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New IFC Study Reveals Business Environment Improvements and Challenges in Tajikistan

Dushanbe, May 29, 2007 - IFC, the private sector arm of the World Bank, has released the results of a comprehensive study of Tajikistan's business environment, revealing two years of strong progress and identifying areas where additional reforms are needed to sustain a thriving small business sector in the country. IFC officially presented its 2006 SME Survey report to the government of Tajikistan last week. A strong small business sector is critical for economic progress as the country continues its transition to a market economy.

The report, based on a survey of more than 2,500 entrepreneurs and small business owners, is part of a continued effort by the Tajikistan Business Enabling Environment/SME Policy Project, financed by Switzerland's State Secretariat for Economic Affairs to monitor and improve the country's business environment. The results show that a number of positive steps have been undertaken since the survey was last conducted in 2003.

Despite these efforts, critical issues remain for small and medium enterprises. According to the study, larger companies are most affected by burdensome administrative procedures, and corruption remains a problem. Survey respondents sent contradictory signals about business confidence: most small businesses are anticipating improvements, while indicating that they would not restart their business if given a choice.

The report makes recommendations to simplify regulations, which will reduce the burden on businesses and remove an incentive to seek unofficial solutions. Additional improvements are outlined in the report as well: consolidating reforms in areas such as access to finance and registration; implementing legislative changes for licensing and inspections; and addressing problems related to permits, standardization, and taxation.

At the presentation, F. Khamraliyev, head of Tajikistan's Economic Reforms and Investment Department, said, "The IFC report is a useful tool for us to monitor the business environment of the small and midsize business sector, which the government of Tajikistan considers to be one of the key priorities in the country's economic development."

"This survey is very useful and relevant in identifying the critical administrative barriers impeding the development of the SME sector," added Shahbaz Mavaddat, IFC Director for Southern Europe and Central Asia. "I am very pleased that IFC can support Tajikistan in removing these barriers, in particular by reducing the burden of inspections and making them more effective."

Other government representatives who attended the presentation included M. Kaldiyorova, advisor to the President on Economic Policy; S. Rakhimov, Chairman of the State Investment Committee; and M. Alimardonov, head of the National Bank.

About IFC

IFC, the private sector arm of the World Bank Group, promotes open and competitive markets in developing countries. IFC supports sustainable private sector companies and other partners in generating productive jobs and delivering basic services, so that people have opportunities to escape poverty and improve their lives. Through FY06, IFC Financial Products has committed more than \$56 billion in funding for private sector investments and mobilized an additional \$25 billion in syndications for 3,531 companies in 140 developing countries. IFC Advisory Services and donor partners have provided more than \$1 billion in program support to build small enterprises, to accelerate private participation in infrastructure, to improve the business enabling environment, to increase access to finance, and to strengthen environmental and social sustainability. For more information, please visit www.ifc.org.

IFC Business Enabling Environment / SME Policy Project

The project was launched in 2003 and is financed by Switzerland's State Secretariat for Economic Affairs. In addition to monitoring the business environment by conducting regular surveys, the project is helping implement the new inspections law, conducting preliminary analysis for the permits reform, and raising SME awareness through training and events. For more information, please visit www.ifc.org/tajikistan/sme.

About SECO

The State Secretariat for Economic Affairs is the Swiss Confederation's competence center for all the core issues related to economic policy. Its aim is to create basic regulatory and economic policy conditions to enable business to flourish and benefit all. SECO also represents Switzerland in the large multilateral trade organizations and international negotiations, and is involved in efforts to reduce poverty and help developing countries with transition economies build sustainable democratic societies and viable market economies. Each year, Switzerland spends about 1.9 billion francs on development cooperation and transition assistance to countries.