

# Tajikistan Business Enabling Environment/ SME Policy Project Press Review - Issue #50

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## 1. News directly connected to SME Project

YOU CAN SEE OUR TV PUBLIC SERVICE ANNOUNCEMENTS (PSA) on SHABAQAI AVAL CHANNEL at 7.30 a.m., 8.25, 9.00 and 9.55 p.m. or OUR WEBSITE:  
<http://www.ifc.org/ifcext/tajikistansme.nsf/Content/Awareness>

- SES Adopted New Inspection Manual
- Center of Sanitary and Epidemiological Supervision of Tajikistan Adopted New Inspections Manual

## 2. News interesting for Business Environment

- 84 tons of subquality chicken forcemeat discovered in Tajik capital and nearby districts.
- Seminar to discuss joint project for management and reduction of poverty in GBAO rural communities held in Khorog.
- Who Needs This Tax?
- Leasing – business of the future
- Anticorruption agency calls on public to participate in elaboration of corruption-prevention concept.
- Improved land rights might not save farming
- Tajik sanitary-epidemiological station is the first to elaborate its inspectorate's procedures.
- TSB supports Kulob farming units through providing small loans.

IFC PRESS REVIEW

## 1. News directly connected to SME Project

### SES ADOPTED NEW INSPECTION MANUAL

**DUSHANBE, August 9, Vecherny Dushanbe** - On 6 August ceremony of hand over of Manuals on business entities inspection to National Sanitary and Epidemiological Supervision Center (SES) was held. The manuals were presented by BEE-SME Project of International Finance Corporation (IFC).

IFC Project handed to SES 500 copies of Inspection Manual in Russian and Tajik. The Rules were developed by SES and registered in the Ministry of Justice in current July.

- In the beginning of July we discussed the Manual with our representatives in cities and district of the country, collected their opinions, proposals and amendments. Now, we have only have to implement it, said S.Aliev, Head of SES. In future, we are planning to initiate field seminars in all regions of the country, and also to conduct workshops with SES specialists on the new rules. At the first it will be difficult for us to restructure all our departments, therefore this activity will be conducted gradually, step-by-step.

The new rules are a product of SES and IFC collaboration, formalized by the action plan signed in February, 2007 to foster implementation of the Inspections Law. Financed by SECO, IFC has provided a strong technical support in elaboration of the new rules.

The brochure we handed-over to SES today includes everything SES inspectors need to know during inspections – the new rules, samples of the forms to be filled before, during and after inspections, and the law on inspections. This is what inspecting agencies lacked in the past,” said Eugenia Mardenskaya, the project’s Business Development Advisor.

We should remember that the Rules were developed not only for SES inspectors, but also for entrepreneurs. It is necessary to ensure that both sides are on the same level, - stated Andrea Dall’Olio”.

SES was the first of the 22 inspecting bodies in RT to developed Inspections Manual according to the new Law of RT ‘On inspections of business entities activities’.

Olesya Bobovich

## **CENTER OF SANITARY AND EPIDEMIOLOGICAL SUPERVISION OF TAJIKISTAN ADOPTED NEW INSPECTIONS MANUAL**

Today, 6 August, the Business Enabling Project of IFC provided the Republican Centre of State Sanitary and Epidemiologic Supervision (SES) of the Health Ministry of Tajikistan with 500 copies of the Inspections Manual. As was informed IA REGNUM correspondent, the Manual was elaborated by SES with the support of IFC and finally registered with the Ministry of Justice in July this year. SES was the first of the 22 inspecting agencies of Tajikistan to develop the new rules according to the Law of RT “On inspections of economic entities in Tajikistan.”

“The Manuals, will become a ‘pocket book’ for our inspectors and will be distributed to the inspectors during the 25 trainings on new inspections procedures that we plan to run in autumn of 2007,” said Samariddin Aliev, Head of SES.

The new rules are a product of SES and IFC collaboration, formalized by the action plan signed in February, 2007 to foster implementation of the Inspections Law. Financed by the State Secretariat for Economic Affairs is the Swiss Confederation (SECO), IFC Business Enabling Project provided a strong technical support in elaboration of the new manual.

The brochure we handed-over to SES today includes everything SES inspectors need to know during inspections – the new rules, samples of the forms to be filled before, during and after inspections, and the law on inspections. This is what inspecting agencies lacked in the past” said Eugenia Mardenskaya, the project’s Business Development Advisor.

SES is one of the three pilot agencies working with IFC on implementation of the new law. The two others are the Central Department of Fire Service under the Ministry of Interior and the Tax Committee under the Government of the Republic of Tajikistan.

