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IFC PRESS REVIEW

1. News directly connected to BEE Project

THE MISSING EXTINGUISHER

Imagine yourself shopping for a simple product such as a fire-extinguisher. Would you check, before buying it, whether it is certified? Most people I polled said "no"; if it is on the shelf, it means that it satisfies the (sophisticated) rules and regulations set for its production.

Well, this assumption has been challenged during our recent work with the Tajikistan Fire Fighting Service.

While drafting together fire safety checklists to be used during inspections of small and medium enterprises, we came across this requirement: "the fire extinguisher needs to be certified."

No problem, at first we agreed with the need to provide consumers with the highest possible safety standards. But after digging a bit more into the issue, we discovered a couple of interesting facts:

- Unfortunately no existing company in Tajikistan produces or sells "certified" extinguishers; and
- None of those on the market have the required certificate.

So what should the consumers and the entrepreneurs do? We turned this question to Goskomstandard - the agency responsible for standardization and certification in Tajikistan, also known as Tajikstandard.

The answer was simple: in order to comply with the regulation, consumers should bring in their extinguishers and have them (one-by-one!!) certified. If they don't, they may be punished under the "Fire Regulations."

This example shows some of the impediments that the private sector has to fight against in the former Soviet countries:

1. Reverse responsibility: the reason why standards and certificates are normally required is precisely to protect the consumers. Shifting the responsibility and the burden from the agency to the consumers is contrary to this basic principle;

2. (Un)feasibility: Goskomstandard's answer is impracticable. Businesses don't have the time and money to have each product certified;

And then comes the third point, directly following from the first two:

3. Punishment versus compliance: the regulators are more interested in the administration of fines for non-compliance, than the work to reduce risks. Nobody seems to mind that fire extinguishers in Tajikistan are sold without the proper certification, and, so far, no action has been taken to change it.

In such an environment, many rules and regulations have become obstacles to business activity in Tajikistan, and are behind the country's low rank, 153 out of 178, on the ease of doing business in the 2008 report.

Posted by Andrea Dall'Olio on January 17, 2008 in Business environment, Eastern Europe and Central Asia, Risk management

Source: <http://psdblog.worldbank.org/psdblog/2008/01/the-missing-ext.html#more>

BUSINESS IN TAJIKISTAN: A STEEPLECHASE

DUSHANBE, January 18, Facts&Comments

The WB Doing Business Report shows that we are ranked one of the last places on ease of doing business. To what extent the evaluation is fair depends on individual cases.

Case No.1

Information as it is

Last year the Government adopted a new Law on public associations and made a decision that public associations should be re-registered... For the Ministry of Justice for re-registration of NGO based on some important reasons and, the information of its location is extremely needed... At present, to get such information, NGO should provide to Hukumat in addition to the copy of the Charter (that will be changed to the new one after getting information from Hukumat) and other registration documents, the information on NGO management and the certificate from the administration of the premise where NGO physically locates.... Additionally it was concluded, that all these documents are not enough and the tax clearance certificate (on the absence of debts) is also requested.

...What body's task is it - to follow timely tax payment -tax inspections or hukumats and what is the relation of the tax certificate to the information on NGO location?

.. However, all this was not sufficient and NGO was requested to conclude an agreement with local utilities facility on disposition of garbage.

On what basis? Why NGO needs it? In addition, it was appeared that the cost of services provided under the agreement is 120 somoni per year.

It was noted when the new law on NGO was adopted that the re-registration will be free-of-charge.

However, our hero from NGO spent 50 somoni for copying the documents, getting tax certificate and phone calls and 10 working hours.

He considers that Tajikistan should get down from current 153rd place (among 187) to 183 rd place in Doing Business rating...

Case No.2

Business Important for Government

One more typical characteristic for Tajik business – regular unexpected inspections with participation of state security bodies.

Let see 2 demonstrative examples while we can give hundred ones. In 2004, group of people with the support of Kanibadam city hukumat tried to occupy large republican plant JCK “Bodom”.

.. Local prosecutor office and Ministry of Security were involved to the capture. Only God knows how the owners of the JCK Bodom protected their position.

