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## **Tajikistan Business Enabling Environment Project Press Review - Issue #9 (79) from March 07, 2008**

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IFC PRESS REVIEW

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### **1. News directly connected to BEE Project**

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#### **MAJLISI MILLI APPROVES 23 LAWS**

**DUSHANBE, March 7, Asia-Plus** - Members of the upper house (Majlisi Milli) of the Tajik parliament (Majlisi Oli) approved 23 laws at a March 6 session, presided over by its head Mahmadsaid Ubaidulloyev.

These laws were adopted by the Majlisi Namoyandagon (Tajikistan's lower chamber of parliament) from November 2007 to February 2008. Among them are laws on organs of national security, ombudsman, fire safety, and agency for state financial control and combating corruption, national registration of real estate, mortgage, architectural, town-planning and construction, etc.

In accordance with amendments made to the law on road traffic, exploitation of right-hand-drive (RHD) cars is now banned in the country.

#### **TAJIKISTAN'S INDUSTRIAL PRODUCTION DROPS 16.1% IN JAN 08**

**DUSHANBE, March 7, Asia-Plus** - In January 2008, industrial production in Tajikistan dropped 16.1 percent, according to the CIS Interstate Committee for Statistics.

Among the CIS states, the lowest drop in industrial production was reported in Armenia, where the industrial production in January dropped only 0.1 percent.

In the meantime, Belarus topped the CIS countries in January in terms of the volume of production of industrial goods. In Belarus, the industrial production rate for January stood at 12.1 percent.

Belarus was followed by Azerbaijan, where industrial production in January rose 11.3 percent, and Kyrgyzstan with a 6.8 percent rise in industrial stood third. In Kazakhstan, industrial production rose 2.6 percent in January. In all, the CIS industrial production rose on average 5 percent in January this year. In January, the CIS gross domestic product (GDP) rose on average seven percent.

## **TAJIKISTAN INTENDS TO FULFILL ITS OBLIGATIONS ON IMF LOANS IN TIME**

**DUSHANBE, March 7, Asia-Plus** - Tajikistan intends to meet all decisions made by the Executive Board of the International Monetary Fund (IMF) on March 5 in time, Asia-Plus has learned at Tajik central bank.

As it had been reported earlier, the IMF Executive Board met Wednesday to review a report from the Managing Director on noncomplying disbursements to Tajikistan and a breach of obligations under Article VIII, Section 5 of the IMF's Articles of Agreement.

The Executive Board reviewed matters related to five noncomplying disbursements to the Republic of Tajikistan, each in an amount of about US\$15.8 million, that were made in January 2004, August 2004, March 2005, July 2005, and February 2006 following the completion by the Executive Board of the second, third, fourth, fifth, and sixth review under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The PRGF arrangement was approved by the Executive Board on December 11, 2002.

Based on new information provided by the authorities to IMF staff in December 2007 and January 2008, the Executive Board concurs that these disbursements were made on the basis of inaccurate information provided by the Tajik authorities relating to the performance criteria on the net international reserves of the Republic of Tajikistan, the net domestic assets of the National Bank of Tajikistan (NBT), and against the NBT issuing directed credits.

The IMF executive board said that in taking its decision, it "carefully weighed the Republic of Tajikistan's very difficult economic circumstances, in particular its balance of payments position as well as the severe humanitarian crisis prevailing in the country, against serious instances of misreporting by the Tajik authorities." The source at Tajik central bank said that Tajikistan is able to repay the Fund \$47.4 million in loans together with any interest accrued in six equal monthly installments. The first installment should be paid no later than September 5, 2008, and the final installment no later than February 5, 2009.

In the meantime, an article titled "IMF says Tajikistan broke borrowing rules" posted on the FT (The Financial Times) website on March 6, in particular, said that the Tajik authorities have agreed to undertake a special audit of the central bank, which will be conducted by an international firm. A person familiar with the IMF's decision said that the IMF would have asked for more money to be reimbursed but part of the lending to Tajikistan had already fallen under a debt forgiveness agreement. The person said that the IMF had worked with Tajikistan on the basis of "audited accounts from the central bank that really proved to be incorrect."

The IMF can only demand repayment of money that it has provided and its loans are for general budgetary purposes rather than sector specific. However, the breach emerged as part of separate investigations by donors and other multilateral institutions, including the Asian Development Bank, which established that the central bank had guaranteed about \$500m of loans by commercial banks to the country's ailing cotton sector. The World Bank also held meetings in Washington in January to discuss the sustainability of its cotton industry.

