

This press-review is produced by IFC Business Enabling Environment - SME Policy Project in Tajikistan as a free compilation of articles issued in the mass media of the Republic of Tajikistan and in the international press. Any or all portions of this press-review may be reproduced without prior permission, provided that source is cited as: "International Finance Corporation (IFC) Small and Medium Enterprise Policy Project in Tajikistan"

Tajikistan Business Enabling Environment- SME Policy Project Press Review - Issue #68

Dushanbe, 14 December 2007

1. News directly connected to SME Project

- Tajik businessmen are "Tightening their belts".
- Doing business, but not in Tajikistan.
- Tajikistan has outrun Cameroon! Our country is among the first in the list. From the end...

2. News interesting for Business Environment

- Tajik entrepreneurs prepare proposals to be voiced at meeting with president.
- The President will discuss with entrepreneurs their problems.
- Tajik government, IMF to continue cooperation in reducing poverty in Tajikistan.
- EBRD provides loans to three Tajik banks to support agrarian sector.
- Tajikistan business associations decide to team up.
- CIS migration policy concept adopted in Minsk aimed at countering illegal migration.
- Tajikistan to participate in PROD EXPO 2008 in Moscow

IFC PRESS REVIEW

1. News directly connected to SME Project

TAJIK BUSINESSMEN ARE "TIGHTENING THEIR BELTS"

DUSHANBE, December 13, "Sobytia" - The World Bank and the State Committee of Investments and State Property management have presented their "Doing Business 2008" Report. At the specialists' opinion, this year Tajikistan came in 153 place in the global rating of countries with their simplicity at Doing Business. The country has made a reform at one of the ten directions, considered in the Report: in consequence of recent reforms in the sphere of licensing of private sector, now it is much easier to start a business.

The results are pointing to the fact that the very moment the Government simplifies the legal system that regulates the private sector, the number of entrepreneurs on the market gets increased. This situation can more obviously be seen in the countries of Eastern Europe and Central Asia.

Although, there are such districts in Tajikistan, the indications of which should be improved. In comparison to other countries of the region, Tajikistan still occupies bad polls at most of its indications of Doing Business.

This year the rating of the country has formidably decreased at its several categories, including those indications of getting license for construction works, getting loans, registration of the property, tax payments, investors and foreign trade protection.

There are still some key aspects that prevent the development of small and medium enterprise in the country. For example, there are no loan offices in Tajikistan and because of that it is very much a risk to give or take loans. Besides, according to the document, the conditions of foreign trade and the legal system in the sphere of protection of interests need a serious improvement.

We need to remember that the report annually gives a detailed estimation of the simplicity at Doing Business in 178 countries of the world according to 10 main indications of business regulation.

DOING BUSINESS, BUT NOT IN TAJIKISTAN

DUSHANBE, December 13, "Facts and Comments" - The World Bank and the State Committee of Investments and State Property management have presented their "Doing Business 2008" Report. The experts' conclusion is unpromising but true-to-life – Doing Business in Tajikistan is not easier than to sell fur coats in Africa.

In the press release of the World Bank representation it is told that in the annually updated report an estimation of the level of simplicity of Doing Business in 178 countries of the world according to 10 main indications of business regulation is given. At the specialists' opinion, this year Tajikistan came in 153 place in the global rating of countries.

The country has made a reform at one of the 10 indications, considered in the report: in consequence of recent reforms in the sphere of licensing of private sector, now it is much easier to start a business.

The country has come in 161 place at its simplicity of Doing Business in private sector, which shows a ten steps improvement in regard of last year.

Meanwhile it is told in the document, that the very moment the Government simplifies the legal system that regulates the private sector, the number of entrepreneurs on the market gets increased. This situation can more obviously be seen in the countries of Eastern Europe and Central Asia. Although, there are such districts in Tajikistan, the indications of which should be improved.

In comparison to other countries of the region, Tajikistan still occupies bad polls at most of its indications of Doing Business.

This year the rating of the country has formidably decreased at its several categories, including those indications of getting license for construction works, getting loans, registration of the property, tax payments, investors and foreign trade protection.

There are still some key aspects that prevent the development of small and medium enterprise in the country.

For example, there are no loan offices in Tajikistan and because of that it is very much a risk to give or take loans.

Besides, according to the document, the conditions of foreign trade and the legal system in the sphere of protection of interests need a serious improvement.

TAJIKISTAN HAS OUTFRAN CAMEROON! OUR COUNTRY IS AMONG THE FIRST IN THE LIST. FROM THE END...

DUSHANBE, December 13, "Asia-Plus" - A long-expected meeting of the President with entrepreneurs of the country will be held in a week time in which Tajik business problems will be discussed. Meanwhile, last week WB already indicated the problems and provided evaluation of private sector in Tajikistan. One can support or argue with the results of the evaluation, but we all should know them. So, our country is still among the worst thirty countries on the ease of doing business.

