate with the MoLME on the SCP training preparation and delivery. |
| **Research and Educational institutions** | Research centres and educational institutions | • Support the MoLME in provision of information for enhancing the training program;<br>• Integrate the topic of SCP and resource efficiency into the curricula of educational programmes;<br>• Promote technical training for students and professionals. |
| **Independent consultants** | REAP Technical Consultants | • Support the MoLME in provision of information for enhancing the training program;<br>• Provide training for potential TCs. |
| **Manufacturers** | MSMEs | • Main clients of the trained technical consultants. |

## Key features

- Engagement of field-specific specialists for elaboration and enhancement of a program relevant ministries, agencies and experts will enable elaboration of a comprehensive study program;
- Accessible training through adult education programs supported and financed by the government;
- Wide promotion of the training on evaluation of resource efficiency due to the use of existing infrastructure.

## Impact potential

- Wider application and adoption of SCP practices in MSMEs due to the accessibility and availability of TC's on the ground;
- Continuous improvement of the information and know-how for MSMEs through knowledge exchange between different locality SCP TC Associations.
- Decrease of wasteful use of resources, wastes and emissions of toxic residues and GHG.

## Implementation plan

- Conduct needs assessment of MSMEs including the remote areas to define the demand size for services of assessment of the resource efficiency;
- Establish/appoint a working group for implementation and management of the SCP training;
- Draft the sustainable mechanism for local SCP TC Associations and/or trainings.


# Creation of Credit Unions for MSMEs on resource efficiency

## Background

Despite the growing interest of local MSMEs to increase resource efficiency in their operations, depending on their financial situation, companies often depend on external funds for high-cost investments. Resource efficiency measures can fall into different price categories. They are classified into no-cost, low-, medium- and high-cost.

As a result of the COVID-19 pandemic and other recent and ongoing global social and political turmoil, conventional bank lending, including concessional loans supported by international financial institutions, has become even more inaccessible to many MSMEs. This is mainly because of high interest rates and high collateral requirements.

Access to finance is a major obstacle to many transformational changes for sustainability in the economies of the world. Many international projects aim to facilitate access to finance through various channels. REAP project foresees activities to facilitate access to finance for local enterprises in order to create a platform where information on loans and grants can be exchanged with financial institutions and provided to MSMEs.

One of the possible solutions proposed during the policy roundtable is to facilitate access to finance is the establishment of local credit unions. This offers an alternative funding option to conventional commercial bank lending with softer terms and much lower interest rate, in other words – “cheap” financing.

## Key challenges addressed

- High interest rates for loans from banks;
- Lack of financial support from the government or from international organizations;
- Lack of investors;
- Inaccessibility of acquiring funds due to the difficulty of providing collateral in the case of loans
- Shortage of grants for MSMEs interested in sustainable production implementation.

## Solution Overview

A credit union established by MSMEs engaged in REAP project (improving their production in terms of resource efficiency) in the GBAO region can serve as an example for such REAP credit unions.

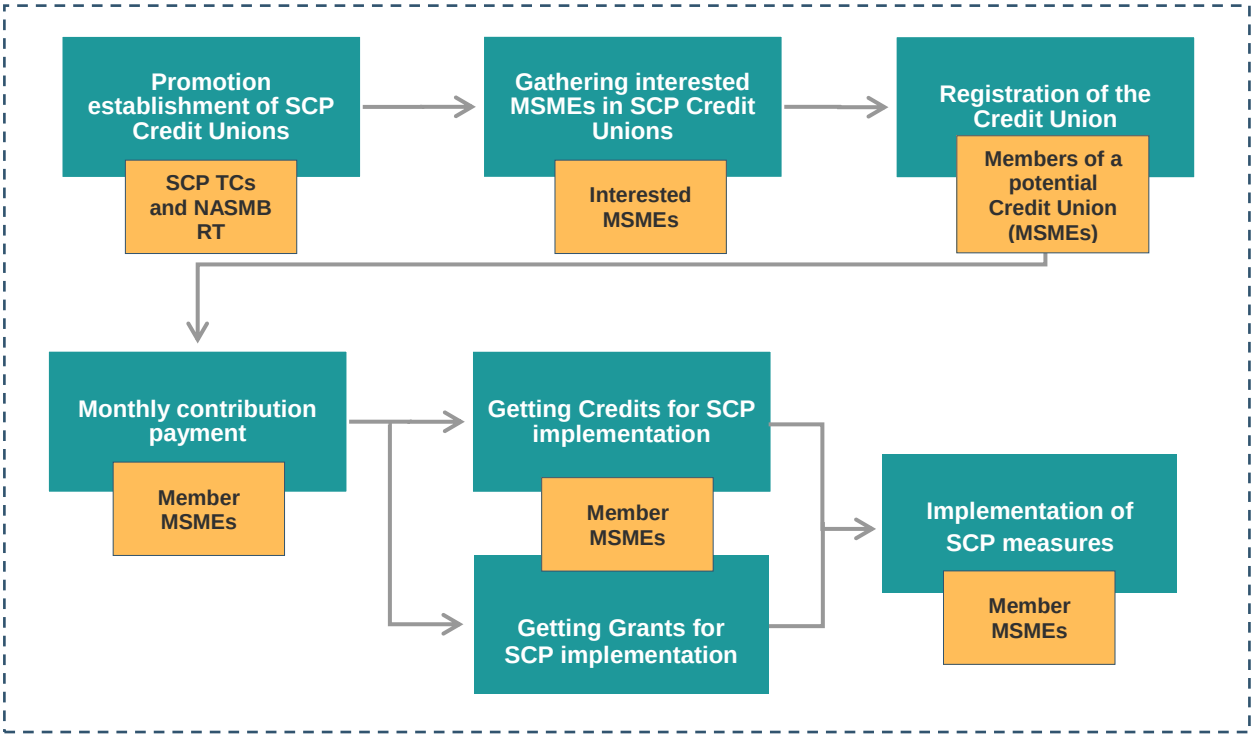
Members of the REAP GBAO credit union are required to make monthly contributions, thus creating a loan portfolio. Loans are available with an interest rate of 12% - 18% annually. The credit union also provides grants to enterprises that meet certain criteria and use the funds to improve resource efficiency in their production processes.

Besides, the GBAO union serves as a platform for knowledge and experience exchange among its members.

The project TCs and NASMB RT can be informants on the success of the established Credit Union in GBAO. Thus, promoting and facilitating replication of the mechanism.

**Legal framework**

Operation of Credit Unions in Tajikistan is regulated by the **law "On Credit Unions".** A credit union is a non-commercial legal entity with the purpose of providing financial services to its members by pooling their personal money for mutual lending. Credit unions are established with at least 10 members. Founders of a credit union have to be people who are close in occupation or profession or have a common employer and live in neighbouring communities. Only credit union members have **access to funds** raised (The Law of the Republic of Tajikistan on "Credit Unions", 2013).




## Key Stakeholders

| Group | Key actors | Role/function |
|---|---|---|
| **Governmental authorities** | NASMB RT | • Lead in informing and promotion of local SCP credit unions establishment. |
| | Local Tax Offices | • Register credit unions |
| **Independent Consultants** | SCP TCs | • Lead in informing and promotion of local SCP credit unions establishment;<br>• Facilitate networking between MSMEs interested in establishing SCP credit unions. |
| **Associations** | Association of Agrobusiness of Tajikistan | • Inform and promote SCP practices along with facilitating the establishment of SCP credit unions; |

| | | |
|---|---|---|
| | | • Serve as a platform to connect MSMEs interested in establishing SCP credit unions. |
| **Financial Institutions** | • International development Banks;<br>• Investors;<br>• Donors;<br>• World Counsel of Credit Unions. | • Support credit risk mitigation actions of credit unions;<br>• Provide capacity development services. |
| **Manufacturers** | MSMEs | • Find partner members for a potential SCP credit union;<br>• Initiate the establishment of the SCP credit unions;<br>• Develop credit unions Charter;<br>• Register credit unions;<br>• Select managing executive committee. |

## Key features

- Low interest rates of credits for credit union members;
- Possibility to receive grants;
- Collective decision making;
- Motivated member in improvement of resource efficiency in their MSMEs;
- Member council functions as a platform for knowledge exchange and a thematic problem solving;
- Due to the specification of credit unions it's members will be field-specific specialists creating a synergetic effect in cooperation.

## Impact potential

- Attraction of investors/donors is easier due to an official status and visibility;
- High possibility of adoption of SCP practices due to accessible finances that is often one of the main constraints for high-cost investments that eventually contributes to the achievement of "Green Economy" Development strategy under the development and the indicators established in NDS of the Republic of Tajikistan.

## Implementation plan

- Inform REAP and other MSMEs on the success cases of the REAP GBAO credit union and other credit unions;
- Connect interested entrepreneurs including in available business networking events;
- Support establishment of Associations of MSMEs and Credit Union


# National Action Plan on SCP with emphasis on awareness raising

## Background

Many countries are working on **strategic planning** to achieve the goal of resource efficient production and consumption to move towards a more sustainable use of natural resources. SCP objectives can be achieved by integrating SCP objectives into legislation through various laws, norms, regulations, and relevant national development programs. However, the successful implementation these objectives shall be backed up at a strategic level, which requires the development of a strategy or a plan. Such a plan will provide a high-level statement indicating the importance of the topic and provide direction to ministries and agencies on actions.

Processes on development of action plan on Responsible Consumption and Sustainable Lifestyle in Tajikistan are ongoing and are to be published soon (Tilavova, 2022).

Meanwhile this groupwork focused on the development of the National Action plan on SCP but with an emphasis on raising public awareness. Awareness raising is one of the most important success factors in achieving the set objectives. Therefore, it is essential that awareness-raising and capacity building of producers and consumers are given priority in the Action Plan.

## Key challenges addressed

- No clear goals defined for SCP in agro-food processing and production industry;
- No central strategic document pinpointing strategic goals for governmental authorities and other stakeholders on SCP;
- Lack of environmental literacy;
- Lack of personnel awareness and knowledge (access to knowledge) on environmentally clean production and consumption that will enable behaviour change;
- Lack of awareness and knowledge (access to knowledge) on environmentally clean production and consumption of consumers.

## Solution Overview

The solution is inclusion of a component on awareness raising on SCP for agro-processing sector into SCP action plan. As work on the plan is ongoing, only a general outline for development of SCP action plan is presented in this chapter with emphasis on awareness raising.

The process could be divided into three main steps. The first and the foremost step is the development of an SCP Action Plan. This will require the establishment of a technical **working group**, which could be chaired by the Ministry of Industry and New Technologies (MoINT).

The working group shall include technical experts on SCP, experts from relevant ministries, agencies as well as experts on awareness raising and mass media. Involvement of mass media will play a crucial role in the success of the solutions in regards to

