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1. News directly connected to SME Project

- Once again about "Super-Patent"

2. News interesting for Business Environment

- Number of capital enterprises and markets to be closed during summits.
- 57 NGOs reregistered with MoJ so far.
- Entrepreneurs, sponsoring schools construction, are exempted of tax in Tajikistan
- Tajikistan stands in third place among CIS states in industrial production growth rate.
- Tajik economist says it is unprofitable for Tajikistan to join any customs unions.
- Tajik government endorses draft national budget for 2008
- Migration could yield a 'triple win' for migrants and sending and receiving countries in the CIS, says WB report.
- All markets closed down in Vose for a month.

IFC PRESS REVIEW

1. News directly connected to SME Project

ONCE AGAIN ABOUT "Super-Patent"

October 4, Vecherniy Dushanbe - An article was published recently in Vecherniy Dushanbe about Super-patent, according to which this document will ease the life of entrepreneurs and will increase the tax revenue to the budget.

Many specialists and entrepreneurs do not share the optimism of the author. First of all, the idea of incorporating several taxes into one is not a new one. Suggested by the workers of social bodies, two resolutions were adopted by the Government: #216 in 2000 and #250 in 2003, according to which two taxes were collected through patent – social tax and income tax. This structure existed for a short period - until 2004: Interaction between Tax inspections and the Social Protection of Population Fund was poorly established, thus individual accounting was not conducted and the money allocated for pensions was not always used properly.

I personally support the idea of uniting several taxes into one patent, especially considering the past experience, and I have actively been offering this through media and appeals to the Government and Parliament. Now I am glad that finally the Government turned its face towards this idea.

However, according to the proposal made by the Tax Committee this May, it had better not been done at all.

Explanation is required here:

Currently the cost of one patent, i.e. income tax from individual entrepreneurs, is twice as high as the income tax from employees in any other sphere. Judge for yourself: Last year average salary of employees in all categories was 90 Somoni. Current average cost of patent is 25 somoni, which means that the salary of the owner of the patent (i.e. part of revenue used for own needs) is 243 somoni, according to the Tax committee. Do these entrepreneurs really earn so much money?

Within its proposal in May, the Tax committee decided not to stop on this and suggests increasing the income tax one and a half times for individual entrepreneurs. Moreover, for the most popular types of individual entrepreneurship – trade and transportation – Tax Committee proposes to raise the income tax from 2 to 5 times.

What is the size of individual entrepreneurs' salary, according to the Tax Committee? When we count the income tax rate proposed by Tax Committee, it turns out that the average salary of individual entrepreneurs in Dushanbe is 343 – 434 somoni, whereas the income of individual working in the most popular types is even higher: from 589 to 1666 for sellers on streets and from 666 to 1128 for drivers. In provinces the figures are 1,2 – 1,7 times lower, but it is still a lot.

The situation is even worse, if the entrepreneur is busy with several types of activity instead of one only. Then, according to the proposal of the Tax committee, the entrepreneur has to receive certificate and pay income tax three times higher!

Thus, Tax Committee rates individual entrepreneurs as the highest paid workers, with salaries even higher than those of banks employees.

After all that has been said we may even not consider that the “super-patent” will include all three taxes (income tax, social tax and retail trade tax) for all individual entrepreneurs, including those who do not sell products but provide services such as transportation or music and do not need to pay retail trade tax by law.

This will not be a “Super-patent” but another “Super-lie”.

Candidate of economical sciences,
Viktor Pavlovich Lyadskiy,
Enterprise and Cooperatives Association
Chkalovsk.

2. News interesting for Business Environment

NUMBER OF CAPITAL ENTERPRISES AND MARKETS TO BE CLOSED DURING SUMMITS

DUSHANBE, October 5, Asia-Plus - In connection with important political events that will be held in the Tajik capital from October 5 to October 7, a special commission led by Deputy Prime Minister, Khairinisso Yusufi (formerly Mavlonova), has inspected a number public catering facilities and markets in Dushanbe.

The commission members included Health Minister Rano Abdurahmonova, Tajik Chief Sanitary Physician Azam Mirzoyev as well as a number of health specialists.

According to press service of the Ministry of Health (MoH), some facilities and the market Barakat will be temporarily closed. The facilities have been closed for failing to meet sanitary requirements and the market Barakat has been closed in connection with repair-and-renewal operations, the press service said.