The World Bank Group Report 'Doing Business in 2008' was presented by International Finance Corporation on 7 December at Dushanbe Asia Grand Hotel Hall. The report, updated annually, ranks 178 economies on the ease of doing business based on 10 indicators of business regulation. Based on the report, Tajikistan ranks 153 in the overall global standing and is among thirty last countries sharing the neighborhood with Zimbabwe, Cameroon and Cote d'Ivoire.

The country ranked first among the former Soviet Union Republics is Georgia. It is in 18 place. After it, there come Armenia (39), Kazakhstan (71), Kyrgyzstan (94), Azerbaijan (96), Russia (106), Belarus (110), Uzbekistan (138), Ukraine (139). Tajikistan closes down the rating.

According to the authors of the report, only licensing procedure has become easier in Tajikistan. 'The country has reformed one out of the 10 indicators, considered in the report: as a result of recent reforms in the sphere of licensing, it has become much easier to start a business. The country has took a 161d place on the simplicity of opening up a business, which is ten positions higher compared to the last year ranking' - said in the report.

At the same time, according to the document, Tajikistan remains a country with the highest number of procedures for register and start up a business -13! We are also 'the champions' on the duration of these procedures (49 days!), heading up only Cambodia (86 days).

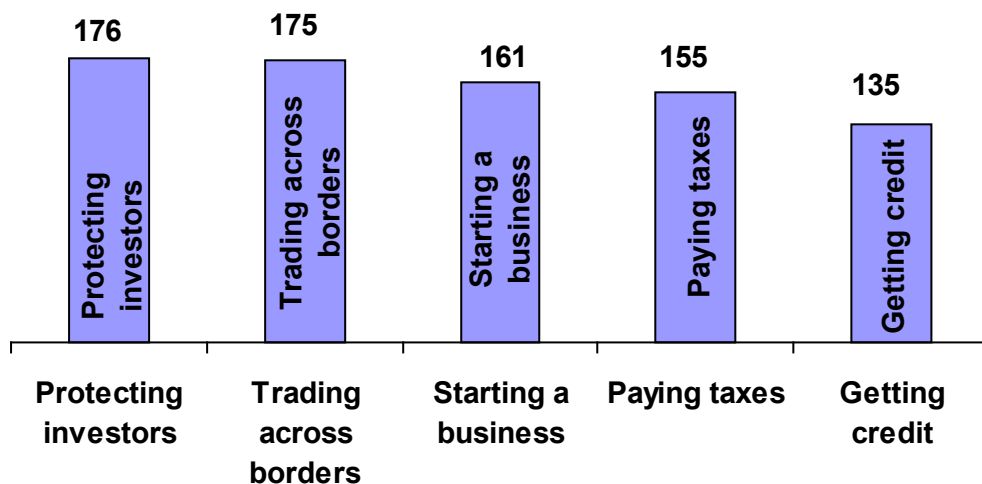
According to official data, the share of private sector in Tajikistan still accounts for only about 50 percent of GDP compared to 65 percent in Kyrgyz Republic, 65 percent in Kazakhstan, and 70 percent in Armenia.

The registration process of SMCs continues requiring significant expenses (data practically have not changed in comparison with 2005,) – making up on average 745 somoni.

Access to finance is still problematic. 63% of respondents did not apply to banks for a credit. “Provided credits are short-term and there is no long-term investment” –is told in the survey. Interest rates are still high that force entrepreneurs meet their needs through internal funds or other sources. Collateral requirements are high and difficult to comply with. Consequently, the rating is low – 135 place in getting credits. In comparison with last year, we are down to 3 steps in this indicator.

As for tax procedures, Tajikistan is in 155 place. In the beginning of 2007, Tajikistan was in 153 place.

Tajikistan is in 176 place in the investors’ protection indicator. In 2007 expected direct foreign investments per capita in Tajikistan made up \$68, while in Georgia this figure was \$454.



Foreign trade is also named as “complicated”. Tajikistan is almost leading on the number of required documents for export (10), stepping down Kyrgystan. As for number of days required for arranging the documents (82!), and cost of procedures for foreign trade – we are an absolute leader. If going through all the procedures and getting permits for foreign trade costs entrepreneur \$2550 in neighboring Uzbekistan, in Kyrgystan - \$2500, Tajik businessman spends about \$3000. By the way, in Singapore entrepreneurs spend only \$16, and in China - \$90. Respectively, on foreign trade indicator we are at 175 place.