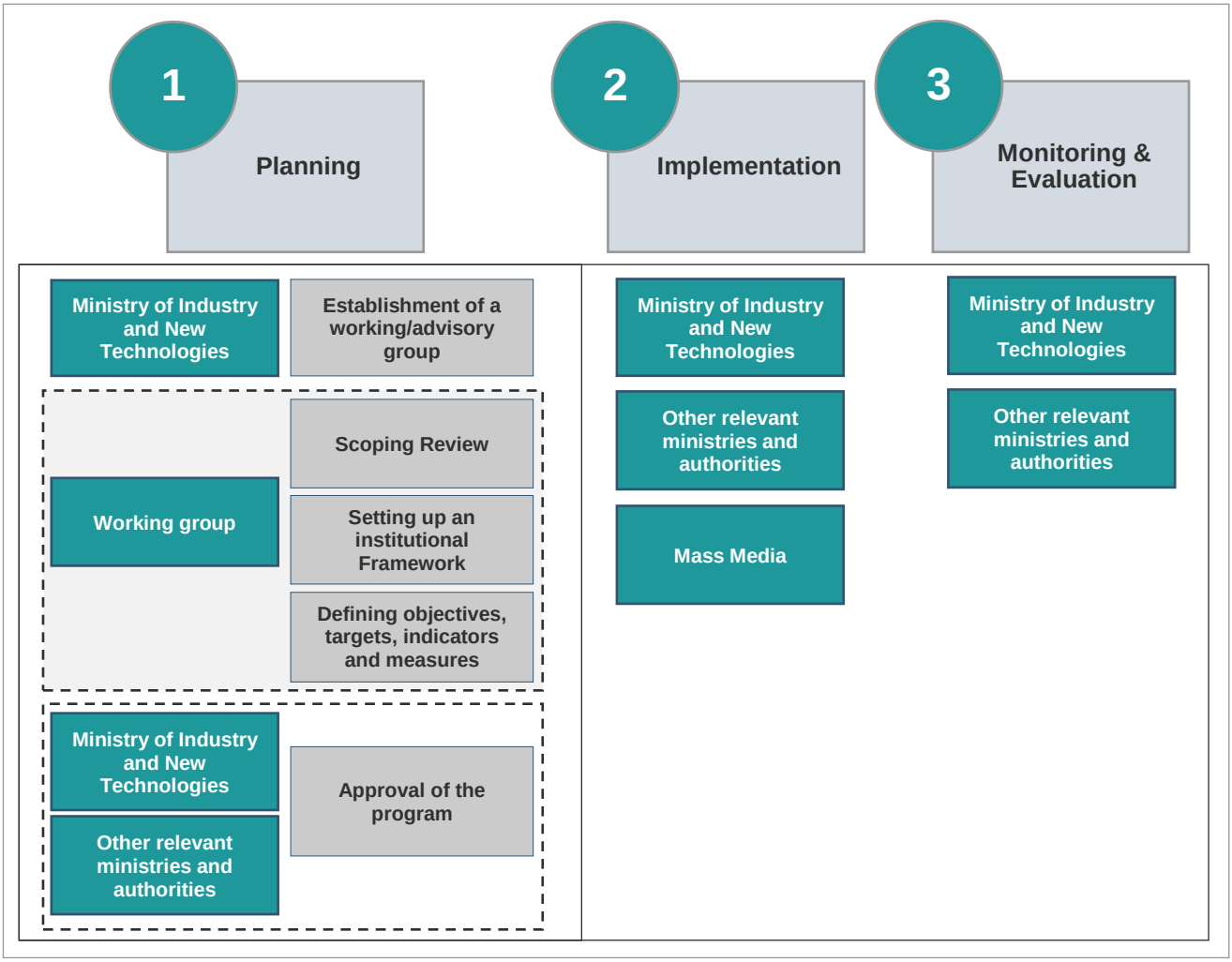
**Broadcasting is one of the most influential media channels due to its extensive reach and accessibility. Thus, planning actions on broadcasting and cooperation with TV channels should be integrated into the plan.**

the change of public consumption. Involvement of experts from various fields ensures consistency of the plan with other national strategic plans and vice versa, as well as the identification and utilization of potential synergies.

The next pillar of the planning step is a **scoping review** that will be targeted to the analysis of the sector considering global, regional and local context for a proper articulation of threats and opportunities for SCP. The scoping review shall particularly focus on **international best practice in raising public awareness and capacity building** on resource efficiency and its social and environmental benefits. It should draw on evidence from campaigns in developing countries and consider theories of behaviour change.

The task to be performed by the working group and be supported by relevant line governmental agencies. A scoping review is a complex task requiring a comprehensive assessment of the impact of consumption and production patterns, existing policies and instruments (incl. possible conflicts and overlaps), etc. (United Nations Environment Programme, 2008). In addition, a study of the status quo of consumer behaviour should be undertaken to strengthen the sustainable consumption strategy. Sustainable consumption trends should then be assessed and drivers for change in consumer behaviour identified (UNEP, 2017). Thus, the baseline for formation of the actions and the next steps will be defined.

The next action in the planning step is formalising the **institutional framework**. It involves defining the responsibilities of the working group and developing mechanisms to achieve their objectives. Institutional framework



also incorporates coordination mechanism for governmental agencies and other relevant stakeholders participating in steps of SCP action plan.

Setting up **objectives and targets** is crucial for the success of the development. To ensure an effective evaluation and monitoring set objectives have to be verifiable. **Objectives and targets, particularly in the context of public awareness**, can be a challenge to measure, but digital feedback mechanisms can be factored into the plan.

Interventions formulated in the SCP action plan can be set of **measures** or activities clustered by priorities or sectors. When developing measures, it is important to: designate responsibilities for their implementation; define funding sources; and the timeframe of the implementation. Capacity-building and awareness-raising interventions and activities shall be tailored to different target groups, such as MSMEs, the public sector and consumers.

To ensure that the set targets and indicators are met **implementation and monitoring** mechanisms need to be developed. Participatory methods can be applied, for instance, multi-stakeholder roundtables, workshops, interviews, etc.

The transition to a green economy is an iterative process requiring continuous efforts, hence, having started with a National SCP Action Plan for the agri-food sector, it is recommended to upscale the approach to other sectors.

## Key Stakeholders

| Group | Key actor | Role/function |
|---|---|---|
| **Governmental authorities** | Ministry of Industry and New Technologies | • Initiate the elaboration of a National Action Plan on SCP;<br>• Create a working group for elaboration of a National Plan framework. |
| | Council of Ministers | • Approve the development of a national plan on SCP and formation of a technical working group for this purpose |
| | • Committee on Environmental Protection<br>• Ministry of Industry and New Technologies,<br>• Food safety/security Committee,<br>• Ministry of Agriculture,<br>• Ministry of Health Ministry of Energy and Water Resources<br>• Ministry of Finance | • Designate representatives for the working group<br>• Provide data for development of a National Action Plans including sectoral and regional plans<br>• Implement the SCP National action Plan |
| **International organizations** | Experts | • Support the development of the National Action Plan |
| **Associations** | Business Associations | • Provide inputs and data for defining targets, indicators and actions of the SCP NAP |

## Key features

- Awareness raising component reaching wide population through broadcasting (of key messages), targeting both, consumption and production;
- Centralized planning of SCP implementation in agro-food production on national level with clearly defined targets, actions and responsibilities;
- Institutionalisation of SCP benefits for agro-food MSMEs.

## Impact potential

- Change in perception of sustainably produced goods consumption;
- Change in selection and product consumption prioritization;
- Application of mainstream decisions in adoption of SCP in production of eco-products;
- Decrease of negative impact to environmental from agro-food processing and production.

## Implementation plan

- Establishment of a consortium or a ministerial advisory group;
- Elaboration of a strategy and an Action Plan on SCP;
- Implementation of the Action Plan along with awareness raising and educational measures;
- Evaluation of the accomplishments and development of recommendations.

# Establishment of SCP Centres

## Background

Often, despite the high interest of MSMEs in resource efficiency and other environmental and technical knowledge and know-how, there are no institutions or accessible platforms in place to spark interest, provide information and capacity building services on SCP to MSMEs. The barrier of access to information is one of the factors hindering many transformative positive changes. Currently, information can be easily found on the internet, but due to the high overload of different subjects and their abstract form, local entrepreneurs, as well as government authorities and other stakeholders, cannot understand the importance of the transition to sustainable production practices. Similarly, this applies to the question of understanding the costs and benefits of such changes and their effectiveness. **Owners** of **enterprises are the initiators of changes**; thus, they need to be informed about the benefits of implementing SCP practices, which will create an impulse for change starting with the mindset. Therefore, creation of a platform - SCP education centres will create a high impact and directly contribute to environmental, social and economic development.

## Key challenges adressed

- Lack of information on the necessity of SCP for causing a recognition of the necessity of adoption of SCP in practice by MSMEs;
- Lack of knowledge in agriculture, in organisation and management;
- The wasteful behaviour in using resources stemming from the culture;
- Lack of responsibility and initiative from MSME employees for saving resources;
- No motivation of owners of enterprises due to no knowledge on the benefits, including monetary savings of SCP practices implementation due to inexistence of calculation equipment and meters for identification of wasteful use of resources or leakages;
- No forces on resource efficiency exist in enterprises that could be explaining the necessity and the urgency of the topic.
- No legal framework for SCP exists.

## Solution Overview

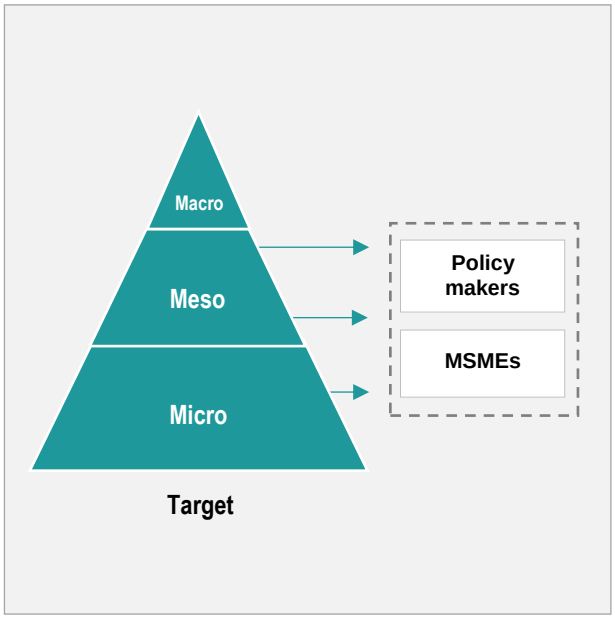
The solution is to establish SCP education schools/centres. These centres will provide orientation, technical training and advice to different stakeholder groups. Since transformational change can be achieved when the macro, meso and micro levels are involved, actions will be directed at all these levels. First and foremost, it is the owners of **MSMEs** who are likely to attend the orientation training and will continue the technical training depending on the staffing of the enterprise. Otherwise, if an entrepreneur is committed, he or she will appoint an employee who will be able to continue the technical training and be responsible for the SCP in the company. In addition, MSMEs will have access to **training** and advice on the **legal framework** covering their rights, benefits provided by the government, etc. Experience exchange events for MSMEs could be one of the possible benefits of the centre. The second target group is **policymakers,** primarily to understand the practical importance of SCP measures and

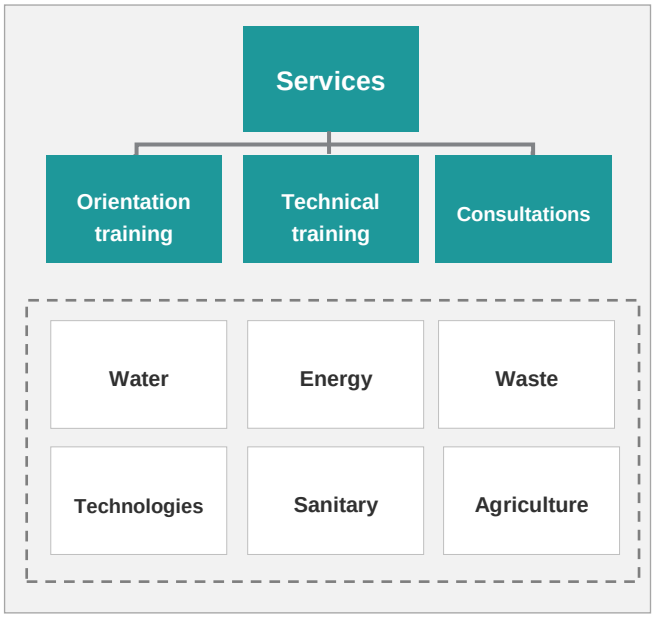
secondarily to get an overview and support in developing a favourable legislative environment on SCP for MSMEs. They receive advice on possible potential legislative amendments, adoption of strategies, regulations etc. The latter can be reinforced by direct contact between MSMEs and policymakers facilitated in the SCP centres to get first-hand input on needs and problems that can be alleviated by government. Apart from these two groups training will be available for other stakeholders as well.

In addition, given that sustainable production is the main subject, the platform will provide all the necessary information to stakeholders across different dimensions of sustainability. This could be production specific information, training on how to reuse waste and dispose of it properly.

To increase the positive impact and geographical coverage of the solution, a website with relevant information and training materials will be developed, while the most important function of it will be the possibility to get a consultation from experts.

As the scope of coverage may be limited and progress will be slow if the initiator is local authority or a grassroot organization, the state authorities shall be an initiator. The solution should be developed and implemented by a working group which will be accountable to the Council of Ministers of Tajikistan, i.e. the latter will act as initiator to monitor the implementation, as well as be responsible for developing legal norms, rules and acts on SCP.



## Key stakeholders

| Group | Key actors | Role/function |
|---|---|---|
| **Governmental authorities** | Council of Ministers | • Approve the formation of SCP educational centre;<br>• Establish a working group on SCP centres establishment;<br>• Control over the work of the SCP centres. |
| | • Ministry of Industry and New Technologies<br>• Committee on environmental Protection/Waste<br>• Ministry of Energy and Water Resources/electro energy<br>• Mayor of Tajikistan /Policy<br>• Tajik standard/ Pesticides<br>• Ministry of Health/Sanitary rules and Norms<br>• Committee on Food Safety/ for food safety<br>• Ministry of Education | • Support the formation of the working group on SCP centres establishment if necessary through appointing an officer that will be actively involved in the process;<br>• Provide continuous support and information to SCP centres for designing educational programs;<br>• Support in implementation of SCP educational programs;<br>• Promote SCP centres through various available channels to MSMEs and a wide public. |
| **Business Associations and Unions** | • Association of Tajik Agricultural Producers<br>• NASMB RT<br>• Union of Entrepreneurs and Exporters of Tajikistan | • Promote SCP centres through the various channels to reach of MSMEs and the general public. |
| **Manufacturers** | MSMEs | • Disseminate information on SCP though accessible networks;<br>• Capacity development of employees. |

## Key features

- A multidisciplinary school targeting adult education and awareness raising on SCP;
- Involvement of all stakeholders;
- Creation of a win-win mindset in agro-food processing MSMEs;
- A platform for discussions between agri-food processing and production MSMEs and policymakers.