...More latest example – M&P company owning ORIMA supermarkets network lost three months to giving of different evidences, for inspections at the warehouses and tens of thousands dollars losses due to stoppage of transactions under credit line and withdrawal of clients.

.. What is interesting, in most cases in ‘pressure group’ there are representatives of defense and law enforcement agencies. Either private business in Tajikistan raised as state level importance, or tax and other agencies inspectors have no sufficient capabilities...

Case No.3

Selection, Demolition with Any Compensation

..What can one say on the demolition of shops and restaurants located at Sino prospect in Dushanbe? Were it a court, at least some acceptable terms for closing of illegal buildings, satisfying compensation for those who works legally would be given...

But no... it was needed to show our entrepreneurs and the entire world how we are solving such issues – the premises are demolished so quickly as if the nuclear bomb can be exploded today or tomorrow.

It is quite possible that the World Bank spared our ego (ambition), played and rated us to higher places as it could most probably happen.

WE HAVE BEEN PUT IN OUR PROPER PLACE

DUSHANBE, January 16, Facts&Comments

According to the “Doing Business 2008” report of the WB, Tajikistan is ranked 153 place out of 187 countries. Shall we take offence and then forget about the injustice? No way! We shall keep it in mind and start working on it!

After manifesting the results of another rating in the back rooms of Tajik Authorities a number of dissatisfactions about such “unfair evaluation” have been demonstrated.

Our government is trying to prove the investment appeal of the local market by main force, and “bad reports” only spoil our policy.

However we should remember the fact that the most part of the ratings is based on the data and answers of local experts as well as of entrepreneurs, so the results are quite objective.

More over, the most part of the information from the report is announced by the local mass media and of course on different business meetings, and the report of the WB is only the summing-up of the facts.

And if the evaluation is a little bit unfair and there is a slightest mistake because we are ranked the 153 place, and not 149 or 146, even that doesn’t make any difference.

The thing is that this number (153) has one general idea – our economy is in a very bad condition which requires cardinal reforms, and one has to be silly not to admit that.

153 – is not some sort of an attempt to bring the Tajik government down, but a really reasonable advice.

Shall we rely on effectiveness of the advice or use our own way to solve the issue? Just remember it is important to act and not to be careless, which will help to simplify the condition of the business sector.

Eventually, in order to bring it to life we need a strong willingness, and not natural resources, much money or high technologies...

We should be aware of the fact that it is mainly the private sector that helps hundreds of people (households and children, different officials, military men, corruptionists) to survive.

As a matter of fact, such important business factor, as how much an entrepreneur or companies furnish in per capita terms, is not reflected in international reports.

Probably, according to such rating Tajikistan will be ranked one of the leading places in the world. And just because of that it is worth helping Tajikistan, and this way we will all help ourselves.

And for a meanwhile you may find some brief extracts from "Doing Business 2008" report, where it is told which of the countries made progress and criteria according to which Tajikistan has been ranked 153 place among 187 countries around the world.

COUNTRIES MAKING REFORMS IN BUSINESS ENVIRONMENT

DUSHANBE, January 16, Facts&Comments - For the present moment Egypt has been ranked one of the leading countries, making success in enabling of business environment.

During the period from April 2006 to June 2007 200 reforms have been made in 98 countries.

"The results are showing that by simplifying the government's regulation of doing business, the number of entrepreneurs is increasing, and the countries of East Europe are a good example of it," – as was told by Simeon Djankov, the author of the report.

www.doingbusiness.org

2. News interesting for Business Environment

UNCONTROL – IRRESPONSIBILITY – PERMISSIVENESS

DUSHANBE, January 17, Asia-Plus

Reflections of the Forum of Entrepreneurs

...Everyday hundreds of experts, grounding on the Laws, inspect different economic entities. So, the fortune of each line of the Laws depends on a specific employee, his expert knowledge and moral principles.

The following numbers have been announced in the forum: out of 5 000 of requests received on the eve of the forum only 600 had critical background of state officials.

Guess what! You may easily increase the number. The reason is that our entrepreneurs are not used to complain, everyone is concerned about his own business.