According to the article, the cotton sector is Tajikistan's biggest employer, but the country's export revenues from cotton are expected to slump this year because of indebted farmers' inability to purchase quality seed and fertilizer or repair decrepit irrigation systems. The funding problem and investigations, first reported by the Financial Times, come as donors forecast that the cotton sector, which also suffers from a lack of competition among processors, will require about \$80m in additional lending a year to keep it afloat.

The Tajik cotton problem is embarrassing for the IMF because it helped set up Creditinvest, the Tajik company through which most of the loans have been steered. The company was initially designed to take over non-performing assets from Agroinvestbank, the state agriculture bank, which was then undergoing privatization. Since its establishment in 2003, Creditinvest has become the main conduit for borrowing by the cotton sector. Tajik law bans the use of land as loan collateral, leaving borrowers with little choice but to seek state guarantees, the article said.

## **PROPOSED DIRECTIONS OF REFORMS AND IMPROVEMENT OF DOING BUSINESS 2008-2011 INDICES PRESENTED**

**DUSHANBE, March 7, Asia-Plus** - Presentation formally titled "Proposed Directions of Reforms and Improvement of Doing Business 2008-2011 Indices" was held in Dushanbe on March 6.

During the presentation, it was noted that Tajikistan was able to improve business environment through introducing a number of initiatives proposed by the USAID Business Environment Improvement (BEI) Project. The World Bank Doing Business project provides objective measures of business regulations and their enforcement across 178 countries and selected cities at the subnational and regional level. Tajikistan is ranked 153rd among 178 countries in terms of the ease of doing business index.

Economies are ranked on their ease of doing business, from 1 – 178, with first place being the best. A high ranking on the ease of doing business index means the regulatory environment is conducive to the operation of business. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings are from the Doing Business 2008 report, covering the period April 2006 to June 2007.

Nourali Shukurov, director of the BEI Project in Tajikistan, noted that the proposed directions of reforms include detailed plan based on Tajikistan's poverty reduction strategy and national development strategy for the period until 2015. According to him, the USAID-proposed reforms focus areas connected with starting a business, construction, paying taxes, protecting investors and liquidation of enterprises (bankruptcy).

He also noted that Tajikistan was ranked 161st in ease of starting a business index. To go up in the ratings Tajikistan should take measures to simplify procedures necessary for running a business. "At present to start a business in Tajikistan entrepreneur should go through 13 procedures (registration, licensing, various permissions and so forth)," Shukurov said. The BEI Project works directly with national governments, select oblast and city administrations, and private sector businesses and associations and focuses its activities in those areas with the greatest potential positive impact for SMEs; where Soviet-era laws, operations and philosophy continue to impair free market business operations; and, where either the private sector or government has demonstrated interest and demand for change.

Key Initiatives in Tajikistan include, but are not limited to: promotion of adoption and implementation of Economic and Civil Procedure Codes to improve judicial procedures as well as a new Law "On Investment" to improve the predictability and the transparency of the investment regime; development and distribution of "plain language" guides to common business processes, including registration and construction as well as a compilation of over 100 common business contract models; increased transparency through improvements in the Law on "Normative Legal Acts" and its subsequent implementation, including publication of draft legal acts for public comment as well as registration and publication of adopted acts; increased access to reform information and free market ideas by private sector and government counterparts to drive discussion and increased demand for substantial improvements in the relationship between citizens and the state; improvements in the licensing regime, including streamline licensing procedures, reducing unnecessary licenses and transforming the licensing system for a redundant business activity permitting regime to a mechanism that better serves market interests; and strengthening business and professional associations as independent, representative organizations and facilitating effective dialogue between the government and the private sector.

## **WHAT KIND OF DAMAGE DID ENERGETIC CRISIS CAUSE?**

**DUSHANBE, March 5, Facts and Comments** - International donor organizations and governments of developed countries as well as their neighbors have expressed their willingness to help and even asked for recurrence of the United Nations organization.

The National Bank representatives told that they only helped in holding press conference where some provisional figures were named and where the government appealed widely for support "The donors are in a state of complete prostration. The World Bank does not have any information on current energetic situation", - as the head of World Bank country office in Tajikistan, Chiara Bronchi has commented.