## Impact potential

- Increase of the culture of MSMEs towards the use of natural resources;
- Respectful attitude towards environment of MSMEs and policymakers;
- Transformation of MSMEs towards sustainable development;
- Reduction of the negative impact of production on the environment.

## Implementation plan

- Organization of a multi-stakeholder roundtable to develop the concept of steps for the implementation of sustainable production in practice;
- Presentation of the concept to the Council of Ministers;
- Formation of a working group.

## Conclusion

The solutions for the transition of MSMEs and the general population to SCP described in this document developed as a result of the policy roundtable discussions.

- The implementation of the **SCP can be strengthened through an integrated approach** of mutually reinforcing solutions. Each of the solutions described has its own specific functions which can complement the other solutions to create a favourable integral structure.
- The **National SCP Action Plan**, for instance, will raise **awareness among MSMEs** on the importance and benefits of **resource efficiency** in their operations. This will lead to **increased demand for SCP technical consultants** and, once SCP practices are adopted, will ultimately reduce the negative impact of production on the environment.
- The increased demand for technical consultants will be **addressed by the created interdisciplinary study programmes** and **training** for SCP technical consultants. The similar objectives of the solutions for the development of the SCP Training Centre and the training of RECP technical consultants allow these solutions to be combined.
- The **National SCP Action Plan** described in this paper further **underlines** the importance of **consumer awareness** on SCP. Awareness raising will thus increase conscious consumption and local markets will be significantly shaped by local consumers. Synergies can thus be achieved by implementing an integrated approach to transforming the agro-processing and production sector.
- Until recently, **states** were responsible for social and economic development, but this has now changed as states **are now the agents of the transformation of the economy towards sustainable development**, which includes the preservation of the environment. As such, they play a leading role in guiding the transition process through a range of intervention instruments. In doing so, they play an important role in promoting SCP practices not only among MSMEs but also among other stakeholders.

# Bibliography

Confederation of Indian Industry. (n.d.). *About GreenCo Rating System*. Von GreenCo Rating System: https://www.greenco.in/aboutgreencorating.php abgerufen

Ministry of Labour, Migration and employment of population of the Republic of Tajikistan. (n.d.). *About the Ministry*. Von Ministry of Labour, Migration and employment of population of the Republic of Tajikistan: https://mehnat.tj/en/ministry/about abgerufen

SWITCH-Asia SCF Facility. (2020). *Final Report: Tajikistan National Multi-stakeholder Consultation.* Von SWITCH-Asia: https://www.switch-asia.eu/site/assets/files/2342/msc_tajikistan_final_report.pdf abgerufen

The Law of the Republic of Tajikistan on "Credit Unions". (19. March 2013).

Tilavova, F. (September 2022). Development of a Responsible Consumption and Sustainable Lifestyle Plan to support the implementation of a circular economy with a focus on agri-food sector in the Republic of Tajikistan. Von https://unece.org/sites/default/files/2022-11/4.%20SCP%20for%20CE%20in%20Agriculture%20%28Farzona%20Tilavova%29.pdf abgerufen

United Nations Environment Programme. (2008). *Planning for Change. Guidelines for National Programmes on Sustainable Consumption and Production.* Von UNEP DOcument Repository: https://wedocs.unep.org/bitstream/handle/20.500.11822/7627/-Planning%20for%20Change_%20Guidelines%20for%20National%20Programmes%20on%20Sustainable%20Consumption%20and%20Production-2008800.pdf?sequence=3&isAllowed=y abgerufen

# List of Participants

| # | Name | Position | Organization |
|---|---|---|---|
| 1 | Sarafruz Zamonova | Value chain development expert | GIZ |
| 2 | Daler Nabiev | Headvisor | GIZ |
| 3 | Loik Rahimov | Head of Agricultural Policy and Private Sector Support Department Department of Agrarian Policy and Food Security Monitoring | Ministry of Agriculture of the Republic of Tajikistan |
| 4 | Nematullo Fayzov | Lead Researcher | Institute of Economics and System Analysis of Agriculture Development of the Tajik Academy of Agricultural Sciences |
| 5 | Sadriya Marodmamadova | Executive directorate | MFP |
| 6 | Muazzama Saidova | Executive directorate | LLC Murgi Pokiza |
| 7 | Madina Sadulloeva | Head of the HR Department | LLC Murgi Pokiza |
| 8 | Didor Anvarov | Director | Workshop for the production of pasta |
| 9 | Nematulloi Z.S | | Agrarian University |
| 10 | Kh Altinbaev | | Agrarian University |
| 11 | Kristina Borodavka | Coordinator | Dialog.tj |
| 12 | Ozoda Davlatova | Executive directorate | Agribusiness association of Badakhshan |
| 13 | Rustam Abdusalomov | Vice-chairman | Custom Broker Association |
| 14 | Bahodur Nuriddinov | Executive Secretary | Custom Broker Association |
| 15 | Talbi Shoev | Chairman | Association of beekeepers of Tajikistan |
| 16 | M Alimova | Gender expert | Committee for Environmental Protection |

| | | | |
|---|---|---|---|
| 17 | R Ibodov | HR | Committee for Environmental Protection |
| 18 | SH Kenjaev | Correspondent | Halva.tj |
| 19 | Kazikanova | Lead Specialist | Tajikstandart |
| 20 | Ruzimatova | Coordinator | RDPII |
| 21 | Markus MoLMEler | Senior Technical Expert | AREC |
| 22 | Aikena Orolbaeva | Analyst | adelphi research gGmbH |
| 23 | Buzurgmehr Dodikhudoev | Technical Consultants for GBAO, Tajikistan | NASMB RT |
| 24 | Jahongir Babaev | Technical Consultants for Dushanbe, Tajikistan | NASMB RT |
| 25 | Farzona Tilavova | Technical Consultants for Dushanbe, Tajikistan | NASMB RT |
| 26 | Gulos Rahmatshoev | Technical Consultants for GBAO, Tajikistan | NASMB RT |
| 27 | Nemat Makhmudov | Technical Consultants for Dushanbe, Tajikistan | NASMB RT |
| 28 | Zafar Alizoda | Technical Consultants for Khatlon, Tajikistan | NASMB RT |
| 29 | Anvar Nuraliev | Technical Consultants for Khatlon, Tajikistan | NASMB RT |
| 30 | Nasibakhon Aminova | Senior Project Manager | NASMB RT |
| 31 | Madina Karimova | Project Manager | NASMB RT |
| 32 | Nilufari Farrukhi | Junior Project Manager | NASMB RT |

Project Funded by switchasia GRANTS PROGRAMME

# POLICY BRIEF (Input Paper)

February 2021

## Understanding Sustainable Consumption and Production (SCP) Policy Ecosystem for MSMEs in Uzbekistan

Uzbekistan

Amarnath Munnolimath (adelphi, Germany), Daria Gettueva (adelphi, Germany), Turan Makhamatdinov (CCIU, Uzbekistan)

## Background

In recent years, Uzbekistan has initiated the process of liberalizing its economy and has implemented a number of reforms that address improving energy efficiency, tax optimization, reduction of state presence in the economy and opening-up of the bank sector. While some of these changes have been promising and have given a long needed boost to economic development, there are still challenges and opportunities to be taken into account when designing further policy interventions. According to the Organisation for Economic Co-operation and Development (OECD), Uzbekistan is one of the most emission intensive economies in the world. This is caused by an energy mix of fossil fuels, energy intensive industrial sector, ageing energy infrastructure and high energy subsidies. The country is moreover vulnerable to the effects of climate change, registering higher than the global average temperatures (1.8°C and 1.6°C above pre-industrial levels).

Agriculture is one of the priority sectors in Uzbekistan that currently generates a substantial share of the total Gross Domestic Product (GDP) - about 30 percent, as well as 27 percent employment. Exports include cotton, vegetables, fruit, juice, grain, livestock and milk. Consequently, food manufacturing is one of the fastest growing sectors, with an annual growth rate of 10-15%[33]. Intensifying land use in the agricultural sector is one of the goals in Uzbekistan's Development Strategy for 2017-2021. In addition, water stress remains high in the sector, with a significant part remaining under state control[34]. This puts even more pressure on water use for the agricultural sector that is its largest consumer[35]. All these factors emphasize the need to carefully strike a balance between optimization of resource usage and environmental sustainability in the agri-food sector.

The agri-food processing sector is mostly represented by micro, small and medium enterprises (MSMEs) that play a vital role in providing employment opportunities and contributing to the country's manufacturing and economic growth. As per World Bank, their share of industrial output increased from 12.9% in 2000 to 45.3% in 2016. Transitioning to more resource efficient technologies is core to ensure sustainability, increase production and contribute to their competitiveness in regional and international markets. Resource efficiency in priority sectors is one of the aspects that can significantly contribute to green economic growth when

[33] https://legacy.export.gov/article?series=a0pt0000000PAv7AAG&type=Country_Commercial__kav

[34] https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwi0ncCZqfjqAhWRQUEAHWgVCHkQFjAAegQIARAB&url=https%3A%2F%2Fwww.ebrd.com%2Fpublications%2Fcountry-diagnostics%2Fuzbekistan&usg=AOvVaw3KABPkiVd4d__Stn3jJ3AW

[35] https://www.oecd-ilibrary.org/sites/5fd38a3d-en/index.html?itemId=/content/component/5fd38a3d-en



Project Implemented by carec · NASMB Pakistan · Chamber of Commerce and Industry of Uzbekistan · adelphi · Austria Recycling · STENUM Asia · teri The Energy and Resources Institute

implemented properly. The current policy brief addresses resource efficiency in agri-food processing, taking into account the current reforms that have been initiated in the sector[36].

## Current status of SCP Regulation

The institutional reforms that have occurred in recent years has facilitated an improved coordination among ministries responsible for infrastructure and environment. The *Action Strategy on Five Priority Directions for the Development of the Republic of Uzbekistan 2017-2021* sets greater openness to trade, economic diversification, and moving up the value chains towards high-tech industries among the core goals.

Energy efficiency has been addressed in a number of official documents and strategies. The Ministry of Energy of the Republic of Uzbekistan is the main governmental body addressing this issue. The Concept Note for ensuring electricity supply in Uzbekistan in 2020-2030 has been developed and approved.

According to OECD, the regional and global value chains (RGVCs) in which Uzbekistan takes part are mostly commodity-type intermediate goods such as base gold, fuels and cotton, with the export share being 27% and import 53% (UNESCAP, 2015). One of the goals of the *Action Strategy on Five Priority Directions for the Development of the Republic of Uzbekistan 2017-2021* (Development Strategy for 2017-2021) is to increase the country's participation in RGVCs. This is planned to be achieved through the promotion of high-tech industries, primarily for the production of finished products with high added value (see section 9.3 of the Strategy)[37].

Recently a draft of a presidential decree was published, outlining the strategy for Uzbekistan's transition to a green economy. The main area of the strategy focuses on sustainable economic progress, which contributes to social development, reduction of greenhouse gas (GHG) emissions, climate and environmental sustainability by integrating green economy principles into structural reforms. The agri-food processing sector is central to the implementation of the strategy.

In addition, several measures aim to enhance private sector development. These include:

- Improving access to loans and establishing a friendly investment climate;
- Adoption of new tax code;
- Reforming land use and ownership rights in industry, services and agriculture;
- Providing state support (export risk reduction, certification, diversification etc.) for export-oriented businesses;
- Restructuring state-owned enterprises (SOEs), improving budget transparency and financial reporting requirements;
- Re-designing state-investment programmes;
- Designing new legislation on improvements to the law on state procurement with regard to MSMEs and public-private partnerships;
- Improving economic cooperation with neighbouring countries[38].

