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Tajikistan Business Enabling Environment- SME Policy Project Press Review - Issue #62

Dushanbe, 02 November 2007

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IFC PRESS REVIEW

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TAJIK PM, WB VICE-PRESIDENT DISCUSS WB'S ONGOING AND PLANNED OPERATIONS IN TAJIKISTAN

DUSHANBE, November 2, Asia-Plus - The World Bank intends to participate in a tender for completing construction of the Roghun hydroelectric power station (HPS) with a new investment program, Mr. Shigeo Katsu, the World Bank Vice-President for Europe and Central Asia Region, remarked at a meeting with Prime Minister Oqil Oqilov in Dushanbe yesterday, presidential press service said.

In the course of the talks the two also discussed other economic issues, including expansion of foreign economic ties and prospects of economic development of Tajikistan. The sides also considered issues related to development of energy and agrarian sectors, creation of free economic zones and border markets in Tajikistan, as well as implementation of new WB-sponsored programs for reducing poverty in Tajikistan, etc.

Oqilov and Katsu also exchanged views on prospects of further expansion of cooperation between Tajikistan and the World Bank and general economic situation in the region.

As it had been reported earlier, Mr. Shigeo Katsu, the World Bank Vice-President for Europe and Central Asia Region and Ms. Annette Dixon, the World Bank Country Director for Central Asia will visit Tajikistan November 1-5, 2007.

The main aim of the visit is to attend the Sixth Ministerial Conference of the Central Asia Regional Economic Cooperation (CAREC), which is held in Dushanbe, during November 2-3, 2007. During the visit, Mr. Katsu and Ms. Dixon are also expected to hold meetings with members of the economic team to discuss status of the Bank's ongoing and planned operations in the country and the outcome of the recent IMF/Bank Annual Meeting, held in Washington, DC, during October 19-21, 2007.

The program of the visit also includes a trip to the site of the proposed Roghun hydropower plant. The World Bank has agreed to assist the Government carry out a feasibility study for the construction of the Roghun station.

In the meantime, PM Oqilov yesterday left for Tashkent to attend a meeting of the Shanghai Cooperation Organization (SCO) prime ministers that opened in the Uzbek capital today.

The SCO member nations are expected to sign an agreement on cooperation in the customs sphere. The SCO prime ministers hold that the implementation of this agreement will help SCO countries work more actively, as cooperation in the customs sphere goes together with the work of law enforcement agencies, as well as with fight against drug trafficking and with cooperation in the sphere of high technologies.

Cooperation also proceeds well on the setting up of a SCO center for warning about and liquidating the aftermath of emergency situations. As for humanitarian cooperation, the establishment of SCO University as one of concrete and most real for the present moment joint projects. Besides, countries of the Shanghai Cooperation Organization are currently studying the possibility of mutual recognition of diplomas

ELECTRICITY PRICES TO RISE IN TAJIKISTAN NEXT YEAR

DUSHANBE, November 2, Asia-Plus - Beginning from the next year, electricity rate residential customers will rise, Asia-Plus has learned at the Ministry of Economic Development and Trade (MoEDT).

The source at a MoEDT said international financial institutions and countries investing in the country's energy sector demands gradual price increases till 2010.

According to the Ministry of Energy and Industries (MoEI), a special commission has been formed this year to supervise gradual price increases. The MoEI specialists say if Tajikistan fails to raise rates gradually, it won't be possible to recoup the investments it is currently making to build hydroelectric stations and power lines. According to them, the average price of one kilowatt-hour of electricity should reach 7 dirams (2 cents) by 2010.

We will recall that the government on January 30 this year approved a 25 percent increase in the price of electricity for residential customers. For monthly usage up to 250 kilowatt-hours, the price of a single kilowatt-hour rose from 1.6 to 2 dirams, and from 2.7 to 3.4 dirams per kilowatt-hour for monthly usage in excess of 250 kilowatt-hours. Barqi Tojik specialists noted that the price hikes had come in response to recommendations from the International Monetary Fund and World Bank in order to make the country's hydroelectric power sector more attractive to investors.

However, Barqi Tojik says electricity rate for residential customers (0.65 cent) in Tajikistan remains the lowest within the CIS area.

TAJIK EMBASSY IN BEIJING LAUNCHES ITS INFORMATION WEBSITE

DUSHANBE, November 2, Asia-Plus – A ceremony of an official opening of informational website of the Tajik Embassy in Beijing was held yesterday.