Tajik people are complaining not about the inspections and their number but about their quality – methods and objectives pursued.

TAJIK BUSINESSMEN FEAR TO TELL THEIR WOES TO PRESIDENT - PAPER

The following is an excerpt from Jura Yusufi's article entitled "Emomali Rahmon versus businessmen - 1:0", published by the Tajik regional newspaper Varorud on 9 January:

Undoubtedly, one of the memorable events that took place in the end of 2007 was a meeting between the country's president, Emomali Rahmon, and Tajik businessmen.

[Passage omitted: known details about the president's meeting with Tajik businessmen]

The businessmen failed to bring to the president's notice many of their difficulties, in particular [the issue concerning] the introduction of a single tax, disregard for inspection log books by almost 58 various supervisory bodies, the violation of their rights, high interest rates on bank loans and so forth.

Why? A businessman, who wished to remain unnamed, believes that the businessmen refrained from revealing the real situation for the following three reasons:

First, because of the fear of telling the truth, as openness can turn the attitude of the law-enforcement and supervisory agencies, as well as that of local authorities, towards businessmen into negative in future.

Second, distrust. Some businessmen still do not believe that they will be heard by anyone or any agency. Third, businessmen are not sufficiently aware of their own rights. There are a few businessmen who have full knowledge of the laws concerning business and act in line with them.

At any rate, we have decided to prepare a series of articles about various difficulties of businessmen based on the results of the aforementioned meeting. Therefore, we would like to ask esteemed entrepreneurs to tell us about their views, suggestions and requests.

Source: Varorud, Khujand, in Tajik 9 Jan 08 p 11

SOME COMPANIES PREVENT INSPECTORS OF SAFETY OF WORKS FROM INSPECTING FACILITIES UNDER CONSTRUCTION

DUSHANBE, January 17, Asia-Plus - Administrations of some companies with participation of foreign capital are preventing our inspectors from inspecting their facilities for compliance with requirements of safety of works, Murod Joumayev, head of the Main Directorate for Safety of Works in Industry and Mining, remarked at a news conference in Dushanbe on January 17.

According to him, among such companies are China's Railway Engineering Corporation and Iran's Sabir International Co, which are constructing tunnels in the country. "Under various pretexts, these companies, have adjourned inspection by our employees of those facilities and have not coordinated the construction designs with our agency, Joumayev said.

He added that with aid of the Tajik MFA and the Embassies China and Iran in Dushanbe the directorate had sent official letters to the companies "requesting to tackle the problem at the earliest possible date."

PARLIAMENT TAKES INTO CONSIDERATION PRESIDENT'S NOTES ON THE RETURNED LAWS

DUSHANBE, January 17, Asia-Plus - Parliamentarians have taken into account president notes while reconsidering three laws that were returned by president as requiring improvement and all the three laws have been adopted in the previous government's edition.

A regular sitting of the fourth session of the Majlisi Namoyandagon (Tajikistan's lower chamber of parliament) of the third convocation, presided over by its head Saydullo Khairulloev, was held on January 16.

As it had been reported earlier, the president on January 5 returned the laws on mortgage, wadset (real estate mortgage) and amendments to the tax code as requiring improvement.

Commenting on the reason for return of the laws, Zarif Alizoda, Representative of the President to the Parliament, noted that amendments made by parliamentarians to the laws had made their contents incomprehensible and implementation of them difficult.

Thus, according to him, the right of use of plot of land has been equaled with the right of use of real estate property while they are different things.

"Besides, according to amendments made to the wadset law, only specialists in law and land management have the right to be engaged in the land registration issues," Aliyev said, noting this infringes upon citizen's rights.

MP Muhiddin Kabiri, who is also leader of the Islamic Revival Party, noted that there ought not to be in hurry to adopt the mentioned laws and suggested that they should be put to referendum. Parliamentarians also adopted the law on amendments to the tax code in the government's edition.

During the first reading, MPs excluded the government's proposal under which the anticorruption agency also has the right to inspect tax payments along with tax services.

This time, parliamentarians agreed to leave this proposal in force.

On the mortgage law, Alizoda said the bill submitted by the government provided for and regulated right of use of land.