[36] https://www.worldbank.org/en/news/press-release/2018/01/30/industrial-enterprises-to-become-more-energy-efficient-reducing-overall-energy-consumption-in-uzbekistan

[37] https://www.oecd-ilibrary.org/sites/5fd38a3d-en/index.html?itemId=/content/component/5fd38a3d-en

[38] http://documents1.worldbank.org/curated/en/866501562572675697/pdf/Uzbekistan-Toward-a-New-Economy-Country-Economic-Update.pdf

Among the conducted reforms are abolishment of export controls, price limits and licenses, simplification of clearance procedures and removal of prepayment requirements. While undoubtedly these changes contribute to private sector development, Uzbekistan can increasingly benefit from a unified strategy and action plan that is tailored to specifically address resource efficiency among MSMEs.

**SCP legal status**

A number of legal acts, laws, resolutions and decrees support the transition to SCP. The Law of the Republic of Uzbekistan No. ZRU-539 05.21.20 "On the use of renewable energy sources" provides benefits and preferences in the field of the use of renewable energy sources, including exemption from payment of all taxes (5 year period) and property and land tax for installations of renewable energy sources (10 year period)[39].

According to the Resolution of the President of the Republic of Uzbekistan No. PP-4422 issued in 2019, the following measures will be taken:

- Implementation of an energy management system in accordance with the requirements of the international ISO 50001 standard;
- Covering interest expenses of individuals and legal entities on their loans from commercial banks for the purchase of renewable energy technologies, energy-efficient gas burner devices and boilers, as well as other energy-efficient equipment expenses[40].

The Resolution of the President of the Republic of Uzbekistan No. PP-4477 of April 10, 2019 seeks to implement the following:

- Improving energy efficiency of the economy and the rational consumption of natural resources through technological modernization and the development of financial mechanisms;
- Introducing of "green" criteria based on advanced international standards in priority areas of government investment and spending[41].

The priority areas of the Green Economy Strategy 2019-2030 include[42]:

- Improving the energy efficiency in the main sectors of the economy;
- Diversification of energy consumption and development of renewable energy sources;
- Adaptation and mitigation of climate change, increasing efficiency in the use of natural resources and preserving natural ecosystems;
- Development of financial and non-financial mechanisms to support green economy.

Its implementation requires cooperation of state authorities, local authorities, civil society institutions, international organizations as well as the private and the public sectors.

[39] https://lex.uz/docs/4346835
[40] https://lex.uz/docs/4486127
[41] https://lex.uz/ru/docs/4539506
[42] https://lex.uz/docs/4539506#4542805

## Important actors and programmes

A number of key national actors are relevant for SCP regulations. Among them are the Uzbek Ministries of Agriculture, Energy, Water Management, Innovative Development as well as the State Committee on Ecology and Environmental Protection. Each of these actors can play an important role in taking SCP measures forward. Furthermore, the Chamber of Commerce and Industries is responsible for creation of favorable conditions for the further development of entrepreneurship, while the Council of Farmers provides full assistance to farmers of Uzbekistan. Coordination of projects and programmes in the Aral Sea Basin is the responsibility of The Agency for the Management of Project Implementation of the Aral Sea Basin and Global Environment Facility (GEF). This is the agency under the International Fund for saving the Aral Sea (IFAS).

The World Bank project "Energy Efficiency Facility for Industrial Enterprises" (2010-2023) aims at establishing a credit line to participating banks as one of the two major components. To achieve this, the Asaka, Uzpromstroy, and Hamkor Banks will sign sub-credit agreements (worth USD 8 million) to lend to industrial enterprises to carry out energy efficiency investments. In addition, the Agriculture Modernization Project (with a value of USD 610 million, approved by the World Bank in March 2020) is aimed at modernization of institutions and technologies. Local agri-businesses will receive support for upgrading their technologies, long-term financing, improving logistics and developing capacity. Another upcoming project by the World Bank, approved in April 2020 is "Supplementary Development Policy Financing: Sustaining Market Reforms in Uzbekistan".

Green Economy Financing Facility (GEFF) in Uzbekistan provides finance to MSMEs to increase their resource efficiency through investing in sustainable energy and resource efficient technologies. Under this, a total of USD 60 million has been allocated. The participating local financial institutions, including banks, microfinance and leasing companies, receive unsecured loans through European Bank for Reconstruction and Development (EBRD) for lending to private borrowers. Small projects can receive up to USD 300,000 in credits to invest into equipment and materials while large projects that meet the eligibility criteria are entitled to a maximum of USD 1 million.

The Green Climate Fund (GCF) Readiness Programme was launched in 2016 in Uzbekistan. It focuses on awareness raising and capacity development for climate finance options, including GCF. The goal is to provide support to the Government of Uzbekistan in accessing, managing and monitoring finance provided through GCF. The National Designated Authority is the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan.

In Uzbekistan, MSME finance is delivered by two types of financial institutions – 28 commercial banks (including state-owned the specialized Mikrocredit bank) and 37 microcredit organizations. At the same time, foreign investment and external assistance programs play a major role in SME finance accessibility through providing credit lines to MSMEs. Among them are International Financial Institutions (IFIs) such as Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), the World Bank (WB), the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and KfW (German bank) and the International Development Association (IDA).

## Problem Analysis

Uzbekistan's government has shown ambitions towards "greening" the process of economic recovery in order to achieve sustainable economic growth. This is a clear signal that the introduction of SCP measures at the industry level is a timely initiative[43]. In practice, however, challenges regarding the implementation of SCP in MSMEs remain, including policy and legislative obstacles, MSMEs' capacity constraints, MSMEs' difficulties in accessing green finance and general awareness issues.

While policies in Uzbekistan increasingly focus on energy efficiency issues, there is no explicit strategy that incorporates SCP measures and addresses MSME development. As mentioned above, the need for energy efficiency has been recognized by many strategy papers and is reflected in decrees, laws and resolutions. These have also outlined specific action and a range of policy measures such as tax exemption, easing up export regulations, energy management system implementation, and creation of technical and financial incentives. The absence of a national energy efficiency or SCP strategy, however, prevents the government from effectively implementing the proposed actions. Only a comprehensive strategy tackling existing institutional, informational, technical, financial, and market barriers all at once can significantly improve SCP implementation. In addition, the formulation of such a policy would ensure that the government builds an SCP framework that is sustainable and incorporated into Uzbekistan's law.

The current sector-based planning practice does not allow for complex, cross-sectoral initiatives. Different sectors continue to compete with one another; moreover, Ministry of Finance is not involved in thematic planning activities[44].

Implementation is yet another challenge now, especially given the socio-economic constraints in the post COVID-19 world. Limited financial resources in government and administrative institutions, possible shifts in economic priorities, early stage of liberalization of economy and a domination by government owned enterprises are other barriers to effective policy implementation.

On a positive note, promotion of the agriculture sector has been set as a priority area by the government of Uzbekistan, creating momentum for establishing and implementing a sound strategy on SCP in agri-food production and processing industry.

**Energy and resource efficiency** is among the four development deficits for Uzbekistan, the others being employment, enterprises and export. In order to capitalize on new opportunities such as foreign investment programs or digital economy, it is important to close these deficits. To date, Uzbekistan's energy consumption, water usage and $CO_2$ emissions per unit GDP are among the highest in the world[45]. To address these issues, energy subsidies should be removed and inefficiencies in the chemicals and petrochemicals sectors should be dealt with.

[43] https://www.ifc.org/wps/wcm/connect/bac596d6-322f-4e78-9368-bd3bf32c18ae/UZB+CPSD+Launch+Presentation_English.pdf?MOD=AJPERES

[44] https://carececo.org/publications/nexus/Policy_Brief_1_Why_Nexus_ENG.pdf

[45] https://www.brookings.edu/blog/future-development/2018/12/20/how-uzbekistan-is-transforming-into-an-open-economy/

**Compromised export competitiveness.** As a double landlocked country, Uzbekistan faces challenges to access global markets. This is exacerbated by poor business environment and outdated technologies. Given the new reforms, there is a window of opportunity to boost trade through building value chains, upgrading to efficient technologies and creating a better business environment. This will allow Uzbek goods and services to more easily reach and serve larger markets in Western Europe and East Asia[46].

**Medium-sized sector growth.** Agricultural and service sectors are dominated by state-owned enterprises (SOEs). Four out of five workers are employed in these sectors, similar to the share of these sectors in the GDP. One in three workers works in SOEs and one in three is self-employed. Such domination by underperforming SOEs and small-scale companies results in a very small share for medium-sized fast-growing companies[47].

**Access to finance.**There is limited capacity of the banking sector for financial intermediation. State-directed lending (mostly to SOEs), underdeveloped financial services and capital markets, as well as limited transparency and competition limit the access to finance for private institutions[48]. In addition, high costs of bank credits, combined with lack of MSME financing expertise among state-owned banks further hinder MSME access to cleantech finance[49]. Accessible financing options have to meet the needs of MSMEs, while MSME capacities have to develop in order to screen and access them.

**MSME's technical capacities.** The MSMEs in Uzbekistan lack technological know-how with regard to purchasing, installing and maintaining technologies on-site. These technical constraints are typically connected with a high level of uncertainty about how SCP technologies might work in their respective settings. In addition, lack of financial literacy among MSMEs to manage businesses and prepare viable financial plans leads to increase in risks and costs; this consequentially limits the access to bank loans. Thus, the overall challenge regarding MSMEs' technical capacity constraints is the limited availability of skilled workforce, both at managerial and at the operational level, that can provide knowledge on the introduction of SCP technologies and on the operation of respective technical facilities[50].

## Recommendations

Based on this problem analysis, the following points have been identified to promote SCP among MSMEs in Uzbekistans agri-food processing sector:

- Raise awareness for MSMEs' SCP challenges among policy stakeholders to highlight the need for tailor-made policy formulation and implementation;

[46] Ibid.

[47] Ibid.

[48] https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj1gsSD-7jqAhVJKuwKHdSGCpsQFjAAegQIARAB&url=https%3A%2F%2Fwww.ebrd.com%2Fdocuments%2Fstrategy-and-policy-coordination%2Fuzbekistan-diagnostic-paper.pdf&usg=AOvVaw2MiBQmwkpsU4jFJZ6R_cgf

[49] https://www.adb.org/sites/default/files/publication/524081/adbi-wp997.pdf

[50] Ibid.

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj1gsSD-7jqAhVJKuwKHdSGCpsQFjAAegQIARAB&url=https%3A%2F%2Fwww.ebrd.com%2Fdocuments%2Fstrategy-and-policy-coordination%2Fuzbekistan-diagnostic-paper.pdf&usg=AOvVaw2MiBQmwkpsU4jFJZ6R_cgf

- Establish cross-sectoral cooperation mechanism to explore and exploit synergies, and to identify and mitigate trade-offs among sectors for resource efficiency;
- Design and develop relevant industrial SCP related educational programmes to strengthen technical skills of new professionals and develop a consulting environment for MSMEs;
- Look for opportunities to introduce SCP initiatives into national programmes that are under development;
- Raise awareness on MSMEs' cleantech implementation financial needs among lending institutions;
- Increase finance accessibility through boosting cooperation with state-owned banks, providing them with up to date data on market demand to stimulate more loans under better conditions;
- Align green investment programs with MSMEs' financing needs;
- Provide incentives to encourage innovations in MSMEs for ensuring SCP measures;
- Diversify Green Finance keeping in view that most finance has been directed to the energy sector and making finance more accessible to other sectors would contribute to cross-sectoral approaches and stimulate MSME growth;
- Establish a private sector development strategy that will include formal partnership with local non-governmental organizations (NGOs), international donors and development organizations with an emphasis on SCP and financial opportunities;
- Stimulate value chain development, creating export competitiveness[51].

**Disclaimer:** This paper has been produced with the financial support of the European Union in the framework of the project "Resource Efficiency in Agri-food Production and Processing (REAP)". Its contents are the sole responsibility of the authors and do not necessarily reflect the views of the European Union.