“By adopting the new Inspections Law the Government of Tajikistan demonstrated a great effort to support small and medium entrepreneurship development. However, this initiative would loose its importance if not followed by thorough implementation by inspecting bodies,” said the Project Manager in Tajikistan Andrea Dall’Olio.

Providing technical support in developing regulatory documents is a part of a broader commitment by IFC and the Swiss government to assist the Government of Tajikistan in the implementation of the new law. In addition to this, IFC works to raise inspectors’ as well as entrepreneurs’ awareness about the new law. The project provides ongoing training for entrepreneurs, directly and through partner organizations as it was noted by IFC.

At last decade of July IFC had launched the broadcast of four Public Service Announcements focused on main provisions of the Inspection Law on Tajik national TV Channel 1 ‘Shabaqai Aval’.

## 2. News interesting for Business Environment

### 84 TONS OF SUBQUALITY CHICKEN FORCEMEAT DISCOVERED IN TAJIK CAPITAL AND NEARBY DISTRICTS

**DUSHANBE, August 10, Asia-Plus** - Last week, a joint commission of the State Committee for National Security (GKNB) and Tojikstandart (Tajik agency for standardization, metrology and certification) revealed subquality chicken forcemeat containing pathogens, totaling 84 tons, in shops in Dushanbe and the nearby districts, Asia-plus has learned at the GKNB center for public relations.

The source at the GNB center for public relations, in particular, said that a large consignment of subquality chicken forcemeat had been revealed at a warehouse of the limited liability company Tajero in the village of Qushteppa in the Rudaki district.

"Tests conducted in Tojikstandart's lab have revealed pathogens in the chicken forcemeat confiscated from the Tajero warehouse," said the source, "Besides, subquality chicken forcemeat has also been revealed in the Dushanbe shop Mayram."

In all, the subquality chicken forcemeat for a total amount of 420,000 somonis (equivalent to some \$110,000) has been confiscated from the Dushanbe shops, according to the source.

"The chicken forcemeat imported into the country was to be industrially processed for production of sausages, but some entrepreneurs pursuing profit have realized unprocessed product intended for other purposes," the source said.

Inspections by the joint commission have also revealed more than 1.5 tons of subquality confectionaries for a total amount of some 46,000 somonis (equivalent to more than \$13,000) at a warehouses of the Dushanbe company M&P operating the chain of shops "Orima" in the country.

### SEMINAR TO DISCUSS JOINT PROJECT FOR MANAGEMENT AND REDUCTION OF POVERTY IN GBAO RURAL COMMUNITIES HELD IN KHOROG

**KHOROG, August 10, Asia-Plus** - A seminar dedicated to sum the results of the first stage of the joint project for management and reduction of poverty in rural communities in Gorno Badakhshan was held in Khorog yesterday.

The seminar participants included representatives from local authorities and the Aga Khan Foundation (AKF) Tajikistan.

Telling the seminar, the GBAO governor Qodir Qosim noted that during the first stage, the project has covered seven jamoats (communities) in three districts (Shugnan, Ishkashim and Roshtqala) of the region.

"The Government of Sweden has contributed to the project through the Swedish International Development Agency (SIDA)," said the governor, "Due to contributions of the SIDA, local authorities and village organizations dozens of social facilities, irrigation canals, arable lands, roads and bridges have been constructed or rehabilitated in these communities." A total amount of contributions is some \$440,000.

Shamsiddin Orumbekov, chairman of the Shugnan district, told Asia-Plus that some \$150,000 had been used for implementation of the project in Shugnan alone. "The project has helped us tackle many serious socioeconomic problems," the Shugnan chairman said.

The seminar participants discussed ways of more efficient implementation of the second stage of the project designed for 2007-2010. The distinguished features of the second stage are decentralization of the management system, intensification of participation of the public in tackling socioeconomic problems facing communities, reducing poverty, as well as drawing business structures into implementation of the project alongside government bodies and public associations.

The project is aimed at facilitating implementation of Tajikistan's public management system reform strategy that was adopted in March 2006.

### WHO NEEDS THIS TAX?

**DUSHANBE, August 9, Facts and Comments** - "...There is no clear definition of wholesale trade in Tax Code of RT. In other words, any trade transaction can be easily classified as wholesale, despite of volume and price if payment is made in cash".

“...We can say that when all transactions made by cash payment, and therefore subject to taxation of turnover, are considered as retail trade, it will directly lead to increase of prices, hindering of small and medium business development, inflation and other negative subsequences.”

“...Taking into consideration that entrepreneurs already pay taxes from businesses not completely established, charging of retail trade tax in the proposed option first of all breaks the rules of civilized business and leads to increased inflation.