MP Mirzobek Hojiyev came out against the possibility of putting land-use right on auction.

For his part, Alizoda noted that if tenant farmer fails to fulfill obligations credit organization has the right to put the land-use right on auction.

Speaking at the session, MP Shodi Shabdolov noted that if it is allowed putting the land-use right on auction, farmers will lose the right of use of land and join the ranks of unemployed.

USAID TO ASSIST TAJIKISTAN WITH CREATION OF FEZs

DUSHANBE, January 17, Asia-Plus - Issues of cooperation between the United States Agency for International Development (USAID) and Tajikistan in creating free economic zones (FEZs) were discussed at a meeting of Odil Sangov, first deputy head of Tajikistan's Chamber of Commerce and Industry (CCI), with Sergey Panyutin, senior legal adviser, the USAID Business Environment Improvement Project (BEI), in Dushanbe on January 16, CCI's press service said.

In the course of the talks the two discussed issues related to creation of FEZs in Tajikistan and world experience in creation of FEZs.

Mr. Panyutin, in particular, noted that there were two ways of creation of FEZ: 1) on the basis of existing infrastructure; and 2) on the empty territory. He proposed to invite foreign experts to advice on creation of FEZs in the country.

For his part, Sangov noted that there ought to invite experts from country, which would have geographic and economic conditions similar to those in Tajikistan. "The Czech Republic has good experience and experts from Czech-Invest participated in creation of FEZs in some CIS states," said Sangov, "Specialists from Turkey, the United States and the United Arab Emirates (UAE) could also be invited."

In the meantime, the Ministry of Economic Development and Trade (MoEDT) has on creating FEZs in Khatlon's Qumsangir and Danghara districts in the territory of 80 ha, as well as in Khujand, Sughd province (60 ha) and Gorno Badakhshan.

Many countries have, or have had at some time, designated free economic zones, where companies are taxed very lightly or not at all to encourage development or for some other reason.

Launched in October 2006, the 4-year BEI project supports USAID's strategic objectives in Kazakhstan, Kyrgyzstan and Tajikistan by providing direct consultation and support to build capacity within government and private sector counterparts to promote effective dialogue, improve implementation of business-related legal reforms and streamline administrative processes for the benefit of small and medium enterprises (SMEs).

The goal of the BEI Project is to promote entrepreneurship and economic development by reducing the legal, regulatory, and administrative burden for SMEs by working with governments to streamline legal and regulatory processes and facilitate informed and effective dialogue between the private and public sectors. Constructive, multi-party engagement in the reform process will result in better SME policies, deregulation at the local, national and regional level, proper implementation of laws and regulations and stronger business associations, leading to an improved business environment for SMEs and to a more diversified economic growth.

LABOR MIGRATION, DONOR INVESTMENTS AND MONEY OF INTERNATIONAL DRUG RINGS CRITICAL COMPONENTS IN TAJIK ECONOMY: TAJIK LAWYER

DUSHANBE, January 16, Asia-Plus - Rahmatillo Zoirov, head of Tajik Legal Consortium, told a news conference in Dushanbe on January 15 that if entrepreneurship does not develop Tajik economy will be paralyzed.

According to him, today, critical components in Tajikistan's economy are labor migrants, donor investments as well as money of international drug rings.

Analyzing the entrepreneurship situation in the country as head of the Legal Support for Business in Tajikistan Project sponsored by the Eurasian Foundation of Central Asia, Mr. Zoirov has come to the conclusion that there are two categories of entrepreneurs in Tajikistan who run their businesses successfully analyzed: 1) former Soviet party functionaries, who had profitably used their party careers and 2) persons who have close ties with the present authorities.

"These two categories constitute only 3 percent of the total number of entrepreneurs in the country; however, they own 65%-70% of the country's economic resources," said Zoirov, "While the remaining entrepreneurs frequently faces many problems, including illegal seizure of property, which has become alarm tendency in Tajikistan."

According to him, such situation gives rise to entrepreneurs' fear of authorities and they stop protecting their rights.

