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Tajikistan SME Policy Project Press Review - Issue #23

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IFC PRESS REVIEW

1. News directly connected to SME Project

FINANCIAL REPORTING BECAME STRICTER

AsiaPlus, January 25, 2007. Changes and amendments into the Tax Code of RT were brought into force in the new 2007 year. At the same time, the new game rules for local businessmen appeared. The Tax Committee introduced state blanks of strict reporting. Will the regular “know-how” ease the life for Tajik entrepreneur? More details in the “AP” material.

According to changes and amendments brought into the Tax Code in the last year stating from 1st January 2007 all bills on VAT were announced as blanks of strict reporting. What does it mean? This question was addressed to the Tax Committee of RT.

So as per specialists blanks of strict reporting are unified documents on reporting of VAT. Now all organizations and private persons must fill in three copies of blanks. One of them is issued to the client (supplier, and etc.), second is brought to tax inspection together with tax declaration and the third is kept with the tax payer. All blanks are identical and have several levels of protection. To get the bill we can address any tax inspection department by place where registered in. It costs 0.80 somoni. By this as we were explained at the Committee this cost later on would be “written-off” to VAT expenditure expenses e.g. if you have written out 10 bills then the VAT sum is automatically decreased at 8.00 somoni and etc. As it was mentioned in Tax Committee this innovation was necessary in order to regulate tax procedures and the control of monetary funds coming to the budget.

All operations with VAT are fixed in a special register books which the tax payer is issued together with blanks at the tax inspection department. Received bills are registered in the first register and issued once in the second. Book keeping of both documents is strictly obligatory. Their cost is 7.20 somoni each. Together with blanks and register book an entrepreneur gets the instruction/guidelines on using new documents. It will cost you 2.35 somoni more. There given exact instructions on how to fill in the document in right way.

To fill in the blanks you can manually or by computer. For this you need to download a special program at www.ikn.tj website fill in according to it the blank and print out. All VAT taxpayers must fill in the strict reporting blank whose financial activity exceeds more than 200.00 somoni.

All documents provided with the instruction/manual, tax inspection departments personnel passed through the necessary seminars and trainings though misunderstandings and difficulties must not come out – is stated by the specialists of the Committee.

NO KRYSHA, NO BUSINESS! – DOING BUSINESS IN TAJIKISTAN

NewEurasia website, country weblog "Tajikistan", December 3, 2006. According to the results of the survey conducted in Tajikistan by International Financial Corporation this summer, the entrepreneurs undergo regular inspections by different governmental agencies. The frequency of inspections varies from 6 to 21 times a month depending on the region.

Most of the time the inspections are conducted by tax inspection (91%), fire inspection (34%), sanitary inspection (30%), “Tajikjstandard” agency (20%), energy inspection department (19%) and by the social security fund (12%).

According to IFC, the inspections and corruption are the main obstacles on the way of development of private sector in Tajikistan. The development of new business is challenged by complicated procedure of license obtainment. Consequently, 75% of the interviewed businessmen solve their problems by informal methods and only 18% solve their problems by official methods.

In its recently published annual report, the International Financial Corporation, IFC, ranked Tajikistan second from the bottom of a list of 28 countries of Eastern Europe and Central Asia in terms of the business climate.

I think that the regular inspections by governmental agencies are not the main obstacles for private sector development. There is another reason which I think is the main one. It is the relatives of high officials, the children or nephews or brothers, whoever is closely related to them. Using different leverages that they are provided with by their relatives in the government, they control all the business.

[To read the full article, click here](#)

2. News interesting for Business Environment

CORRUPTION STARTS FROM THE TOP

AsiaPlus, January 25, 2007. Corruption is first priority problem of the society. This is considered by 69% of total number of respondents of the survey “Corruption in Republic of Tajikistan” conducted by the Strategic Survey Center and UNDP in RT.

Asia Plus editing team starts publication of the series of materials on the results of conducted survey. Today we will talk about the corruption in the state institutes and bodies.

The following question to the respondents was asked in order to identify the corruption level of different state organizations and bodies between all categories of respondents (the survey covered the following 24 administrative entities of the town and the districts of the country. In total 2000 people took part in the questioning): “How would you evaluate the following governance bodies, organizations, social groups by the level of their corruption?”.