57 NGOs REREGISTERED WITH MOJ SO FAR

DUSHANBE, October 5, Asia-Plus - 57 local public associations and NGOs as well as representatives offices of some 10 international organizations active in Tajikistan have to date been reregistered with the Ministry of Justice (MoJ), Asia-plus has learned from Davlat Sulaymonov, the head of the MoJ directorate for registration of public associations and political parties.

“2,000 non-government organizations have been registered with the ministry, however, we are not aware of fates of many of them. Every year, only some 800 organizations submit reports about their activities to the ministry,” said Sulaymonov, “67 organizations have already been reregistered and documents of 20 others are still under consideration.”

If the public associations fail to register themselves with the ministry before January 1, 2008, they may lose their registration certificates, the MoJ official said.

ENTREPRENEURS, SPONSORING SCHOOLS CONSTRUCTION, ARE EXEMPTED OF TAX IN TAJIKISTAN

October 4, Varorud - Physical entities, who have funded construction of schools or class rooms, are exempt from tax payment in Tajikistan. Appropriate amendments have been made to the state budget of the republic for 2007, informed "Kazakhstan Today."

Representing the draft law during the session of the Lower House of Parliament (Majlisi Namoyandagoni Majlisi Milli) on Monday, the Minister of Education Abdujabbor Rakhmonov noted that there are only 13 such people in the country, while their money has been used to build schools and classrooms in different regions of Tajikistan for 2.1 thousands school-children.

Speaker of the House Saidullo Khayrulloev and the leader of Communist Party Shodi Shabdolov agreed with the proposal in general, but suggested that in the future physical entities should transfer money to the account of the Ministry of Education, which then would build schools according to its standard projects.

Meanwhile the amendment proposed to for this year was approved by majority of votes (57 vs. 1).

TAJIKISTAN STANDS IN THIRD PLACE AMONG CIS STATES IN INDUSTRIAL PRODUCTION GROWTH RATE

DUSHANBE, October 4, Asia-Plus - According to data provided by the CIS Interstate Committee for Statistics, in January-August 2007, Tajikistan with 8.2 percent growth rate has stood in third place in terms of increase in industrial production, following Azerbaijan with 32.7 percent growth rate and Ukraine with 10.9 percent growth rate.

In the meantime, in January-August 2007, Tajikistan has produced a total of 3.308432 billion somonis' worth of industrial goods, which is \$960.9 million somonis more than in the same period of last year, Tajik State Committee for Statistics Compared to January-August 2006 the index of the volume of production of industrial goods has amounted to 108 percent.

Over the report period, in the territorial cross section the proportions of increase industrial production were: Dushanbe – 28 % (246 million somonis worth of industrial goods were produced); Khatlon province – 10.2 percent (584.32 million worth of industrial goods were produced), Sughd province – 528.486 million somonis); districts subordinate to the center (RRPs) – 3.5 percent (1.497101 billion somonis). Gorno Badakhshan has produced only 32.304 million somonis' worth of industrial goods in January-August 2007.

Over the report period, 221 enterprises, or 30.5 percent of the overall number (more than 700), have not been operation in Tajikistan.

TAJIK ECONOMIST SAYS IT IS UNPROFITABLE FOR TAJIKISTAN TO JOIN ANY CUSTOMS UNIONS

DUSHANBE, October 3, Asia-Plus - Establishment of the Customs Union is expected to be among key issues on the agenda of a session of the Interstate Committee of the Eurasian Economic Community (EAEC), which will be held in Tajik capital this week.

Commenting on this issue, known Tajik economist, Professor Hojimuhammad Umarov noted that an agreement on the establishment of the Customs Union will be signed between Belarus, Russia and Kazakhstan

"Today, it is unprofitable for Tajikistan to join any customs unions," said Umarov, "At present, 46 percent of receipts to the country's national budget are so-called border taxes and duties and in the event of Tajikistan's joining the future Customs Union the volume of these receipts will considerably reduce."

On the concept of water and energy regulation in Central Asia, which has also been tabled on the agenda of the EAEC summit in Dushanbe, the expert said there are serious disagreements between countries located in the upper reaches of Central Asian rivers and those located in the lower reaches of the Central Asian rivers. "This issue could be resolved only with approach to the problem from a position of international norms and conventions on this issue," said Umarov, "In this case, I think it is necessary to enlist the services of international experts that could give concrete recommendations, taking into consideration ecological and national security of the counties of the region"

He expressed confidence that no concrete agreement will be signed on this issue in Dushanbe.