[51] https://www.oecd.org/eurasia/competitiveness-programme/central-asia/Uzbekistan_Peer_review_note_dec2017_final.pdf
https://www.oecd.org/environment/outreach/Uzbekistan_Financing_Climate_Action.Nov2016.pdf

## References:


- ADB (2019): Country Partnership Strategy: Uzbekistan, 2019–2023 —Supporting Economic Transformation. https://www.adb.org/countries/uzbekistan/strategy

- ADB (2019): Supporting Capacity building support for the development of Public-private partnerships in Tajikistan Funded by the Asian Development Bank. https://www.adb.org/sites/default/files/project-documents/47098/47098-001-tacr-01-ru_0.pdf

- Brookings (2018): How Uzbekistan is transforming into an open Economy. https://www.brookings.edu/blog/future-development/2018/12/20/how-uzbekistan-is-transforming-into-an-open-economy/

- European Bank for Reconstruction and Development (2018): Uzbekistan Diagnostic: Assessing Progress and Challenges in Unlocking the Private Sector's Potential and Developing a Sustainable Market Economy. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwi0ncCZqfjqAhWRQUEAHWgVCHkQFjAAegQIARAB&url=https%3A%2F%2Fwww.ebrd.com%2Fpublications%2Fcountry-diagnostics%2Fuzbekistan&usg=AOvVaw3KABPkiVd4d__Stn3jJ3AW

- OECD (2017): Boosting SME Internationalization in Uzbekistan through better export promotion policies. https://www.oecd.org/eurasia/competitiveness-programme/central-asia/Uzbekistan_Peer_review_note_dec2017_final.pdf

- OECD (2016): Financing Climate Action in Uzbekistan. https://www.oecd.org/environment/outreach/Uzbekistan_Financing_Climate_Action.Nov2016.pdf

- OECD (2019): Sustainable Infrastructure for Low-Carbon Development in Central Asia and the Caucasus: Hotspot Analysis and Needs Assessment. https://www.oecd-ilibrary.org//sites/5fd38a3d-en/index.html?itemId=/content/component/5fd38a3d-en#

- Presidential Decree of the Republic of Uzbekistan (2019): Accelerated measures to improve Energy Efficiency in Economic and social sectors, introduction of energy-saving technologies and development of renewable energy sources. https://lex.uz/docs/4486127

- Presidential Decree of the Republic of Uzbekistan (2019): On the strategy approval on the transition of the Republic of Uzbekistan to the Green Economy for the period 2019-2030. https://lex.uz/docs/4539506#4542805

- The World Bank (2018): Industrial enterprises to become more energy efficient, reducing overall energy consumption in Uzbekistan. https://www.worldbank.org/en/news/press-release/2018/01/30/industrial-enterprises-to-become-more-energy-efficient-reducing-overall-energy-consumption-in-uzbekistan

- The Law of the Republic of Uzbekistan (2019): On the use of renewable energy. https://lex.uz/docs/4346835

- Uzbekistan Country Commercial Guide (2019): Uzbekistan – Market Overview. https://legacy.export.gov/article?series=a0pt0000000PAv7AAG&type=Country_Commercial__kav

- World Bank Group Presentation to the Government of Uzbekistan (2019): Country private sector diagnostics - Creating Markets in Uzbekistan. https://www.ifc.org/wps/wcm/connect/bac596d6-322f-4e78-9368-bd3bf32c18ae/UZB+CPSD+Launch+Presentation_English.pdf?MOD=AJPERES

- World Bank Group (2019): Uzbekistan: Country Economic update. http://documents1.worldbank.org/curated/en/866501562572675697/pdf/Uzbekistan-Toward-a-New-Economy-Country-Economic-Update.pdf

- CAREC (2019): Understanding the water-energy-food security nexus approach in Central Asia. https://carececo.org/publications/nexus/Policy_Brief_1_Why_Nexus_ENG.pdf

Project Funded by

# National Policy Roundtable in Uzbekistan on Sustainable Consumption and Production

*Output Paper*

Uzbekistan


**February 2023**



Project Implemented by

Project Funded by
switchasia GRANTS PROGRAMME

# Imprint

**Suggested citation:** REAP (2023) Output Paper for the Uzbek National Policy Roundtable on SCP.

**Authors:** Amarnath Munnolimath (adelphi, Germany), Aikena Orolbaeva (adelphi, Germany) and Turan Makhamatdinov (CCIU, Uzbekistan)

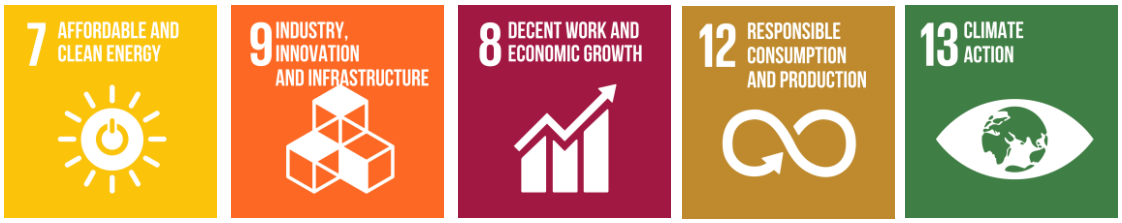
The project team expresses its gratitude to all the participants of the round table for a very valuable and highly appreciated contribution.

**Photo credits:** REAP

**Project Website:** www.reap-centralasia.org

**Email**: info@reap-centralasia.org

## SDGs




## Disclaimer





Project Implemented by
carec · NASMB · Chamber of Commerce and Industry of Uzbekistan · adelphi · Austria Recycling · STENUM Asia · teri The Energy and Resources Institute

# List of acronyms

| | |
|---|---|
| CE | Circular Economy |
| CCIU | Chamber of Commerce and Industry of Uzbekistan |
| CII | Confederation of Indian Industry |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| MoE | Ministry of Economy |
| MoF | Ministry of Finance |
| MSME | Micro, Small & Medium Enterprises |
| RE | Resource efficiency |
| SCEEP | State Committee on Ecology of the Republic of Uzbekistan on Ecology and Environment Protection |
| SCP | Sustainable Consumption and Production |
| SDG | Sustainable Development Goals |
| SPP | Sustainable Public Procurement |
| TC | Technical Consultants |
| UNEP | United Nations Environment Programme |

# Introduction

Present data and trends observed in the last decades on environmental pollution, threats to biodiversity, and climate change are forcing humanity to mobilise for sustainable use of natural resources to preserve a healthy environment for future generations. Such mobilization globally is undertaken on many levels and on various dimensions, one of which is enclosed in Sustainable Development Goal (SDG 12) – Sustainable Consumption and Production (SCP), including the efficient use of resources in agro-processing and production, either explicitly or implicitly contributing to other SDG goals such as: Goal 7: Affordable and clean energy, Goal 8: Decent work and economic growth, Goal 9: Industry innovation infrastructure, and Goal 13: Climate action through climate mitigation. The significance of this is of paramount importance due to the size of the sector and the anticipated population growth, whereas the first variable is directly correlated with the last.

The average annual population growth rate observed for the last decade in Uzbekistan is about 1.6% (United Nations, 2022), with 42 million people projected by 2050 (The Institut National d'Etudes Démographiques, 2019) compared to 34 million by 2022. Thus, the demand for food in the country is steadily increasing year by year.

Despite the recent liberalization processes in economy imparting mechanisms for enhancing competitiveness and resource efficiency, sustainable development is constrained by high water consumption (per capita), energy inefficiency and CO2 emissions in kg per PPP of GDP (The World Bank, 2022).

Numerous official documents and strategies address energy and resource efficiency, the main of them being a strategy on the transition of the Republic of Uzbekistan to "green" economy for the period 2019-2030, and the strategy for the Development of New Uzbekistan from 2022-2026 intends to improve energy efficiency of the economy by 20% by 2026 and to reduce hazardous gas emissions by 10% by introduction of green economy technologies in all sectors (Decree of the President of the Republic of Uzbekistan №60 "On the strategy for the development of the new Uzbekistan for 2022-2026", 2022).

The REAP project aims to switch agro-processing production practices in Uzbekistan and Tajikistan into a cleaner and more resource-efficient path. The project support is provided in two main directions. The first is direct support to MSMEs and the second is stakeholder engagement. The direct support entails a set of measures, comprising capacity building measures, direct assessment and consultation of the efficiency of resource use in the production process in agri-food MSMEs to provision of recommendations on possible modifications in equipment and production procedures and guidance through the process of implementing Sustainable Consumption and Production (SCP) practices by technical consultants (TCs) of the project. Besides, the TCs of the project will act as an intermediary between MSMEs, potential technology providers, and financial institutions to accelerate the introduction of clean technologies in MSMEs.

To ensure the sustainability of SCP implementation and uptake not only on the ground with industries but also at the institutional level, certain multi-stakeholder activities are envisaged, intended to support the creation of a supportive and favourable institutional framework enabling MSMEs to transition to greener and cleaner production. A package of activities was launched in the summer of 2022 to foster financial inclusion of MSMEs in the implementation of SCP technologies, or in other words, in access to investments into clean or green technologies. Another major thrust of activities of institutional support is **policy advocacy** – the process of facilitating a dialog for policy change towards the creation of policy mechanisms for SCP implementation nationwide. The activities

comprise development of policy briefs (***input papers)*** for provision of an overview of a legal framework of SCP to the stakeholders and conduction of national policy roundtables. The latter creates a platform for exchange between relevant policy makers, business associations, academia and MSMEs, and is aimed at motivating established coalitions to promote policy mechanisms supporting SCP uptake. These activities are directly targeting the achievement of the goals set in the Development Strategy of New Uzbekistan and the strategy to transition the country to a green economy. This ***Output Paper (report)*** is a result of a policy roundtable organised by Uzbekistan Chamber of Commerce and adelphi gGmbH on **14 June 2022 in Bukhara**, **Uzbekistan**. It is intended to describe the methodology used for the event as well as to summarise the outcomes with the purpose of further dissemination of the results.

**Methodology**

The project's policy advocacy activities are structured in a two-stage approach. In the first stage, the project team prepares a policy input paper that encompasses a comprehensive overview of the country's background within the Sustainable Consumption and Production (SCP) framework. It also meticulously outlines the existing major policies contributing to SCP, delving into an analysis of the gaps in policy implementation and offering recommendations for immediate action.

Moving on to the second stage of the policy activities, the policy input paper will be subjected to a broad and inclusive discussion among various stakeholders in the SCP ecosystem. These stakeholders include policy makers, industry associations, public sector organizations, and academia. The primary focus during this stage will be on the development of policy mechanisms and policy implementation solutions aimed at bolstering the adoption of SCP practices within the industry. These solutions will be crafted through the inspiration drawn from successful global SCP policy case studies, with the goal of promoting sustainable practices at the industry level.

In this output paper, we have drafted such 3 policy mechanisms that have been discussed and designed by participants of the national policy roundtable on SCP in Uzbekistan.

# Content

# Enterprise Green Certification System

## Background

Unsustainable production and consumption are among the leading contributors to the environmental pollution and induced problems that have been observed in recent decades and have become increasingly severe.

Unregulated production in terms of efficient use of resources weakens the commitment to compliance with good production practices, facilitated by a lack of knowledge about sustainability and SCP. The concept of SCP emerged relatively recently and a number of countries are undergoing a process of adoption (onboarding) which is taking longer in transition economies. Meanwhile, MSMEs are gradually accepting the necessity for sustainable growth and production, which was initially started as a social responsibility and now extends to environmental dimension.

MSMEs lack a robust standardised compliance system that would be beneficial in terms of reducing their footprint on the environment, facilitating their access to local and international markets, and last but not least, improving their image. SCP targets can be achieved through many instruments initiated and administered by authorities or the private sector. One of them is green certification, which can be divided into categories such as green food certification, building certification, green business certification, eco/green product certification, etc.

The proposed solution focuses on **resource efficiency in manufacturing** in MSMEs in order to improve environmental performance and is needed for provision of a baseline for **standardization**, evaluation of manufacturing processes. The contributes to the achievement of one of the needs defined in the The strategy for the transition of Uzbekistan to a green economy for the period 2019-2030: development of a system for training and retraining of personnel for the labor market in the green economy.

## Key challenges addressed

- Lack of knowledge on sustainable production in MSMEs;
- Lack of capacities to increase resource efficiency in production;
- No accessible services on resource efficiency evaluation in the country;
- Limited market niche due to non-compliance with import standards in other countries;
- Inexistence of a central and accessible green certification of MSMEs on sustainability;
- Limited access to finance;
- Lack of information on equipment suppliers/vendors.

## Solution Overview

The green certification will provide a robust assessment system for rating MSMEs for sustainability. It will be developed in same lines with the GreenCo certification by Confederation of Indian Industry (CII) for Indian insurteies. CII India's experience with GreenCo is useful for setting up a similar system in Uzbekistan, considering the experience and lessons learnt from GreenCo certification.