“...So, to whom is the retail trade tax profitable the way it is proposed by Tax Committee?  
To population under guaranteed increasing of prices and small wages?  
To entrepreneurs under tax burden increasing and additional production costs?  
To financial and tax bodies representing the state with complicated control and collection process?  
To economy sector, in general, with new turn of inflation and stagnation processes?”

... In our opinion, the most optimal decision of the problem is to cancel retail trade tax and this action requires amendments to the Tax Code”.

Matluba Uljabaeva  
Head of Board,  
Tajikistan National Association of Small and Medium Business

## **LEASING – BUSINESSES OF THE FUTURE**

**DUSHANBE, August 9, Business and Politics** - Leasing market problems in Tajikistan, development perspectives, and lessors activities were discussed at the conference of “Leasing in Tajikistan – a start for the future”. Representatives of government structures, bank sector, businessmen, international finance institutes of Tajikistan took part at the event.

Malohat Keldyorova, Advisor of President of Tajikistan on economical policy:

“...Leasing mechanism is considered as a priority in financing and renewal of main production funds. The most important is leasing of agricultural equipment. It should be noted, that leasing services in Tajikistan comes to the new qualitative level”.

Matthew Scanlon, IFC Investment Expert:

“... Leasing product is a priority direction of IFC activity. The project consolidates all leasing market players and gives an opportunity for proficient establishment, directed at leasing development.”

Doris Romer, Swiss Office Director:

“Economy of Tajikistan with its limited opportunities for enterprises to be self-financing, its continuous decrease of state centralized share of investments, inability to renew main production funds, requires the usage of nontraditional investment methods. One of such methods is leasing entrepreneurship”.

Zarina Odinaeva, ACALF/IFC Coordinator:

IFC Project provides technical support to financial institutes to increase their institutional capacity increasing and to train banks and companies personnel. At present IFC leasing fund makes up \$30 mln.

Mukammal Odinaeva

## **ANTICORRUPTION AGENCY CALLS ON PUBLIC TO PARTICIPATE IN ELABORATION OF CORRUPTION-PREVENTION CONCEPT**

**DUSHANBE, August 8, Asia-Plus** - The first meeting of a working group for elaboration of a draft strategy of the national program for combating corruption for 2008-2020 was held in Dushanbe on August 7.

Qurbonali Mahmudov, the chief of staff of the Agency for State Financial Control and Combating Corruption, told Asia-Plus that the group members include representatives from anticorruption agency, president's office, counter-narcotics agency, customs service, prosecutor-general's as well as experts from the center for strategic studies, totaling 21 persons. “The anticorruption agency chief Sherali Salimov heads the group,” Mahmudov said.

According to him, the meeting discussed organizational issues and outlined priorities and main directions of the group's work.

The meeting participants, in particular, decided to call on the public, state and non-government organizations to take an active part in elaboration of the draft strategy and submit their proposals to the anticorruption agency.

## **IMPROVED LAND RIGHTS MIGHT NOT SAVE FARMING**

**DUSHANBE, August 8, Asia-Plus – IWPR** As the Tajik government is considering allowing farm owners to trade land leases as a way of raising funds, NBCentralAsia experts warn that farmers are so heavily indebted that they could lose everything in repossessions.

At the end of July, the head of the National Bank of Tajikistan, Murodali Alimardonov, announced that the government is considering bill give people more control over the land by allowing them to buy and sell usage rights.

Land in Tajikistan is owned by the state, and cannot be bought or sold. Farmers hold their land in lease from the state.

The proposed bill would allow lease rights – in the shape of “land certificates” – to be bought, sold and even invested in the banking system. As Akram Qahhorov, director of Markaz-Zamin, a government agency involved in land use, explained, the bill envisages that the certificates would entitle the bearer to use a given piece of land either for a fixed term or for life, and to bequeath that right to a family member.

The measure falls short of privatization, as the state retains the right to reclaim land, as long as it pays compensation. Nevertheless, the aim is to create a fully-fledged land market by 2009, once other legal changes have been made to mortgage and property ownership regulations.

NBCentralAsia experts view these measures as an attempt to ease the huge debt crisis facing the cotton-farming sector. Farmers have run up some 400 million US dollars in debt to “futures companies” – firms that lend advance sums on the anticipated cotton crop, paying out in cash and in agricultural inputs such as fertilizers. Although cotton accounts for the bulk of agricultural production in Tajikistan, most farmers do not make enough money from the harvest to cover costs and repay their debt.

Don Van Atta, an expert with the European Union’s support program for agricultural policy, warns that entire villages could lose their land if the banks took possession after calling in debts for which land certificates have been supplied as collateral. He predicts a vicious circle where the banks refuse to lend adequate sums since the farms are not making a profit, but the latter cannot do so because they cannot access funding.