The embassy's website, consisting of 15 topics, contains various materials about Tajikistan both in the Russian and Chinese languages, including list and texts of main documents signed between the two countries since 1992 as well as the results of President Emomali Rahmon's visit to China in January 2007.

The website has also materials about the key themes of bilateral relations between Tajikistan and China as well as speeches and interviews of the ambassador.

The website also has a topic called "Investment Climate in Tajikistan" in which various legal documents regulating activity of foreign investors in Tajikistan are posted.

AVERAGE MONTHLY WAGE TO REACH \$56 NEXT YEAR, SAID DEPUTY LABOR MINISTER

DUSHANBE, November 2, Asia-Plus - The cost of the set of food products included in the consumer basket for actual consumption (based on figures from households studied during January-August 2007) in prices as of the end

of August 2007 was 116.79 somonis per one family member per month, and with the norm for a balanced diet it was 137.03 somonis, Deputy Labor and Social Security Minister, Emin Sanginov, said.

Actual income of the population rose 11.9 percent in the year to September 1, 2007 averaging 77.36 somonis (equivalent to \$22.48) per one family member per month, the deputy minister said.

"Subsistence level has not yet been defined as the RT Law "On Subsistence Level" is still under consideration of the Government," Sanginov said.

An average monthly for the first eight months of this year amounted to 147.5 somonis (equivalent to \$42.92), while in 2006, it was 116.81 and in 2005, the average monthly wage amounted to 85.99, which means that over the past two years, the average monthly wage has increased 1.7 times.

Sanginov noted that a minimal wage is expected to annually rise 20 percent in the coming two years.

"Besides, specialists expect the average monthly wage to increase to 195 somonis (equivalent to \$56.85) next year and to 270 somonis (\$78.72) in 2009," Sanginov said.

CHRONICLE OF THE MONTH: October, 2007

October 9 - Mission of International Finance Corporation (IFC) opened in Tajikistan.

October 26 - Deputy Economic Development and Trade Minister Abdughaffor Rahmonov announced a 10 percent reduction in the value-added tax (VAT) on basic food products imported into the country. The move, seen as an attempt to ease the impact of a rise in food prices in the country, follows the creation of a special commission empowered to study the domestic consumer market and tasked with recommending measures to combat the price hike;

PHARMACISTS AGAINST VAT

Dushanbe, November 1, Asia Plus - Last year the Government of Tajikistan exempted a certain category of imported medicines and medical and pharmaceutical equipment from value-added tax (VAT). However, the suppliers of the production had not enjoyed this for a long time, - this September Tax Committee of the republic again obliged them to pay VAT. And now VAT is calculated based on the total cost of sold products. Pharmacists are beating an alarm but tax bodies do not find reasons for concern.

In May last year, the Government of Tajikistan approved the list of medicines, medical and pharmaceutical equipment and tools whose import is exempted from VAT and custom duties (Government Resolution No.193 as of 3.05.2006). It was the initiative of Association of Pharmacists of RT supported by the strong argument that due to high taxes the pharmaceutical market of the country is more and more occupied by low-quality and counterfeit products, which in turn affect the health of population.

..However, in accordance with N. Dilshodov, Deputy Head of the Association, recently the entrepreneurs applied to the Association and informed that Tax Committee of the country is requesting to pay VAT from the total value of products and asked the Association to help in this issue.

- The system works as follows: earlier (before May 2006), supplier had to pay VAT while importing products which was calculated based on the the value of product excluding other costs. Furthermore, in addition to other obligatory taxes, s/he paid VAT from the total value of sold products. In this case the calculation base included expenses of supplier related to product delivery. However, the tax was deducted from the markup, i.e the difference between VAT on sale and VAT on import. Now (since September 2007) the Tax Committee instructed its divisions to charge VAT from the total volume of goods. (Letter of Tax Committee #4-2/2147 as of September 25, 2007). The payment is made during the sale of a product. So, if a turnover and income of entrepreneur together are \$10,000 then taxes make up \$2,500 (20% - VAT, 5% - other taxes).

...Sultonmurod Ibragimov, Lawyer of the Association considers the decision of the Tax Committee being illegal as it contradicts to the Government Resolution. According to him, in its letter the management of the Tax Committee comments on Article 208, para.7 and 211 which contradicts the legislation.

No panic?