**The rating will be based on such aspects as:**

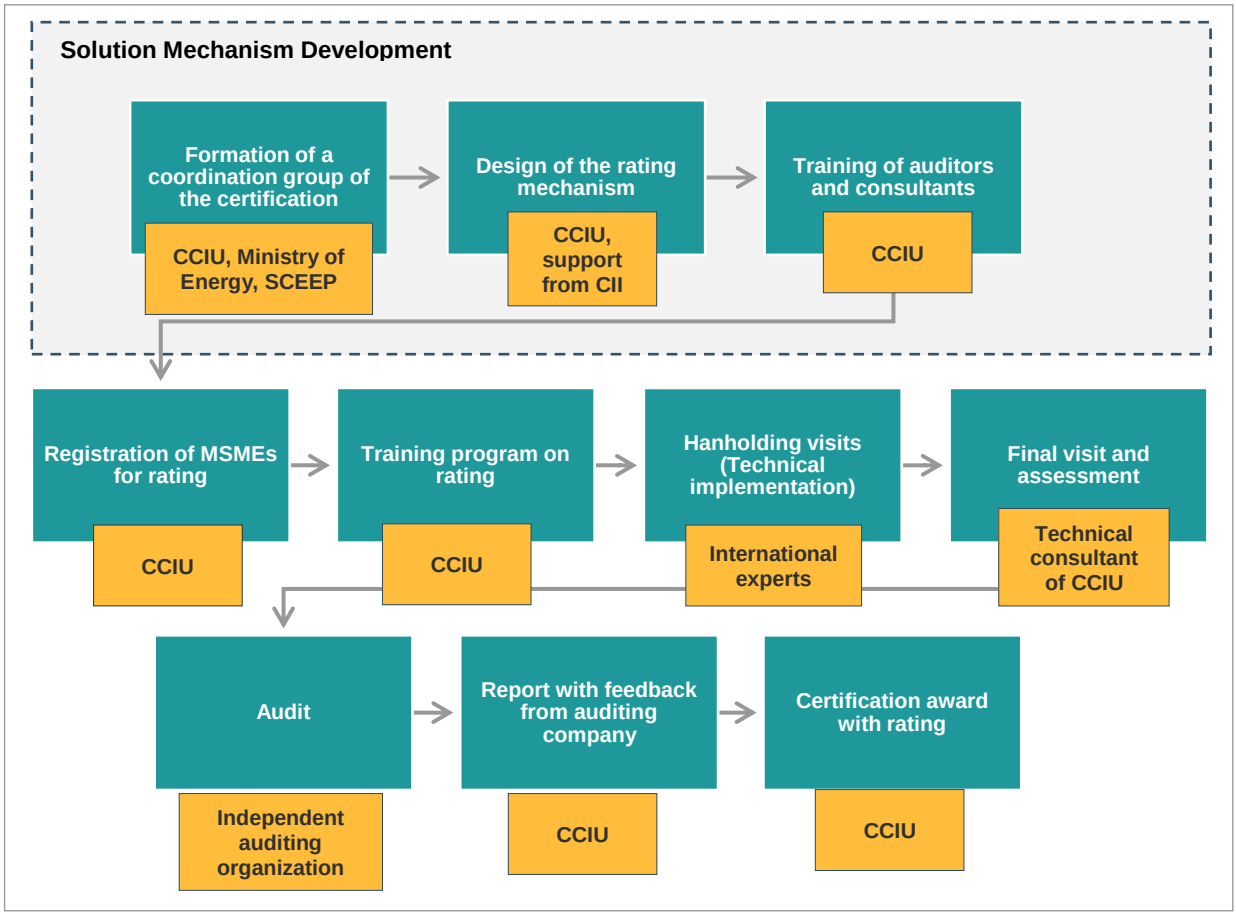
- **Energy Efficiency,**
- **Water conservation,**
- **Renewable energy (optional),**
- **Greenhouse gas mitigation,**
- **Waste management,**
- **Material Conservation,**
- **Recycling and Recyclability,**
- **Life Cycle Assessment (optional).**

Registered MSMEs will undergo a training process on certification rating, providing enterprises with knowledge of the assessment process and applicable indicators. This will be followed by visits from technical consultants of CCIU for the initial assessment. Following the results of the initial assessment, MSMEs will be given a period of time to optimise production processes aimed at improving assessed performance, facilities and equipment before a formal assessment is conducted by CCIU.

After the official evaluation for each criterion, an aggregate of all the values is used to determine the rating. The rating defines the level of certification to be awarded to an enterprise. A system of certification levels similar to GreenCo can be established, e.g. 'platinum' for outstanding performance, then 'gold', then 'silver' and so on (Confederation of Indian Industry, n.d.). Two official evaluations are foreseen in total, the first being conducted by CCIU and the second by independent auditors as a verification of the results received by CCIU.

The solution has a developed backbone in the country - technical consultants trained by the

**Encouragement from government authorities and high consumer awareness of sustainable production can significantly increase the success of the scheme.**



REAP project. They have the skills and experience in resource efficiency analysis in agro-processing MSMEs, that can be further integrated into the proposed solution, thereby reducing the cost of establishing a functioning mechanism.

## Key Stakeholders

| Group | Key stakeholders | Roles/functions |
|---|---|---|
| **Regulatory bodies** | CCI Uzbekistan | • Lead the establishment of a coordination group and its operation;<br>• Establish standards and a certification system in accordance with environmental criteria to measure resource efficiency in production, supported by a coordination group;<br>• Certification of MSMEs based on developed criteria and certification system;<br>• Function as an intermediary for access to finance and suppliers. |
| | Confederation of Indian Industry (CII) | • Support CCIU through/and the certification coordination group in setting standards and establishing enterprise certification system on environmental criteria to measure resource efficiency in production. |
| | Independent audit organizations | • Third party audits of MSMEs. |
| | International consultancies/experts | • Support in assessment of MSMEs in handholding visits. |
| **Government Bodies** | Ministry of Energy, State Committee on ecology and Environmental Protection | • Support CCIU through the certification coordination group in setting standards and establishing certification on environmental criteria to measure resource efficiency in production;<br>• Awareness raising among producers and consumers on the certification system established. |
| **Manufacturers** | MSMEs | • Provision of feedback to the coordination group on the criteria used and other components of the certification;<br>• End users – obtaining developed certification on resource-efficient production and processing of agro-food products. |

## Key features

The main features of the Enterprise Green Certification System are provided below:

- The Certification will be coordinated by the CCIU, which will be a national central MSMEs certification authority;
- CCIU will provide all the technical advice;
- A transparent national certification system that provides MSMEs with baseline data on environmental performance, encouraging those for future continual improvement;
- Technical consultants of CCIU will function as intermediaries in access to vendors, facilitate access to financial institutions, and funding schemes;

- The certification will enable consumers or enterprises to choose products manufactured with less environmental impact.

## Impact potential

- The system will increase environmental performance of agri-food processing MSMEs through resource use reduction and therefore contributing to SCP and Climate Action SDGs;
- The solution can promote sustainable state procurement;
- The solution will promote competitiveness of certified MSMEs on local and international markets, therefore strengthen the position of the national production on the global market.

## Implementation plan

- Development of a concept note with detailed description of the solution mechanism;
- Creation of a coordination group of the certification with representatives from respective ministries and other governmental bodies;
- Establishment of cooperation between CII and the coordination group;
- Development of a scaling tool with adjustments to the local production context.

# Nodal Agency for SCP Policies Coordination

## Background

Sustainable Consumption and Production is a holistic approach aimed at minimization the use of natural resources, toxic substances along with reduction of waste emissions and pollutants throughout the life cycle of a service or product (UNEP, n.d.).

Following recognition by countries of the need to transition to sustainable development, of which circular economy and SCP are essential approaches, regulators and governments are developing strategies to transition to green economy. The plans and indicators developed based on the strategies are then translated into national development programmes, sectoral programmes or other policy documents, which are usually developed by the relevant ministries.

In designing these programmes, each administrative authority pursues its own interests and development agenda, causing conflicts in the implementation of other development programmes. Thus, there is a lack of coherence in achieving the goal of sustainable production, considering that production encompasses many aspects under the jurisdiction of different ministries and agencies.

Hence, coordinated and unified efforts are essential to improve the efficiency of resource use in manufacturing sector, thereby creating a synergistic impact and contributing to the achievement of the SDGs by the country.

The solution to these challenges is the formation of a **nodal agency** dedicated to **coordinate** the implementation of **sustainable production** practices in MSMEs in Uzbekistan.

## Key challenges addressed

- Lack of coordinated transformation of the agri-food and other sectors with respect to efficient use of resources and reduction of waste and other emissions;
- Inexistence of a central agency operating as a directory for MSMEs and national agencies in achieving resource-efficient production;
- Inexistence of a database to monitor the progress of MSMEs and the sector;
- Ineffective replication of best practices in the country to improve resource efficiency in agri-food production due to the absence of an enabling executive authority;
- Conflict of interest between governmental organizations, national strategies and action plans relevant for agri-food production.

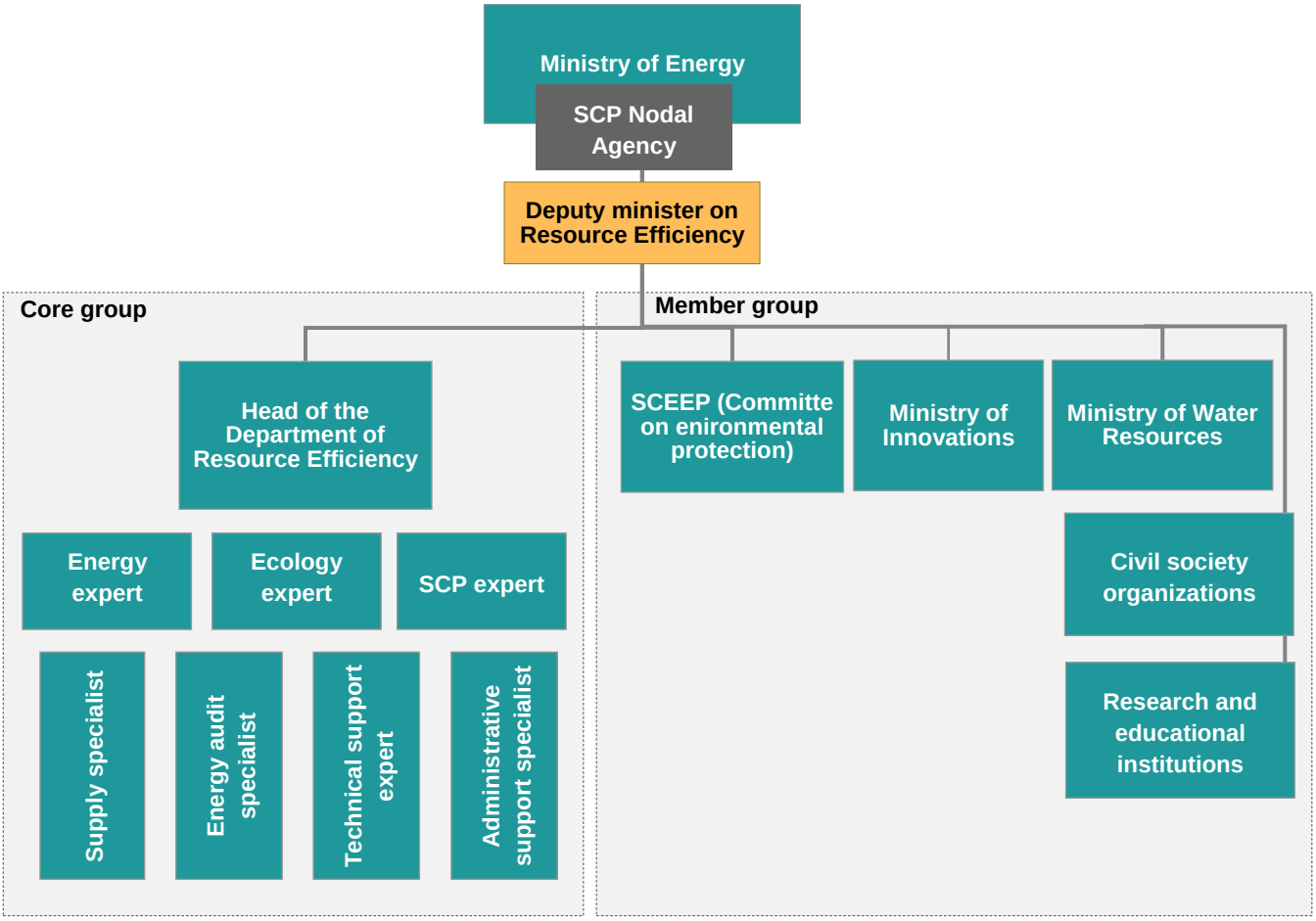
## Solution Overview

The SCP nodal agency will be the central directory for the implementation and coordination of a holistic and integrated approach towards fostering resource efficiency practices in agro-food production and processing MSMEs in Uzbekistan. For this purpose, a Resource Efficiency Department – **SCP nodal agency** chaired by the Deputy Minister for Resource Efficiency will be established within the Ministry of Energy.

The nodal agency will be supported by a **core group** in the coordination of implementation of sustainable consumption in MSMEs.