"We think that it is a bit early to report on something, as the energetic situation is still not stabilized." – said Chiara Bronchi the last week. Nevertheless, the World Bank, with regard to the Government's request, is planning to send specialists, including those of agriculture and water resources, to evaluate the crisis influence on economy.

Izatullo Lalbekov, the chairman of "Tajikistan Banks Association" does not have information on losses connected with the energetic crisis, but he considers they are quite large. He also said that forced electric energy outage and suspension of production give evidence of serious damage and that the analogical situation is in other countries as well.

The head of Association of small and medium business in Tajikistan, Matlyuba Uljababaeva is more categorical. "I have no information on the concrete numbers, but I know that more than 200 enterprises suffered damage, and I am not even talking about people's health. What compensation can there be? I don't think small and medium businesses (restaurants, bars) can get through the damage. And our authority is very good in collecting taxes.

The population and potential investors' runoff can be the consequences of energetic crisis. Miss Uljababaeva is sure that the current crisis will bring to a new upsurge in inflation. "The inflation has always been growing and will continue to grow. The somoni rate of exchange is controlled by the National Bank of Tajikistan, and due to thin crops we can already predict what kind of prices there will be.

As for Chiara Bronchi, the WB representative in Tajikistan did not comment on inflation explaining that it is beyond the scope of mandate of the World Bank. "We are cooperating with the International Monetary Fund in order to know the consequences of energetic crisis and its influence on other macro pointers.

The Government is not yet commenting on what we should wait for in spring and summer, but the head of the National Bank told that the inflation will be even higher than was predicted.

### **ENERGY SUPPLIES TO SUGHD AND KHATLON PROVINCES INCREASE BY 30%**

**KHUJAND, March 4, Asia-Plus** - Since March 1, electricity supplies to the Sughd province have increased by 30 percent, Asia-Plus has learned at Barqi Tojik power holding's branch in Khujand.

On March 2, the province received 4.227 million kWh of electricity, including 2.068 million kWh of electricity generated by the Qairoqqum hydropower plant. The source at the Barqi Tojik branch said that during weekends, an additional of electrical power had been supplied to residential consumers, "while on Monday, the additional water supplies were redirected to industrial enterprises."

### **BARQI TOJIK INCREASES ELECTRICITY SUPPLIES TO ALUMINUM SMELTER**

**DUSHANBE, March 4, Asia-Plus** - Since March 1, electricity supplies to Tajik Aluminum Company or TALCO (formerly Tajik Aluminum Plant or TadAZ) have been increasing, and TALCO yesterday received 17.75 million kWh of electricity, Asia-Plus has learned at Barqi Tojik (Tajik electric systems) power holding.

Before that, the Tajik aluminum smelter had been receiving 16 million kWh of electrical power daily. "We are gradually increasing electricity supplies to the aluminum group and in the near future, TALCO will receive electricity supplies at the rate of 21 million kWh per day," the source at Barqi Tojik said. We will recall that speaking to his cabinet on January 16, President Rahmon ordered to reduce electricity supplies to the aluminum smelter by 1 million kWh in order to increase the supply of daily electrical power to Dushanbe.

The Barqi Tojik top manager Sharifkhon Samiyev announced on January 22 that electricity supplies to TALCO were reduced by another 2 million kWh. Thereby electricity supplies to the aluminum smelter were reduced by 20 percent. The Barqi Tojik source added that Tajik hydropower plants generated 20 million kWh of electrical power yesterday. In addition, Turkmenistan and Uzbekistan supplied 20.4 million kWh of electricity to the country – 10 million kWh of electricity were supplied by Turkmenistan and 10.4 million kWh by Uzbekistan.

### **BARQI TOJIK LIFTS POWER RATIONING IMPOSED ON DUSHANBE ELECTRICITY**

**DUSHANBE, March 3, Asia-Plus** - Tajik state energy company Barqi Tojik (Tajik electric systems) has lifted tightened electricity rationing in Dushanbe.

The rationing introduced on February 7 was lifted on March 1, and both residential consumers and enterprises now receive electricity supplies regularly, according to Barqi Tojik. In the meantime, in other regions of the country, electricity rationing will be effective until March 21, the source said. According to him, the power holding is currently considering the possibility of lifting electricity rationing in the cities of Khujand, Kulob and Tursunzoda.