Zoirov also noted that legal awareness level of Tajik entrepreneurs is also still very low. "Only nine of 300 surveyed enterprises have lawyer positions in their staffs," he said, noting that other issues related to legal support for entrepreneurship in the country would be considered in a seminar, which is conducted by Tajik Legal Consortium on January 17-19.

The seminar will be held in three sections: for entrepreneurs on January 17; for journalists on January 18; and for representatives from judicial bodies on January 19.

CONSULTATIVE COUNCIL FOR IMPROVING INVESTMENT CLIMATE SET UP IN TAJIKISTAN

DUSHANBE, January 16, Asia-Plus - A Consultative Council for Improvement of Investment Climate has been set up under the President of Tajikistan, Farrukh Hamraliyev, head of the economic reforms and investments department of President's Executive Office, said.

According to him, the council was set up "to conduct the single national policy on improvement of business environment and attraction of investments in further socioeconomic development of the country as well as provide an effective interaction among government institutions in this sphere."

Hamraliyev said that the council is dedicated to provide preparation of recommendations and proposals to the head of state, the government and other state structures on improvement business environment.

He added that the council is headed by the president and its members include prime minister and chairman of the state committee for investments and management of state-owned property.

"The council will meet at least once per three months," Hamraliyev said.

TAJIKISTAN SETS UP BODY ON ISSUES OF JOINING WTO

117 words

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16:15

BBC Monitoring Central Asia

English

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Excerpt from report by Tajik news agency Asia-Plus website

Dushanbe, 15 January: Tajikistan has set up an interdepartmental commission on issues of the country's joining the World Trade Organization (WTO). In line with a governmental resolution, the two-level commission is a coordinating body under the government to ensure the coordination of the activities of the executive power's central bodies while implementing tasks on the country's accession to the WTO as well as Tajikistan's cooperation and participation in the activities of the organization.

[Passage omitted: on the commission's objectives]

Source: Asia-Plus news agency website, Dushanbe, in Russian 15 Jan 08

SOME TAJIK UNIVERSITIES DO NOT MEET FIRE SAFETY REQUIREMENTS: TAJIK FIREFIGHTING SERVICE

DUSHANBE, January 14, Asia-Plus - Administration of the firefighting directorate of the Ministry of Interior (MoI) says a number of higher educational institutions in the Tajik capital do not meet fire safety requirements.

A source at the Tajik firefighting service said that they have inspected educational and medical facilities across the country for violation of the fire code and compliance with fire safety requirements.

According to him, in Dushanbe alone, they have to date inspected Tajik State Teachers' Training University, Tajik State Agriculture University, and Russian-Tajik Slavonic University (RTSU).

The inspections have recorded numerous instances of violation of the fire code in the mentioned universities, especially at the Agriculture University and RTSU. "Thus, in the case of necessity, firefighting vehicles will not be able to get enough water put out a fire at these universities," the source said.

In the meantime, speaking to journalists on January 11, Khodoynazar Asozoda, Chancellor of Tajik Teachers' Training University, said that the university meets the fire safety requirements and just a number of inconsiderable shortcomings had been revealed during the inspection.

"During last year's major repairs to the university's head building all necessary measures were taken to bring it into compliance with the fire safety requirements," the chancellors said, noting that officers from the firefighting service confiscated all helical heaters.

Dwelling on the fire that broke out in a head building of Tajik Medical University last month, Asozoda noted that fire engines that had come to the fire site had not had water. The chancellor added that Tajik Teachers' Training University would transfer some 10,000 somonis to the bank account for rehabilitation of the Medical University's building.

We will recall that the fire that broke out in the head building of Tajik State Medical University on December 26, 2007 practically destroyed the building completely.

The fire that broke out at around 1:30 p.m. lasted till late into the night. 13 firefighting crews of the firefighting service as well as fire engines and water-carrying vehicles of Russian military base and the committee for emergency situations were involved in extinguishing the fire. Despite all efforts taken by firefighters, the fire destroyed a total space of more than 9,000 square meters.

The fire probably brought out on the third floor and then spread rapidly through the building. All three floors of the building were completely enveloped in flames and the building that was constructed in 1939 practically burned down. No injured was reported.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

With best wishes,
Tajikistan BEE Public Relations/Communication Department