The nodal agency is supported by the **member group** consisting of representatives of relevant governmental agencies, such as the State Committee on Ecology of the Republic of Uzbekistan on Ecology and Environment Protection, Ministry of Innovative Development of the Republic of Uzbekistan, Ministry of Water Resources, Research and Educational institutions and the civil society organizations. The member group will engage in the development of action plans, and goals for MSMEs, along with ensuring these goals are incorporated into the sectoral development plans and are not conflicting with each other. In addition, a holistic approach is ensured by the composition of the core group. As shown in Figure 2, experts and specialists in the relevant areas will be permanent members of the core group, and they will be appointed by the line ministries.

Research and education institutions will reinforce the overall change in the manufacturing sector by incorporating SCP topics into their curricula, as well as support MSMEs and government organizations in obtaining technical knowledge. Civil society organizations can support the promotion of SCP among the general public, thereby motivating MSMEs through informal institutions and norms.



## Key Stakeholders

| Group | Key stakeholders | Roles/functions |
|---|---|---|
| **Governmental Organizations** | Ministry of Energy | • Host institution for the Nodal Agency;<br>• Establishment of the Nodal Agency;<br>• Management and coordination of agency activities;<br>• Coordination of the activities of a member group;<br>• Ensuring funds for the operation of the agency. |
| | Nodal Agency | • Development of strategies and action plans in collaboration with other governmental agencies assisted by their representatives in the member group;<br>• Elaboration of efficiency targets and indicators on sustainable production for agro-sector;<br>• Setting standards and guidelines for MSMEs;<br>• Establishment of an audit mechanism to monitor progress;<br>• Provision of training and capacity building for MSMEs, auditors and consultants;<br>• Securing funding to implement their activities. |
| | • The State Committee on Ecology of the Republic of Uzbekistan on Ecology and Environment Protection;<br>• Ministry of Innovative Development of the Republic of Uzbekistan;<br>• Ministry of Water Resources;<br>• The Ministry of Economic; Development and Poverty reduction. | • Designation of a responsible officer/s from organization to work in the core team of the nodal agency;<br>• Alignment and coordination of sectoral action plans with the strategies on resource efficiency improvement in MSMEs developed by the nodal agency;<br>• Provision of the necessary information and data to the nodal agency for the development of effective plans and mechanisms;<br>• Support the Nodal agency in development of action plans and their implementation on the ground;<br>• Audit of the MSMEs in line with the monitoring mechanism established by the nodal agency;<br>• Provision of consultancy to the MSMEs on improving resource efficiency in line with the focus of organization. |
| **Academia** | Research and educational institutions | • Provision of a technical knowledge to the general public, production sector, the profile ministries and agencies |
| **Civil Society** | Civil Society Organizations | • Awareness raising among consumers and manufacturers on the importance of the resource efficient production;<br>• Provision of feedback on the action plans on RE production developed by the Nodal Agency and on the effectiveness of their implementation on the ground. |

| | | |
|---|---|---|
| **Manufacturers** | MSMEs | • Improvement of the efficient use of resource in production;<br>• Adherence to developed guidelines;<br>• Provision of data for indicator analysis. |

## Key features

- The first governmental agency for the deliberate action and planning to increase resource efficiency in manufacturing companies and implement SCP practices;
- Strategies for the implementation of SCP in agri-food production and processing MSMEs are coordinated and aligned with other national and sectoral development strategies and action plans, which reduces the likelihood of conflicts of interest between them and increases the probability of success;
- Accountable body for coordination and implementation of actions on sustainable production on the governmental level.

## Impact potential

- Greater opportunities for seeking investments to sustainable production from international donors due to existing responsible directory for implementation of resource efficient practices in production;
- Reduction in GHG emissions contributing to target indicators set in National Determined Contribution of Uzbekistan;
- Formation of favourable environment for the transition of MSMEs to sustainable production;
- Overall improvement of the image of the agro-food production of the country on the international market, strengthening the competitiveness of domestic products.

## Implementation plan

- Development of the concept of the nodal agency and presentation of the project including the terms of reference to the Ministry of Energy and a Cabinet of Ministers;
- Development of the functional structure of the agency and designation of its members;
- Mobilisation of funds.


# Sustainable Public Procurement Law

## Background

Public procurement is the purchase of goods and services by governments from the public sector for partially or fully public funds. They accounted for 12% of global GDP in 2018, whereas there is no significant difference between low-, middle- and high-income countries (Bosio & Djankov, 2020). Due to the substantial volume of public procurement in GDP, it has a tremendous influence on aspects such as the social, environmental and economic sustainability of production and services in national economies. Moreover, sustainable public procurement will create a large green market.

In many countries, public procurement was not legally regulated until the 1990's or 2000's (Bosio & Djankov, 2020). Meanwhile, since independence, Uzbekistan has adopted a number of acts to regulate public procurement. In particular: the **law on "Public procurement"**, the **act** of the **President of the Republic of Uzbekistan "Optimization of the Public Procurement System and Expanding the Attraction of Small Business"** 07.02.2011, **"On Measures to Improve the Legal Framework for Public Procurement"** of the Republic of Uzbekistan dated 01.04.2011, **The act of the Republic of Uzbekistan about "Public procurement"** 9.04.2018 among others (Muminov & Rakhimova, 2020). These regulations aim to achieve national strategic goals and objectives, and the main priority criteria are related to economic benefits, without highlighting the importance of environmental sustainability. Although the Article 32. "Rules concerning evaluation criteria and procedures" of the law on "Public procurement" mentions the possibility to include criteria as; energy efficiency; rational use of natural resources; the use of environmentally friendly materials and secondary raw materials; renewable energy sources; and other factors in assessing the environmental friendliness of purchased goods it is not mandatory. Hence the need to focus more on environmental criteria in order to embark on a sustainable development path.

**Sustainable public procurement** (SPP) is an excellent catalyst for strengthening national commitment to sustainable development goals and shifting public spending to a "green" path, along with steering the sector toward a transition to sustainable production.

However, transformational change is impossible in the absence of a systematic approach for adoption of SPP, which includes an action plan, the responsible and accountable authority for the implementation of this plan, and cohesive inter-governmental cooperation.

## Key challenges addressed

- Achievement of SDGs, particularly SCP and climate action;
- Lack of impetus for national agri-food processing and production MSMEs to resource-efficient production;
- Slow and functionally complex incorporation of sustainable production criteria into the legislative framework of Uzbekistan.

## Solution Overview

The solution mechanism is a comprehensive approach for launching and implementing SPP on the national level. It consists of several components directed at different processes, regulations and actors directly responsible for shaping, implementing and monitoring of the

national public procurement.

**One of the key elements in the implementation of this mechanism is the creation of a national authority to embed sustainability in public procurement that will be responsible for implementation of SPP on different levels.**

For the optimal integration of the SPP authority into the existing functioning national public procurement system, an **institutional analysis of an existing public procurement system** is crucial. This is done in order to identify intervention points for strengthening the mechanism being created.

In order to ease the process and to pilot the solution, an agri-food production and processing sector can be chosen to test the effectiveness and improve the mechanism (set of products and categories) for further upscaling of it on other products.

## Existing Institutional Framework of Public Procurement

Public procurement is regulated by many public authorities controlling various functionalities. Thus, for instance, according to the Law on Public Procurement, the **Cabinet of Ministers of the Republic of Uzbekistan** is responsible for the rational use of public procurement budget funds; **controlling** the activities of **public contracting authorities** and **determining** the methods and **criteria for evaluation** and comparison of bids on the legal level. (Law of the Republic of Uzbekistan on Public Procurement, Approved by the Senate on March 12, 2021).

The **Ministry of Finance** of the Republic of Uzbekistan (MoF) is responsible for: **appointing operators of an electronic public procurement system**, formation of the procurement system, procurement procedures and; ensuring monitoring of the implementation of regulations in the field of public procurement and control over their implementation (ibid). According to the decree of the President, the MoF in addition, is responsible for regular training on public procurement for state customers starting from 2020 (Decision of the President of the Republic of Uzbekistan. On measures to further improve the public procurement system and broadly involve business entities in the public procurement process, 2019).

**State customers** are public organisations financed by the state, legal entities with 50%, or more of the state share in their authorised fund (share capital), etc. The state customer **elaborates** the procurement documents, comprising, among other elements, the terms of reference/technical specifications, and the **evaluation criteria** for a **concrete procurement.** Following which, the public contracting authority publishes the public procurement tender in the electronic procurement system (Law of the Republic of Uzbekistan on Public Procurement, Approved by the Senate on March 12, 2021) on a dedicated information portal (https://xarid.uzex.uz/home).

**A participant in procurement procedures** is an individual or legal entity, resident or non-resident of the Republic of Uzbekistan, taking part in the procurement procedure as a bidder for the execution of public procurement. The bidder identified as the winner of the procurement procedure to be awarded the public procurement contract becomes the **Public Procurement Contractor.** (Law of the Republic of Uzbekistan on Public Procurement, Approved by the Senate on March 12, 2021). In certain cases, participants of public procurement have to provide an advance payment as a guarantee for a tender.

**The Procurement Commission** is formed by the state customer when organising and conducting procurement procedures, where the procedure requires the formation of such a body. The task of the Procurement Commission is to **evaluate and rank the bids** of the participants of procurement procedures by degree of compliance with the order and to select the winner(s) in competitive methods of public procurement (ibid).