“During 2006-2007 Tajikistan had not undertaken any changes in foreign trade’ –is said in the report. Current procedures are complicated and not transparent”

Several key issues continue hindering development of small and medium enterprises in the country, commented Mr. Andrea Dall’Olio, IFC Business Enabling Environment Project Manager. For example, Tajikistan has no credit bureaus, which makes lending a risky activity. Also, conditions for cross-border trade as well as the legislation that protects investors require significant improvements,” he added.

In its turn, Mr. Negmatjon Buriev, Senior Advisor to the President of Tajikistan on Economic Policy, noted that the report results are comparative. “The Government of Tajikistan is taking and will continue to take steps towards creation of favorable business environment in Tajikistan”, - he said. “In particular, for the last few years, some improvements were made in the legislation which made it easier to do business in Tajikistan. We realize that these measures might not be sufficient and therefore, the Government plans to coordinate efforts of all state authorities to remove barriers on the way of private sector development in the country”.

“AP“ Information:

The Doing Business report is based on the efforts of more than 5,000 local experts – business consultants, lawyers, accountants, government officials, and leading academicians around the world, who provided methodological support and review. The data, methodology, and the names of contributors are publicly available online at www.doingbusiness.org.

2. News interesting for Business Environment

TAJIK ENTREPRENEURS PREPARE PROPOSALS TO BE VOICED AT MEETING WITH PRESIDENT

DUSHANBE, December 14, Asia-Plus - recently established, the Coordination Council of Association of Entrepreneurs of Tajikistan held a meeting in the office of Business Environment Improvement (BEI) Project in Dushanbe on December 13.

Aziza Mavlonova, partner program coordinator, BEI Project Tajikistan, told Asia-Plus that the meeting had discussed issues related to a meeting of local entrepreneurs with President Emomali Rahmon that is scheduled for December 24.

According to her, the meeting participants decided to introduce a number of motions concerning revision of the country's legislation regulating entrepreneurial activity in Tajikistan. Among documents requiring improvement are laws on investments, inspection of economic entities, state registration of legal entities, dehqan (peasant) farms, as well as tax and customs codes.

Besides, the council also intends to offer the president to consider the possibility of establishment of private notarial system as well as define preferences of Tajik exports and imports.

They also plan to raise the problem of dehqan farms with the president and determine mechanisms of state support for this sector. They also want to ask to speed up the process of introduction of "one window" mechanism, which provides for simplification of the procedure of registration of legal entities engaged entrepreneurial activity in the country.

We will recall that to combine efforts to improve business environment in the country heads of business associations of Tajikistan have decided to set up integrated union, which would group all local entrepreneurs' associations and business-supporting and NGOs.

A meeting with participation of representatives of business-supporting associations and NGOs from Dushanbe, Gorno Badakhshan, Khatlon, Rasht Valley and Sughd was held in the office of the USAID Business Environment Improvement (BEI) Project in Dushanbe on December 11. The meeting focused on problems facing entrepreneurship in Tajikistan, in particular those that impede development of private business in the country. It was noted that entrepreneurs practically do not have access to elaboration and adoption of laws aimed at promoting development of entrepreneurship in the country.

THE PRESIDENT WILL DISCUSS WITH ENTREPRENEURS THEIR PROBLEMS

DUSHANBE, December 13, "Asia-Plus" - In accordance with the order of the head of the state, in the 24th of December the Forum of local entrepreneurs will be held, where the Prime-Minister of the republic, Akil Akilov, will participate. And on December 25th the meeting of the President of the Republic of Tajikistan with local entrepreneurs will be held, which the representatives of international finance organizations will also attend.

In the interview with the correspondent of National Information Agency of Tajikistan "Hovar" the State Investment's Committee "Rights of Entrepreneurs" departmental manager, Rudoba Bahriddinova has informed about the aims and problems of such meetings.

As Rudoba Bahriddinova has told, at present many entrepreneurs face difficulties while doing business. In many ministries and administrations of the republic in pretence of provision of state control the artificial obstacles are specially made to entrepreneurs, and it negatively reflects the state policy of entrepreneurship development.

Speaking about the main problems which entrepreneurs come across today, the expert, Rudoba Bahriddinova has listed those difficulties of registration of legal entities, certification of foreign trade, technical regulation, social defense and protection of businessmen.

This way, the registration process of legal entities, because of the involvement of the huge amount of different bodies in it, and their excessively large powers, has not been finishing for such a long time, and the expenditures connected with registration procedure are not determined.

Another problem that prevents the development of small and medium enterprise, is connected with foreign trade, or, better to say, with difficulty in registration of subjects of small and medium business during their export-import activity.

Rudoba Bahriddinova has also told that at present the problem of technical regulation needs to be solved as soon as possible. It is tightly connected, for example, with certification of the large amount of goods and services, complicated handling procedures of receiving certificates.