As per respondents' opinion the most corrupted are: courts, administrations of local authorities and internal affairs bodies. The second and third places are divided by the ministry of national security (today – state committee of national security), Majlisi Namoyandagon (the lower chamber of the parliament), national army, Majlisi Oli (the upper chamber of the parliament), the governments, local committees and president's apparatus.

The traffic safety department (state automobile inspection) has developed (from the post soviet times) a very well mechanism of getting good money. Of total number of 53% questioned respondents the answer was that SAI is corrupted body. Almost in the same condition is located the tax department. During the survey conducted 41.1.% of respondents considered this body as a dishonest.

Uncontrol, unifying of decision making procedures, weak activity of internal affairs system and common moral degradation – all these circumstances affected not only on the clerks of tax bodies but the clerks of notary services, public utilities bodies, electricity departments, gas supply departments and many others.

CORRUPTION IN THE UN SYSTEM

Facts and comments newspaper, January 25, 2007. Recently in a weekly “FK” was published an article of editor of publication and internet agency “Avesta” Zafar Abdullaev under “Tajik corruption will be defeated by ... international corruptioners?”

There are many international institutes realizing their humanitarian activities aimed at existing of problems with poverty. Most of organizations are headed by the foreigners but the rest staff of the organization consists of local specialists seized the “power” and money. Wages in international

organizations (IO) and NGO are high (from 300.00 to 1000.00 USD depending on the status of the structure) that overcome the official wages set by the state for the citizens of RT, state clerks and other spheres clerks that earn from 10 to 60 USD. It seems that there is no matter of bribes and appropriation of “spare” money having such a salary but... The local personnel of IO indeed do not disdain to profit “at the expense of others” e.g., at the expense of foreign grantees, donors feeding their own local offices in abroad.

The heads and trustees regularly keep double accounting, announce doubtless tenders, accept statements for realization of grants, acquire expensive equipment to the personal office premises, distribute a part of funds between exclusively to “selected people” republican NGO that joined so called share. The internal mass of IOs looks likw this.

Today to get the vacancy in the international organization having high qualified specialty, knowing several foreign languages is practically impossible if you don't have personal connections in the organization you applying to. Regionalism - is the typical character of Asians. It prospers not only in the state bodies but in IOs also. Everywhere and “selected” people get employed appeared in the needed time and place. The same order in with the announced tenders for equipment purchase, provide of services and etc. The one wins that offers his/her “qualified” services of the organization demanding for instead minimum of funds. The project in most are distributed through the middlemen having generally theirs “obeyed” executors all over the country who are ready to pay a bit bribe for presented mercy.

It is interest do the main donors-distributors of funds from abroad know about what is happening in their representations in Tajikistan? Do they realize the level of corruption and regionalism? Do they control the process of distribution of a huge number of financial means? Do they know about how the personnel in their organizations is founded? For sure know and “bless”. If not (I am having doubts) then it is time to pay attention to it while whole the money are not squandered which envisaged to fight against poverty in the country.

TAJIKISTAN'S FOREIGN DEBT REACHES \$866 MILLION

DUSHANBE, January 26, Asia-Plus. Tajikistan's foreign debt has stood at \$866 million as of January 1, a drop of \$28 million since the beginning of 2006, Deputy Finance Minister, Shavkat Sohibov, announced at a news conference in Dushanbe on January 25.

According to him, the International Monetary Fund in mid-2006 wrote off \$99 million of the country's debt, but the reduction in the debt amounted to \$28 million after Tajikistan borrowed loans from a number of international financial institutions. Sohibov said that \$36.1 million in budget money was allocated last year for serving and repaying Tajikistan's debt in due course.

The deputy minister noted that the World Bank, the Asian and Islamic Development Banks as well as the European Union remain Tajikistan's main creditors.

According to him, China's Exim (Export/Import) Bank has joined ranks of the country's large creditors this year. Exim Bank is financing a number of large investment projects in the republic: reconstruction of the highway from Dushanbe via Khujand to Uzbek border and construction of the Shahrison tunnel; construction of electric main South-North and construction power-transmission line Lolazor-Obimzor in the Khatlon province.

TAJIKISTAN ENDORSES NATIONAL FOREIGN BORROWING PROGRAM

DUSHANBE, January 26, Asia-Plus. Deputy Finance Minister Shavkat Sohibov told journalists yesterday that the revenue part of the 2006 national budget amounted to 1.6577 billion somonis or 106.5 percent of the revised annual target.

“It is 102 million somonis or 27 percent more compared to 2005,” Sohibov said.