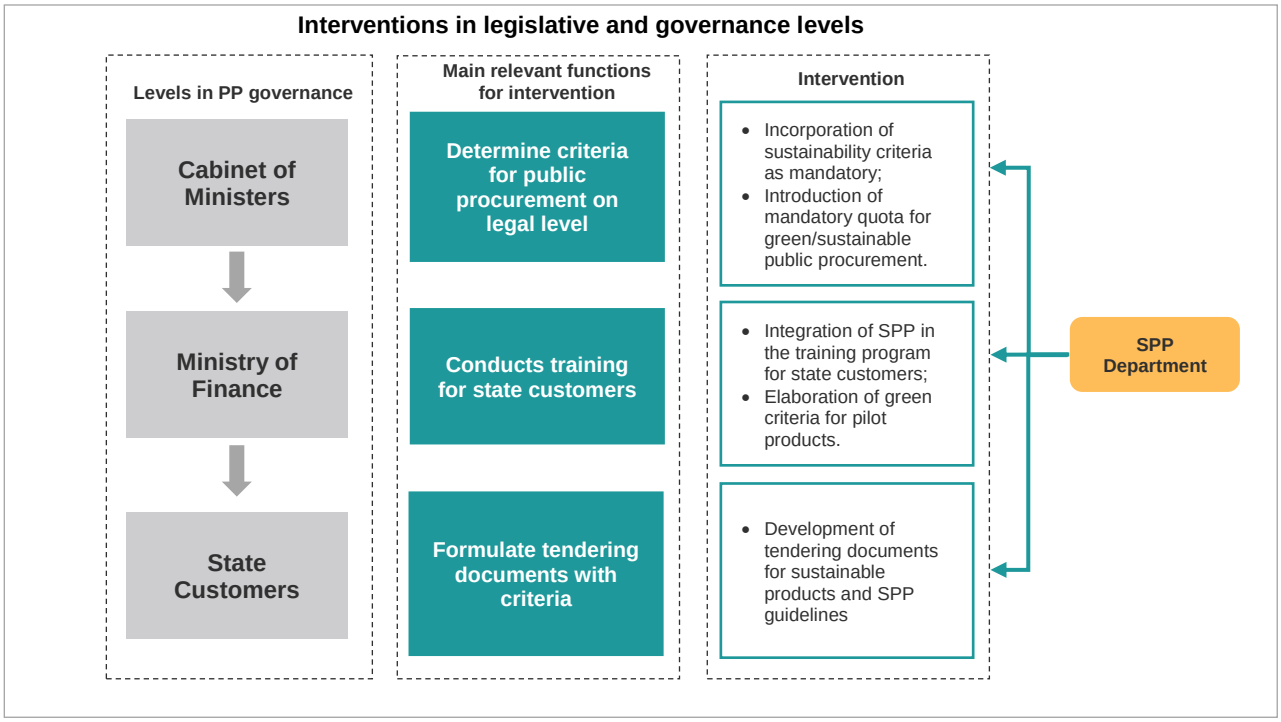
## Solution mechanism

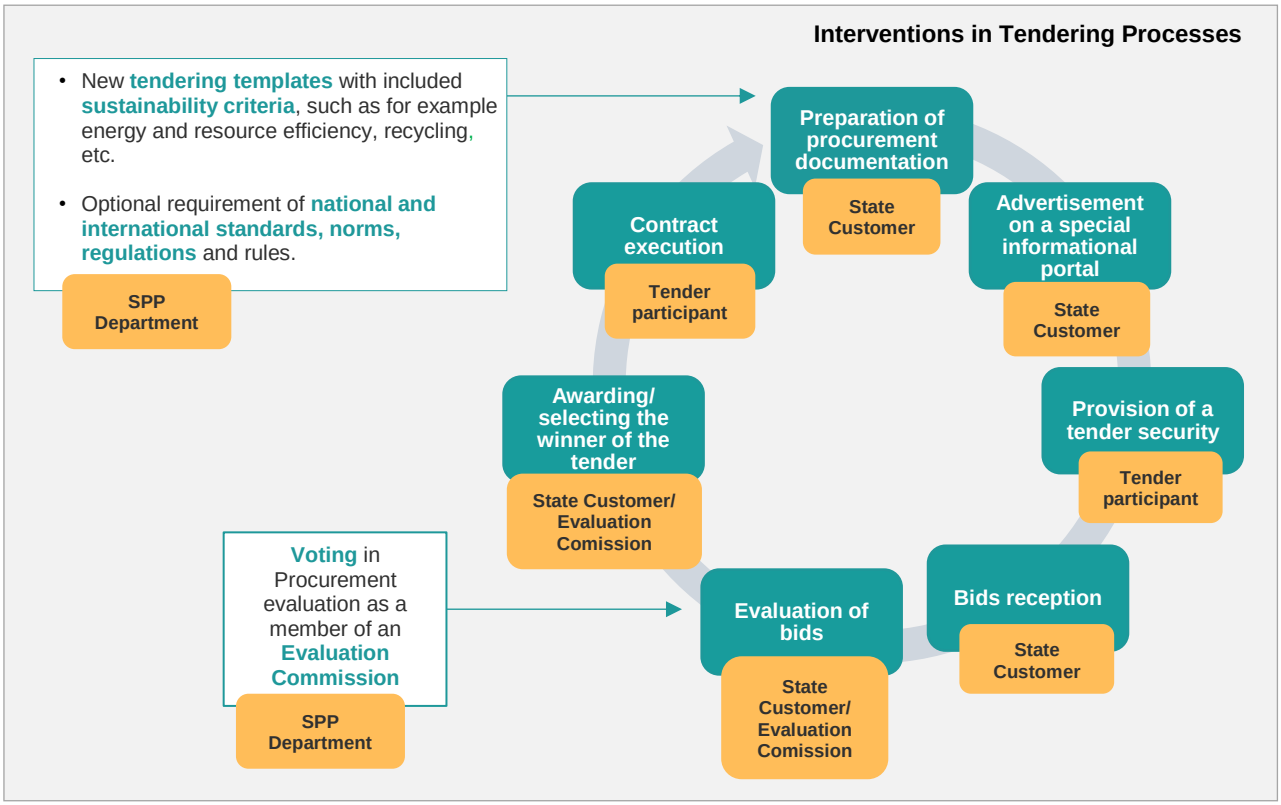
The first and foremost important element for setting the stage for SPP implementation in the country is the establishment of **SPP Department** as mentioned above. The SPP Department will have various functions and will interact with different public procurement governance levels supporting the implementation of SPP and monitor the effectiveness of actions.

**Intervention points based on the Institutional framework of public procurement:**

1. One of the main tasks of the **SPP Department** is formulation of the SPP policy or/and drafting the amendment of the law on "Public Procurement" for **integration on sustainability criteria as mandatory and setting up a quota** (e.g. 50%) for the sustainable/green public procurement. In addition, the SCP Department will be in charge of developing other legislation and regulations on SCP. Upon the review of the draft by the Cabinet of Ministers, the decision will be made and released on the legislative level.
2. To achieve the objectives set out in the legislation and goals in national development strategic documents, the department will be responsible for developing of **SPP implementation plan/blueprint**.
3. The Department will be actively involved in **supporting government authorities in implementing the plan** through preparation of guidelines and monitoring the effectiveness of implementation of SPP plans, acting as a leader and agent of SPP at national level.
4. As the **Ministry of Finance** is in charge of conducting regular trainings for public customers, the SPP Department could collaborate with it in order is to develop **sustainability criteria** for product groups, starting with a pilot set of products for inclusion of them into the regular **training** for **public customers**. The criteria, among others, could also be based on national ecological standards, eco-labelling, and other eco-certifications.
5. Capacity building aspect can be enlarged by elaboration of **sustainable procurement manuals** along with sample **Standard Bidding Documents for SPP** for **public customers** and for **potential procurement participants.** The distribution of a latter can be eased by provision of **open access** to manuals and establishment of a **service centre for information**, tools and guidelines provision on SPP for MSMEs.
6. Furthermore, the **SPP department** in **cooperation** with **standardization** and other relevant **agencies**, will **develop** and regularly update **list or a database of "sustainable" vendors and green products** for facilitating easier public procurement for public customers.
7. In order to ensure an objective evaluation based on expert knowledge, the representation of the SPP Department officer will be mandatory in cases where a procurement committee is required to carry out a tender.

The mechanism of intervention of the SPP Department is depicted below.




An impact of the SPP solution should be measured in order to ensure the continuous improvement of the system. Thus, indicators can be de be developed in order to measure the success of the policy change (International Bank for Reconstruction and Development / The World Bank, 2021)

## Key Stakeholders

| Group | Key stakeholders | Roles/functions |
|---|---|---|
| **Governmental Organizations** | Cabinet of Ministers | • Approval of the task of establishing the SPP Department;<br>• Adaptation of a new amendment to the Public Procurement Law to include sustainability criteria as mandatory and establish a quota for green agri-food products. |
| | Ministry of Finance | • Initiation of the process of establishment of the SPP Department;<br>• Integration of the sustainable development aspect into regular training provided to public customers;<br>• Monitoring the share of environmentally friendly products procured. |
| | All state customers | • Participation in the training on SPP;<br>• Following new regulations on SPP in procurement;<br>• Ensuring representation of SPP department officer in public procurement evaluation commissions for voting. |
| **Manufacturers** | MSMEs | • Following new guidelines on SPP. |

## Key features

- A comprehensive mechanism for shifting the public procurement and eventually the agri-food production and processing in the country to sustainability path;
- An independent authority, implementing and monitoring all changes to the existing institutional framework and functioning of the

## Impact potential

- Transition of MSMEs to sustainable production followed by a change in producers' perception of the importance of sustainability in general;
- Reduction of negative impact of agro-food processing and production sector to environment, biodiversity and climate;
- Increased opportunities for foreign investment and grant funding.

## Implementation plan

- Preparation of a Concept Note proposing the establishment of an SPP Department in/by the Ministry of Finance;
- Development of a working structure, priority goals for the department as well as defining the human resources, and specifications needed;
- Identification of the first pilot set of products for SPP implementation.

## Conclusion

The roundtable discussion resulted in the solutions described in this paper aimed at enabling MSMEs and the wider community to switch to SCP.

- **SCP implementation can be strengthened through an integrated approach of mutually reinforcing solutions.** For instance, the introduction of **green products and MSME certification**, such as an example of GreenCo certification (Confederation of Indian Industry, n.d.), as an accessible tool for procurement stakeholders will **facilitate sustainable public procurement**. Due to the high market share of public procurement, **raising the profile of sustainable public procurement** will create a **supply of sustainable products in the local market**. Public procurement has a strong influence on production, it provides the initial investment for local companies to become resource efficient. These mechanisms can complement each other and act synergistically.
- The **strategic direction** can be provided by the **SCP Nodal Body** established as an intergovernmental agency. It will be the body responsible for the implementation and coordination of the **overall SCP policy** and the successful implementation and monitoring of the above described mechanisms.
- Until recently, **states** were responsible for social and economic development, but this has now changed as states **are now the agents of the transformation of the economy towards sustainable development**, which includes the preservation of the environment. As such, they play a leading role in guiding the transition process through a range of intervention instruments. In doing so, they play an important role in promoting SCP practices not only among MSMEs but also among other stakeholders.

# Bibliography

Bosio, E., & Djankov, S. (2020, February 05). *How large is public procurement?* Retrieved from World Bank Blogs: https://blogs.worldbank.org/developmenttalk/how-large-public-procurement

Confederation of Indian Industry. (n.d.). *About GreenCo Rating System*. Retrieved from GreenCo Rating System: https://www.greenco.in/aboutgreencorating.php

Decision of the President of the Republic of Uzbekistan. On measures to further improve the public procurement system and broadly involve business entities in the public procurement process. (2019, December 6). Tashkent, Uzbekistan. Retrieved from https://lex.uz/ru/docs/4629472

Decree of the President of the Republic of Uzbekistan №60 "On the strategy for the development of the new Uzbekistan for 2022-2026". (2022, January 28). Retrieved from https://lex.uz/ru/docs/5841077

International Bank for Reconstruction and Development / The World Bank. (2021). *Green Public Procurement: An Overview of Green Reforms in Country Procurement System.* Washington: The Worl Bank. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/36508/Green-Public-Procurement-An-Overview-of-Green-Reforms-in-Country-Procurement-Systems.pdf?sequence=1&isAllowed=y

Law of the Republic of Uzbekistan on Public Procurement. (Approved by the Senate on March 12, 2021). Uzbekistan. Retrieved from https://lex.uz/ru/docs/6121273

Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan. (2020, March 11). General information. Main tasks. Retrieved from https://mineconomy.uz/en/info/3105

Muminov, N., & Rakhimova, G. (2020). The ways of improvement of business environment by organizing public procurement system in Uzbekistan. *International Journal of Advanced Science and Technology, Vol. 29, No. 7s*, 607-614.

The Institut National d'Etudes Démographiques. (2019, November). *Projections by countries.* Retrieved from https://www.ined.fr/en/everything_about_population/data/world-projections/projections-by-countries/#r6

The World Bank. (2022, July 20). *CO2 emissions (kg per PPP $ of GDP).* Retrieved from The WOrld Bank. Data: https://data.worldbank.org/indicator/EN.ATM.CO2E.PP.GD

UNEP. (n.d.). *Sustainable consumption and production policies.* Retrieved from UN Environmental Programme: https://www.unep.org/explore-topics/resource-efficiency/what-we-do/sustainable-consumption-and-production-policies#:~:text=Sustainable%20consumption%20and%20production%20refers,the%20service%20or%20product%20so

United Nations. (2022). *World Population Prospects 2022.* Retrieved from United Nations: https://population.un.org/wpp/

# List of Participants

| # | Name | Organization |
|---|---|---|
| 1. | Abror Jabborov | Bukhara Regional Enterprise of Regional Electric Network |
| 2. | Bekhruz Boltabaev | CCIU, Uzbekistan |
| 3. | Dilbek Shodmonov | Department of Pumping Stations and Energy under the Amu-Bukhara Irrigation System Basin Department |
| 4. | F. Sayliyev | BMT2 Institut |
| 5. | Farmonjon Davronov | Bukhara Regional Department of Ecology and Environmental Protection |
| 6. | Hidaet Jumanov | Bukhara TV |
| 7. | Makhsum Bozorov | CCIU, Uzbekistan |
| 8. | Mehribon Zaripova | Bukhara TV |
| 9. | Mirzohid Gofurov | CAREC, Uzbekistan |
| 10. | Nasullo Sadullayev | Professor, Dean of the Faculty of Energy, Bukhara State University |
| 11. | Nodir Yo'ldoshev | Bukhara Regional Council of Farmers, Dekhan Farms and Landowners |
| 12. | Ozod Sirojov | Bukhara Regional Department of Agriculture |
| 13. | Saitjon Gulyamov | Head of the Chamber of Commerce of Bukhara City |
| 14. | Shaxnoza Sa'dullayeva | Bukhara Golden Food Company |
| 15. | Shaxruz Nuraliev | Department of Investment and Foreign Trade of Bukhara Region |
| 16. | Shuhrat Nematov | Specialist in Energy Science at Bukhara State University |
| 17. | Suhrob Rustamov | Specialist in Energy Science at Bukhara State University |
| 18. | Sunnatillo Amonov | Department of Industrial Reform of Bukhara Regional Khokimiyat |

| | | |
|---|---|---|
| 19. | Turan Makhmatdinov | CCIU, Uzbekistan |
| 20. | Vahob Narziyev | Bukhara Regional Department of Agriculture |
| 21. | Valeriya Orlova | CAREC |
| 22. | Yunus Aliyev | PC “Fozil Sharapov” |
| 23. | Amarnath Munnolimath | adelphi |
| 24. | Aikena Orolbaeva | adelphi |


REAP

Resource Efficiency in
Agri-food production and processing

**www.reap-centralasia.org**

switchasia

Funded by
the European Union

Project Implemented by

carec

NASMB PAKISTAN

CHAMBER OF COMMERCE AND INDUSTRY OF UZBEKISTAN

adelphi

AUSTRIA RECYCLING

STENUM Asia

teri
The Energy and Resources Institute