Rustam Jabborov, the head of methodology and improving tax administration department of the Tax Committee does not agree with this point of view. He confirms, that the abovementioned letter contains instruction guidance to the tax bodies' personnel which need to be followed for the calculation of VAT on sold medicines.

- In accordance with Article 211, part 4, para 5, Tax Code of RT, transactions on import of medicines and medical equipment (Resolution No.193) are exempted from VAT. At the same time if imported goods are further sold to the chemists 20% VAT is paid based on the sale cost.

Parliament will sort out the issue

..Meantime the Association applied with the letter to the Ministry of Health, General Prosecutor's Office, and the Government of the country to assess the legitimacy of the Tax Committee decision. As clarified, the issue will be reviewed at the Parliament of the country.

INSPECTOR WITH TOJKSTANDART DIRECTORATE FOR SUGHD GETS CAUGHT FOR BRIBERY

KHUJAND, November 1, Asia-Plus - Ikrombek Turdiyev, an inspector with the Tojikstandart (Agency for Standardization, Certification, Metrology and Trade Inspection) was caught red-handed when he was taking 200 somonis in bribe from local entrepreneur for certificate of quality.

Millopar Bandishoyev, chief of the Sughd anticorruption directorate, remarked yesterday while speaking to journalists in Khujand.

The top Sughd anticorruption officer stressed that Turdiyev has taken bribes "regularly, abusing his office."

Criminal proceedings have been instituted against Turdiyev, and an investigation is under way.

WB VICE-PRESIDENT AND COUNTRY DIRECTOR FOR CENTRAL ASIA ARRIVE IN TAJIKISTAN

DUSHANBE, October 31, Asia-Plus - Mr. Shigeo Katsu, the World Bank Vice-President for Europe and Central Asia Region and Ms. Annette Dixon, the World Bank Country Director for Central Asia will visit Tajikistan November 1-5, 2007, the WB Dushanbe Office said.

The main aim of the visit is to attend the Sixth Ministerial Conference of the Central Asia Regional Economic Cooperation (CAREC) to be held in Dushanbe, during November 2-3, 2007. The Conference will bring together senior government officials from Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan; and representatives from the multilateral institutions: Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program and World Bank.

During the visit, Mr. Katsu and Ms. Dixon are also expected to hold meetings with the country leadership and members of the economic team to discuss status of the Bank's ongoing and planned operations in the country and the outcome of the recent IMF/Bank Annual Meeting, held in Washington, DC, during October 19-21, 2007.

The program of the visit includes a trip to the site of the proposed Roghun hydropower plant. The World Bank has agreed to assist the Government carry out a feasibility study for the construction of the Roghun station.

HIGH INTEREST RATES OF TAJIK BANKS REAL STUMBLING BLOCK TO POURING OF FOREIGN INVESTMENTS INTO TAJIKISTAN'S ECONOMY: EU EXPERT

DUSHANBE, October 31, Asia-Plus - High loan interest rates set by Tajik banks are real stumbling block to pouring of foreign investment into Tajikistan's economy, chief international consultant to the European Union for communications matters at the World Bank project, Mr. William Celary remarked at a meeting with the first deputy Tajik Chamber of Commerce and Industry (CCI) head, Odil Sangov, in Dushanbe on October 29, according to the CCI press service.

In the course of the talks Celary also stressed problems related to energy resources and delivery of raw materials from other countries (difficulties for transit transportation of chemical and excisable products), the press service said.

During the meeting William Celary got specific information about investors who had good experience in working in Tajikistan.

On the investment environment in Tajikistan, the CCI official said there are enterprises in Tajikistan, which have successfully used foreign investments to develop their activities.

For his part, Mr. Celary noted that the European Union is currently elaborating Single Window project, which is dedicated to register new enterprises throughout the world, which use foreign investments.

TAJIKISTAN'S EXTERNAL TRADE TURNOVER FOR JAN-SEP 07 EXCEEDS \$2.7 BILLION

DUSHANBE, October 30, Asia-Plus - In January-September 2007, the external trade turnover of Tajikistan, including electric energy and natural gas, has amounted to \$2.766 billion, which is 124 percent of the January-September 2006 level or \$540 million more, Ghafourjon Rasoulov, a spokesman for the Ministry of Economic Development and Trade (MoEDT), said.

The overall trade balance remained negative, with exports of \$1.094 billion compared to \$1.672 billion in imports.