Reviewing the execution of last year's budget, Sohibov also noted that the expenditure part of the budget amounted to 1.619 billion somonis or 100 percent of the annual target.

According to him, funds earmarked for defense, public management organizations, social security of the population, communal-housing economy and cultural events were spent completely. .

Meanwhile, financing of education, health, fuel-energy and transportation sectors did not reach 100 percent last year.

According to him, non-fulfillment of the target on financing of these sectors resulted from delays in the implementation of investment projects in these sectors and saving of the budgetary funds.

2006 BUDGET'S REVENUES SURPASS TARGET BY 6.5%

DUSHANBE, January 25, Asia-Plus.Tajik MPs have endorsed the country's draft national foreign borrowing program projected for 2007-2009 and Tajikistan is going to borrow another nearly 1.5 billion dollars in coming years despite unsettled debts.

A regular sitting of the third session of the Majlisi Namoyandagon (Tajikistan's lower chamber of parliament) of the third presided over by its chairman, Saydullo Khairulloyev, was held on January 24.

The draft national foreign borrowing program projected for 2007-2009 was the major topic of the sitting. Finance Minister Safarali Najmuddinov presenting the draft program noted that Tajikistan intends to borrow \$1.45 billion from various international financial institutions in the coming three years.

According to him, 513 million US dollars or 35.4 percent of this amount will go to developing Tajikistan's energy sector, \$199 million is expected to be spent on the agrarian sector, \$36 million will be spent on the social security and implementation of the Poverty Reduction Strategy Paper (PRSP) and \$32 million will be used for enhancement of municipal economy. "Health and education will receive \$51 million each," the minister said.

Member of the Majlisi Namoyandagon Committee on Energy, Industry and Construction Shodi Shabdolov telling the session pointed to the necessity of tightening control over of spending of loans. He also noted that loans provided for rehabilitation of the water supply system in Dushanbe and reconstruction of the road Shagon-Zighar have been assimilated very slowly.

The session also endorsed the prognosis of the main directions of Tajikistan's monetary policy in 2007.

JUSTICE MINISTRY HAS NOT YET MADE DECISION ON REREGISTERING FREEDOM HOUSE, NDI IN TAJIKISTAN

DUSHANBE, January 25, Asia-Plus.Justice Minister Bakhtiyor Khudoyorov told journalists in Dushanbe yesterday that 148 international organizations, including 45 established by Tajik citizens, have to date been registered in Tajikistan.

The minister noted that under the country's legislation, the organizations should annually submit to the Ministry of Justice (MoJ) reports on work carried out by them.

"Under the RT Law "On Public Associations" of 1998, international organizations active in Tajikistan should register at the Ministry of Justice," the minister said.

Davlat Sulaymonov, head of the MoJ department of registration of public associations and political parties, noted that the issue of reregistering representative offices of Freedom House and NDI (National Democratic Institute for International Affairs) in Tajikistan has not yet been resolved. "These organizations have not yet submitted all necessary registration documents to the ministry," Sulaymonov said.

The National Democratic Institute for International Affairs (NDI) is nonprofit organization working to strengthen and expand democracy worldwide. Calling on a global network of volunteer experts, NDI provides practical assistance to civic and political leaders advancing democratic values, practices and institutions. NDI works with democrats in every region of the world to build political and civic organizations, safeguard elections, and to promote citizen participation, openness and accountability in government.

Freedom House is an independent non-governmental organization that supports the expansion of freedom in the world. According to its website, it conducts "an array of advocacy, education, and training initiatives that promote

human rights, democracy, free market economics, the rule of law, independent media, and US engagement in international affairs

In all, 3,045 public associations have to date been registered in Tajikistan. According to the minister, 328 of them were registered with the MoJ last year.

RAPID GROWTH OF CENTRAL ASIA TO CONTINUE, SAYS ADB OFFICIAL

DUSHANBE, January 24, Asia-Plus. The Asian Development Bank (ADB) considers Central Asia as region with wide opportunities and expansion of regional cooperation is one of strategic factors contributing to further development of the region Robert Siy, Director of the Country Coordination and Regional Cooperation Division, Central and West Asia Department, ADB, remarked at a news conference in Dushanbe on January 23.

Robert Siy headed a mission of the Asian Development Bank arrived in Tajikistan on January 22 for a two-day visit. "Central Asia's rapid growth will continue," the ADB official said noting that the main purpose of the visit was for the Bank's mission to discuss preparations for the 6th ministerial conference that is scheduled to be held in Dushanbe in October or early November as part of the of the Central Asian Regional Economic Cooperation (CAREC) program.