He also noted that the issues related to canceling visa regime between Tajikistan and Uzbekistan and completing the construction of the Roghun hydroelectric power station (HPS) could be brought up at the EAEC summit in Dushanbe.

"Police of the Uzbek government on the visa regime issue is traditionally not quite standard, and it is quite probable that Uzbekistan will sign a document canceling the visa regime tomorrow, but I am not sure that it will not annul its own decision for any reasons the day after tomorrow," Umarov said.

On further fate of the Roghun hydroelectricity project, he said that most likely Russia and Tajikistan will jointly complete the construction of this station. However, he further added that it cannot be ruled out Kazakhstan and other countries would join the project, "but only in the event if the EAEC summit will reach consensus on the water and energy problem."

The Eurasian Economic Community (EAEC) was put into motion on October 10 2000 when Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the treaty. EAEC was formally created when the treaty was finally ratified by all five member states in May 2001.

EAEC grew out of the CIS Customs Union. All the members of EAEC are also members of the older Commonwealth of Independent States and the relationship between the two organizations is ambiguous. The members have also all agreed that EAEC should be merged with the Central Asian Cooperation Organization (CACO). With the revival of EAEC in 2005 there is a possibility for the Common Economic Space agenda to be implemented in its framework with or without the participation of Ukraine. This was confirmed in August 2006 - initially a customs union it will consist of Belarus, Russia and Kazakhstan, with other EAEC members joining later.

In May 2002, Moldova and Ukraine were granted observer status within EAEC; however, Ukraine subsequently revealed its desire not to become a full member state. Armenia received observer status in April 2003.

Uzbekistan applied for membership in October 2005 when the process of merging CACO and EAEC began. The organizations joined on January 25, 2006.

TAJIK GOVERNMENT ENDORSES DRAFT NATIONAL BUDGET FOR 2008

DUSHANBE, October 1, Asia-Plus - The government considered more than 40 issues at a September 28 meeting presided over by President Emomali Rahmon, presidential press service reported.

The session, in particular, considered indices of forecast of socioeconomic development of the country for 2008 and main parameters of the forecast for 2009-2010.

Under these documents, gross domestic product (GDP) is planned to reach 14.8 billion somonis in 2008, 17.42 billion somonis in 2009 and 20.5 billion somonis in 2010. Year-on-year increase in GDP is expected to stand at 7 percent.

President Rahmon noted that special attention should be paid to development of hydropower, light and food industries, launch of joint ventures for processing cotton fiber, fruits and vegetable, increase in cattle stock.

The session passed the forecast for 2008 and endorsed forecasts for 2009 and 2010.

The government also considered in detailed a bill on the national budget for 2008.

President Rahmon noted that the country's GDP rose 7.8 percent in the year to September 1, 2007, reaching 7.28 billion somonis. The head of state stressed that by the end of this year, GDP should reach 12.2 billion somonis.

Finance Minister Safarali Najmuddinov reporting on the draft budget for 2008 noted that the 2008 budget is predicted to stand at 4.476 billion somonis, which is 1.281 billion somonis or 63 percent more than the budget for this year and makes 30.2 percent of GDP.

The minister noted that the draft budget indicators reflect the economic and social development of the country. Social spending will account for 1.593 billion somonis of budget allocations, which 489 million somonis or 45 percent more than this year.

The budget projects expenditure of 691.248 million somonis in the education sector, which is 47percent more than this year.

In 2008, 256.759 million somonis are expected to be spent on the health sector, 44 percent more than in 2007.

The budget earmarks 469.829 million somonis for social security of the population.

The session also endorsed a procedure of expenditure of funds of national insurance for organization of rest and improvement of health of employees and their families in 2008 and list of imported farming machines, which are exempted from VAT.

The government also considered bills on account indices and mortgage as well as amendments to the laws on consumer cooperative societies, land management, narcotics, psychotropic substances and precursors and sent them to the parliament.

Besides, the government approved draft cooperation agreements between the culture and labor ministries of Tajikistan and Armenia.