Over the report period, Tajikistan has had trade relations with more than 90 countries and the main trading partners to its exports were Russia, China, Turkey, Iran, and the Netherlands, the spokesman said.

The Netherlands, Turkey, Iran and Kazakhstan were the main trading partners to Tajik aluminum exports, and Iran, Latvia and Russia were the main trading partners to Tajik cotton exports, according to him.

Over the same nine-month period, Tajikistan has imported alumina from Italy, Kazakhstan, Azerbaijan, Jamaica, Brazil, Estonia and Turkey, and oil products from Russia and Kazakhstan, as well as grain from Russia, the Netherlands, Turkey, China and Iran, Rasoulov said.

ECONOMY MINISTRY OFFERS 10% REDUCTION IN VIAT ON IMPORTED BASIC FOOD PRODUCTS

DUSHANBE, October 29, Asia-Plus - The Ministry of Economic Development and Trade (MoDT) offers 10% reduction in the value-added tax (VAT) on basic food products imported into the country, Deputy Economic Development and Trade Minister, Abdughaffor Rahmonov, announced at a news conference in Dushanbe on October 26.

According to him, it will come to \$20 million; however, it will be able to impact rising prices in the country and curb inflation, which stood at 12.4 percent for the last two months.

A special working commission has been set up at the ministry for studying domestic consumer market and it reports every ten days to the government, the deputy minister said.

Rahmonov claims that "private entrepreneurs are to blame for the price hike; they have formed such situation artificially."

At present the ministry is coordinating its proposal on 10% reduction with the government and if it is endorsed it will be sent for consideration to the parliament.

At present, the price for a 50-kilogram sack of wheat flour is 115 somonis and the price for one liter of cooking (cotton) oil has reached 8 somonis.

TAX COLLECTIONS CLOSE TO 1 BILLION SOMONIS IN JAN-SEPT 07

DUSHANBE, October 29, Asia-Plus - In January-September 2007, Tajik tax officers have collected taxes for a total amount of 970.9 million somonis, which is 107.3 percent of the originally planned, Hakim Soliyev, Chairman of the Tax Committee, announced at a news conference in Dushanbe on October 26.

From social taxes alone, the national budget has received 255.8 million somonis, which is 15.3 million somonis more than it was originally planned.

"At the same time, the budget has received 12.3 million somonis less than it due from the cotton-fiber sales and 1.4 million somonis less in single taxes from farming units," the tax committee head said.

Tax debts rose 41.4 million somonis in nine months to October 1, 2007, reaching 265.4 million somonis.

Inspections by the tax committee of activities of 2,752 legal and physical entities have revealed unpaid taxes for a total amount of 23.162 million somonis, Soliyev said.

TAJIK OFFICIAL POINTS TO NECESSITY OF DEVELOPING DIALOGUE BETWEEN ENTREPRENEURS AND INSPECTING BODIES

DUSHANBE, October 29, Asia-Plus - "There is no dialogue between entrepreneurs and inspecting bodies on the inspection issue," Ms. Bahridinova, chairperson of the department for legal protection of entrepreneurs at the State Committee for Investments and Management of State-owned Property, remarked speaking at a roundtable meeting formally titled "What Should Entrepreneur Know about Inspections?" in Dushanbe on October 26.

According to her, inspections by the committee have revealed that many entrepreneurs try to resolve these issues informally or illegally.

Sharif Mulloyev, an official with the Agency for State Financial Control and Combating Corruption, said that inspections carried out by the anticorruption agency in 16 cities and districts of the country have recorded many instances, when economic entities are keeping their incomes and evading from paying taxes.

"Taking into account this situation, the draft budget for 2008 will not earmark subventions for districts of the Hissor Valley and all expenses will be covered from local budgets," Mulloyev said.

In the meantime, the Dushanbe Entrepreneurship Development Support Center head Ashourali Rahmatzoda noted that inspecting bodies are also frequently violating laws. He pointed to the necessity of raising awareness among entrepreneurs of the country's inspection legislation.

Ms. Safro Isoyeva from International Finance Corporation (IFC) Tajikistan presented a brochure on rules of carrying out inspections and duties of those inspecting and those under inspection.

The meeting was staged by the State Committee for Investments and Management of State-owned Property, IFC Tajikistan and the Dushanbe Entrepreneurship Development Support Center and its participants included representatives from the government inspecting bodies and the Dushanbe small and medium enterprises.



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With best wishes,
Tajikistan SME Public Relations/Communication Department