Economist Hojimuhammad Umarov believes it would have been better to introduce full private ownership of land, allowing a real trade in this asset to develop.

He argues that the issue of certificates has already proved to be marred by corruption, so that a lot of land went to the rich and powerful, and many farmers were left to become hired labor. Umarov fears the law now under consideration will merely exacerbate the divide between the haves and the have-nots.

## **TAJK SANITARY-EPIDEMIOLOGICAL STATION IS THE FIRST TO ELABORATE ITS INSPECTORATE’S PROCEDURES**

**DUSHANBE, August 7, Asia-Plus** - A ceremony of handover of “Rules of Carrying out of Inspections” was held at Tajikistan’s National Center for Sanitary and Epidemiological Supervision on August 6.

Telling the brochure-handover ceremony, Samariddin Aliyev, Head of the Center for Sanitary and Epidemiological Supervision, said that new inspectorate’s procedures are the result of cooperation between the Center and International Finance Corporation (IFC). IFC Project Entrepreneurship Development Project, funded by the Swiss Secretariat for Economic Affairs (SECO), provided a considerable technical assistance with elaboration of new rules, which have been registered with the Ministry of Justice in July this year, Aliyev said.

“Under the new law on inspections the Center has become the first of 22 inspecting bodies to elaborate its inspectorate’s procedures,” Aliyev said, noting that with endorsing the new law on inspections, the government made the next move towards creation favorable environment of functioning and development of small and medium enterprises in the country.

The Center for Sanitary and Epidemiological Supervision is one of three pilot bodies, cooperating with IFC, the private sector arm of the World Bank Group, in implementation of the new law on inspections. The other two pilot inspecting bodies are the Tajik Firefighting Service and the Tax Committee.

We will recall that IFC and the Tajikistan’s Center for Sanitary and Epidemiological Supervision signed a joint action plan to promote cooperation between the two organizations in March this year. The objective is to work together to improve sanitary supervision procedures in Tajikistan according to the Inspections Law adopted by the government in the summer of 2006.

With the signing of this action plan the Center has confirmed the Health Ministry’s commitment to work with IFC and comply with the sanitary regulations under the new Inspections Law.

The plan contains a detailed list of actions for both parties to undertake in 2007, including: setting up risk categories for the economic entities and elaborating general inspection rules and specific checklists for each category of entities inspected by the Center for Sanitary and Epidemiological Supervision; building capacity of sanitary inspectors through training; and organizing ongoing informational campaigns on the new rules and regulations.

### **TSB SUPPORTS KULOB FARMING UNITS THROUGH PROVIDING SMALL LOANS**

**KULOB, August 6, Asia-Plus** - Over the past seven months, the branch of TojikSodirotBonk (TSB) in Kulob has provided 5,794,547 somonis in loans to local entrepreneurs and farmers, which is 2,314,545 somonis more than in the same period of last year, Asia-Plus has learned from Abdukarim Nematov, the head of the TSB branch in Kulob.

According to him, their bank pays special attention to funding production of agricultural output. "Over the report period, the bank has provided local farmers with loans in an total amount of 396,000 somonis, while in January-June 2006, TSB had provided only 30,000 somonis in loans to local farmers," Nematov said.

"Microfinancing of small and medium-sized enterprises (SMEs) is also going on successfully," said the TSB branch head, "Through the Tajikistan Micro and Small Finance Facility (TMSEF) Program sponsored the European Bank for Reconstruction and Development (EBRD), more than \$204,000 have been provided in loans to local entrepreneurs."

The EBRD is providing access to finance to Tajik micro and small borrowers (MSE) since October 2003. The MSEs are recognized as a strong factor of job creation, poverty alleviation and grass-root economic development.

Over the past seven months, Kulob labor migrants staying in Russia have remitted to the TSB branch in Kulob 1,568,922 US dollars, 327,922 Russian rubles and 2,750 euros.

TSB was established in December 1990 as the Tajik branch of the Vnesh Econom Bank of the former Soviet Union, and it initially specialized in trade and import-export banking. Later this branch was reorganized into a Joint-Stock Commercial Bank "Tajikvneshconombank". In June 1999 the bank was renamed and registered as TojikSodirot-Bonk or TSB.

Headquartered in Dushanbe, TSB has 9 branches in the main cities of Tajikistan and covering all regions of the country. Its clients include the biggest Tajik trading companies, other enterprises, entrepreneurs, and some of the embassies and diplomatic organizations based in Dushanbe.



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With best wishes,  
Tajikistan SME Public Relations/Communication Department