The government also endorsed the concept of Tajikistan's transition to sustainable development, the program of development of livestock breeding for 2008-2015, the national plan of fulfillment of Tajikistan's obligations on the Stockholm convention on persistent organic pollutants, the plan of implementation of the concept of social security of the population, the regulations on traffic victims support centers, rules of capitation financing of general schools, as well as coordination commission for legalization of property under the Tajik government and regulations on this commission.

Dwelling on the legalization of property issues, President Rahmon charged relevant bodies to carry out explanatory work on this event among the population.

The head of state also set tasks on putting in good order use of farmland, cotton-harvesting campaign, procurement of seeds of cereals, cotton, potatoes and other agricultural crops, preparations to ensure regular work of the country's economy in the winter.

He, in particular, demanded at the meeting that all 'presidential' lands that have not been used over the past two years should be returned to the government.

MIGRATION COULD YIELD A 'TRIPLE WIN' FOR MIGRANTS AND SENDING AND RECEIVING COUNTRIES IN THE CIS, SAYS WB REPORT

DUSHANBE, October 1, Asia-Plus – On Friday September 28, the World Bank (WB) held a presentation of its migrations and remittances reports in Dushanbe.

The meeting was attended by representatives of the government, academia and research institutes, international and national NGOs, private sector, multilateral and bilateral organizations, and media agencies.

Press release issued by the WB Dushanbe Office said that migration can benefit both sending and receiving countries and reduce poverty among migrants if migration and remittance sending policies are better coordinated between countries in Eastern Europe and the Former Soviet Union, according to two World Bank reports.

Migration within and from the transition economies has been large and will likely continue to increase as declining birthrates across Europe and Russia will lead to an increased demand for a young labor force from the CIS, according to Migration and Remittances: Eastern Europe and the Former Soviet Union.

It has been well publicized that migration to Western Europe has increased significantly over the past 15 years, with Western Europe receiving 42 percent of migrants from Central and Eastern Europe, as well as growing numbers of migrants from the former Soviet Union.

Russia attracts migrants from the rest of the former Soviet Union, primarily from the Caucasus and Central Asia, and large numbers of Central Asian workers from the Kyrgyz Republic, Tajikistan, and Uzbekistan migrate to resource-rich Kazakhstan.

Remittances are one consequence of migration that benefits both the migrants' families and their home countries as documented in the recently released working paper "Remittances in the CIS Countries: A Study of Selected Corridors." For many of emigration countries of 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. Recently released data indicate that remittances represent over 35 percent of GDP in Tajikistan and over 10 percent in Kyrgyzstan.

To ensure that migration and remittances benefit 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.

"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," explains Bryce Quillin, World Bank Economist and co-author of the reports.

In addition, policies could also improve the impact of migrants' remittances. Closer coordination among governments in the region could assist in the documenting of remittances levels. In addition, policies could be utilized to reduce costs. Improved efforts at enhancing the transparency of remittances transfer services costs and migrants' financial literacy could enhance the returns to migration. Surveys with migrants revealed that migrants pay, on average, seven percent of the value of the remittance to transfer it home. As Carlo Segni, co-author of the remittances report noted: "Remittances costs are regressive and hence disproportionately disadvantage the poor."

Yet, if these costs can be reduced to zero percent, this represents, on average, a seven percent rise in the income of poor people. "There are few development programs that can boast this sort of return" noted Quillin.

ALL MARKETS CLOSED DOWN IN VOSE FOR A MONTH

VOSE, October 1, Asia-Plus - By order of local authorities all markets in Khatlon's Vose district, except the central district market, have been closed down.

The deputy Vose chairman, Rahim Faqirov, told Asia-Plus that the markets had been closed for a month in connection with ongoing cotton-harvesting campaign.

In the meantime, local resident Marouf Khayr who is trading on the central district market, said in an interview with Asia-Plus that the markets had been closed down, "because nobody wants to work in cotton plantations voluntarily because of low wages paying to cotton pickers."

"However, closure of the markets will scarcely help improve efficiency of work in the cotton fields," said Khayr, "To interest people in picking cotton it is necessary to raise cotton prices at least three of four times."

Over the past two year, the Vose district has reached only 60%-70% of its target and the price of one kilogram of cotton is only 10 dirams.



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With best wishes,
Tajikistan SME Public Relations/Communication Department