According to Siy, the conference will bring together high-ranking state officials from the countries participating in the CAREC program to discuss proposals on the implementation of regional projects.

The Central Asia Regional Economic Cooperation (CAREC) Program was initiated in 1997. CAREC's goal is to improve living standards and to reduce poverty in CAREC countries through more efficient and effective regional economic cooperation. To date, the Program has focused on financing infrastructure projects and improving the region's policy environment in the priority areas of transport, energy, trade policy and trade facilitation.

We will recall that a report released by the ADB in April 2006 said that Central Asia will maintain its rapid economic expansion with GDP growth in the region projected at 10.3% in 2006 and 9.8% in 2007. Regional inflation is expected to rise slightly to about 7.9% in 2006, but the current account is now expected to post a strong surplus due to high oil prices. As a region, Central Asia would benefit most from an aggressive campaign to remove barriers to trade and foster closer economic cooperation.

WORLD BANK SAYS MIGRATION COULD YIELD "TRIPLE WIN"

DUSHANBE, January 23, Asia-Plus. Migration can benefit both sending and receiving countries and reduce poverty among migrants if it is better coordinated between countries, according to a new World Bank report released last Tuesday, January 16.

The report, named as Migration and Remittances: Eastern Europe and the Former Soviet Union, said remittances are one consequence of migration that benefit both the migrants' families and their home countries.

For many of the poorest countries in Eastern Europe and Central Asia they are the largest source of outside income and have served as a cushion against the economic and political turbulence of the past 15 years, the report said.

According to the report, in Tajikistan, remittances represent over 10 percent of the country's gross domestic product (GDP).

To ensure that migration benefits both sending and receiving countries and the migrants themselves, countries could more closely coordinate their policies so that the supply of migrant labor can meet demand through legal channels that respect the rights of migrants and are politically and socially acceptable to migrant-receiving countries, according to the report.

"Existing bilateral agreements can be improved to facilitate migration in the region by matching the supply of migrant labor with the demand through economic incentives," said Bryce Quillin, World Bank Economist and co-author of the report.

There are no ready-made solutions for effective migration policy, yet one possible route might be to combine short-term migration with incentives for return or circular migration. Circular migration could allow migrants to spend short periods of time abroad without creating new amounts of permanent migration.

"New approaches, such as circular migration, and the use of economic incentives could strengthen bilateral agreements," said Willem van Eeghen, World Bank Lead Economist. "If these approaches work, they will yield a 'Triple Win' for migrants and sending and receiving countries."

AVERAGE MONTHLY WAGE INCREASES, WHILE DELAYS IN PAYING WAGES REMAIN PROBLEM

DUSHANBE, January 23, Asia-Plus. Compared to January-November 2005 incomes of Tajik population over the first eleven months of 2006 have increased by 11.5 percent, Minister of Labor and Social Security Shukurjon Zuhurov remarked at a news conference in Dushanbe on January 22.

According to him, an average monthly wage also increased last year. "Thus compared to the November 2005 level an average monthly wage of employees working by hiring increased by 38.6 percent last November and amounted to 129.8 somonis," the minister said, noting that increase in wage was to be considered in all branches of economics.

Zuhurov noted that last year, the highest average wage was reported in the country's financial sector – 485.83 somonis.

In the construction sector, the average monthly wage was 316.60 somonis. The average monthly wage in the communications sector was 293.77 somonis, transportation – 228.23 somonis and industry – 222.61 somonis.

The lowest average wages were reported in the forestry and agrarian sectors – 37.67 somonis and 39.66 somonis respectively.

According to the minister, wages of employees working with federally funded institutions also remain low. "The average monthly wage in the culture sector is 79.11 somonis, education – 98.32 somonis, science – 128.44 somonis and public management – 195.80 somonis," Shukurjon Zuhurov said.

The minister noted that delays in paying wages still remain serious problem.

Meanwhile, according to figures provided by Tajikistan's State Committee for Statistics, the cost of the set of food products included in the consumer basket for actual consumption (based on figures from households studied during 2005) in prices as of the end of December 2006 was 48.40 somonis per one family member per month, and with the norm for a balanced diet it was 106.92 somonis.

With best wishes,
Tajikistan SME Public Relations/Communication Department