The source further added that electricity supplies have been increased to Sughd and Khatlon provinces since March 1. The Sughd province yesterday received 4.2 million kWh of electrical power, and the Khatlon province received 3.5 million kWh of electricity on Sunday. According to Barqi Tojik, Tajikistan's hydropower stations yesterday generated totaling little more than 2 million kWh of electrical power, and the rate of water inflow to the reservoir powering the Norak station yesterday was 230 cubic meters per second.

We will recall that the rigorous electricity rationing introduced in Dushanbe on February 7 resulted in the supply of daily electricity having been reduced to 10 hours – five hours of electricity in the morning and five in the evening. The measure was introduced to seek to curb the city's rising electricity consumption. Besides, the measure resulted from a decline in the water level in the Norak reservoir.

### **UZBEKISTAN RESUMES ELECTRICITY SUPPLIES TO TAJIKISTAN**

**DUSHANBE, March 3, Asia-Plus** - Uzbekistan has resumed electricity supplies to Tajikistan. According to Barqi Tojik (Tajik electric systems) power holding, Uzbekistan resumed electricity supplies to Tajikistan on March 1. The source at Barqi Tojik said that Uzbekistan yesterday supplied 8.2 million kWh of electricity to Tajikistan.

We will recall that Uzbekistan cut off exports of electricity to Tajikistan on February 24. According to the Uzbek authorities, the cutoff was due to technical problems in Uzbekistan's thermoelectric power plants. Until February 24, Uzbekistan was supplying some 5 million kWh of electricity to Tajikistan daily.

In all, Tajikistan received 17.6 million kWh of electricity from neighboring countries yesterday. In addition to 8.2 million kWh of the Uzbek electricity, Tajikistan yesterday received 9.4 million kWh of electrical power from Turkmenistan.

## BRITISH MINISTER PLEDGES MORE SUPPORT TO TAJIKISTAN

DUSHANBE, March 3, Asia-Plus - The Secretary of State for International Development, Mr. Douglas Alexander, on February 29 announced a total package of \$3 million to support international relief efforts for the humanitarian crisis in Tajikistan, press release issued by the British Embassy in Dushanbe said.

This will provide an additional \$2 million to the \$1 million of support announced by the British Embassy in Dushanbe last week. The funding will provide essential items and services for those made vulnerable by the severe winter temperatures and energy crisis.

According to press release, speaking in London, Mr. Alexander said: "The harsh winter, combined with the growing energy crisis, is putting many tens of thousands of Tajik people at risk. "The UK's support, along with that of the international community, will help the most vulnerable through the worst of the current situation. Generators will provide power for schools and hospitals left without electricity, and blankets and baby warmers will give vital support in the freezing conditions."

Speaking from Dushanbe airport February 28 night, as the first delivery of British-financed supplies arrived, Dylan Winder, Head of the DFID office in Dushanbe said: "I am happy to see these much needed supplies on the ground in Tajikistan. We hope that these goods will reduce the suffering of those Tajik people most in need. DFID is committed to working alongside the international community and the Government of Tajikistan to assist in the current crisis."

The assistance promised by the British Government will be allocated roughly as follows: \$1,000,000 for two emergency airlifts providing blankets, generators, water purification tablets, baby warming beds and jerrycans; more than \$1,000,000 for the distribution of emergency items by three NGOs, Mercy Corps, Save the Children and CARE International, including baby warming beds and cash for food that will provide immediate relief to poor and vulnerable communities; \$700,000 to help increase water supplies to Dushanbe, Khujand, and Qurghon Teppa running tanker services and essential repairs to water and sewerage systems; and \$110,000 to help the UN co-ordination of the emergency response.

The British Embassy and DFID Tajikistan will be involved in monitoring both the proper distribution of this emergency assistance and in closely assessing the emergency situation in Tajikistan.

The Department for International Development (DFID) is the part of the United Kingdom Government that manages Britain's aid to poor countries and works to get rid of extreme poverty.

DFID supports long-term programs to help tackle the underlying causes of poverty in over 150 countries world-wide. DFID also responds to humanitarian crises around the world, providing funding to relief operations, search and rescue expertise and emergency supplies to help save lives when disasters strike.

DFID has been involved in Tajikistan since 2003, working with the Government to tackle poverty by boosting enterprise and livelihoods and helping solve land disputes. It has provided over \$12 million support during that time.



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With best wishes,  
Tajikistan BEE Public Relations/Communication Department