According to Miss Bahriddinova's words, the free conversation of the Chief of the state with entrepreneurs about these and other problems will take place in the upcoming meeting, which will work for impulse for the development of entrepreneurship in Tajikistan.

TAJIK GOVERNMENT, IMF TO CONTINUE COOPERATION IN REDUCING POVERTY IN TAJIKISTAN

DUSHANBE, December 13, Asia-Plus - The Government of Tajikistan and the International Monetary Fund (IMF) will continue cooperation in facilitating reduction of poverty in the country.

State and prospects of further expansion of bilateral cooperation between Tajikistan and the IMF were discussed at a meeting of President Emomali Rahmon with visiting head of IMF mission to Tajikistan Carlos Pinerua in Dushanbe on Wednesday, presidential press service said.

In the course of the talks the sides considered Tajikistan's macroeconomic indices, interaction of relevant agencies with international financial institutions, as well as issues related to tackling the cotton sector debt problem, carrying out banking system and tax reforms, introduction of international accounting standards and projecting new program of cooperation between Tajikistan and the Fund.

Both sides expressed readiness to continue mutually beneficial cooperation in implementing poverty reduction strategy in Tajikistan, presidential press service said.

EBRD PROVIDES LOANS TO THREE TAJIK BANKS TO SUPPORT AGRARIAN SECTOR

DUSHANBE, December 13, Asia-Plus - The European bank for reconstruction and Development (EBRD) is stepping up its commitment to the development of Tajikistan's economy with new loans to three local banks aimed at supporting the agricultural sector.

A ceremony of signing of agreements on providing loans to Agroinvestbank, Tojiksodirotbank (TSB) and Bank Eshkata was held at the Khokhi Vahdat State Complex in Dushanbe on December 12.

The financing, provided under the new Tajik Agricultural Finance Framework (TAFF), will be on-lent to small farmers for the purchase of farming supplies, such as equipment and seeds. Many of the farmers will never have received a loan before and many of them will be women.

The funding comprises a \$6 million loan to Agroinvestbank, \$3.5 million to TSB and \$1.2 million to Bank Eshkata. Bank Eshkata will be provided with USD 1.2 million. These are the first syndicated loans in Tajikistan.

Agroinvestbank is also receiving a \$10 million loan for on-lending to micro, small and medium sized enterprises, many of which are likely to be located in rural areas.

The ceremony was attended by Murodali Alimardon, chairman of the National bank of Tajikistan (NBT), Sharif Rahimzoda, chairman of the State Committee for investments and Management of State-owned Property, Nematjon Bouriyev, State Adviser to the Tajik President for Economic Matters, and Masaru Honma, EBRD Director for Central Asia.

Mr. Murodali Alimardon noted that that was a very significant moment for Tajikistan, because not only were those the first syndicated loans in the country but the technical assistance provided alongside that finance would help local commercial banks to provide a real alternative to Tajik farmers and would support our Government's new Freedom to Farm policy.

Mr. Masaru Honma said that "affordable finance and advice are still needed in Tajikistan and the EBRD can provide both. The first signings under the new facility will encourage smaller farmers to grow the crop of their choice rather than tying themselves to unfavorable deals that have led them into debt in the past."

Three Tajik banks that received loans under the new facility have already worked closely with the EBRD under the Tajik Micro and Small Enterprise Finance Framework launched in late 2003.

The USD 35 million-Tajik Agricultural Finance Facility, the first of its kind in the EBRD region, is a new initiative by the Bank to support the restructuring and diversification of the Tajik agricultural sector, including the cotton sector, by funding loans to small, family and individual private farms.

Under the framework EBRD donor countries will cover the costs of training participating banks and agricultural advisers. Training and education will be provided to farmers to avoid the use of harmful environmental practices and inputs (such as banned or toxic pesticides), improving labor standards, and working towards the implementation of best farming practices (such as integrated pest management).

Donor funds will also be raised to establish a warehouse receipt program that will enhance farmers' access to finance after harvest. Warehouse receipts are an effective and low risk financing mechanism that can be applied to agricultural commodities.

The Tajik Agricultural Finance Facility builds on the successful Tajik Micro and Small Enterprise Finance Framework through which the EBRD has provided credit lines since late 2003. As of end-September 2007, four partner banks had disbursed over 27,000 loans for a total value of over \$104 million to micro and small companies in Tajikistan.

TAJIKISTAN BUSINESS ASSOCIATIONS DECIDE TO TEAM UP

DUSHANBE, December 12, Asia-Plus – To combine efforts to improve business environment in the country heads of business associations of Tajikistan have decided to set up integrated union, which would group all local entrepreneurs' associations and business-supporting and NGOs.

A meeting with participation of representatives of business-supporting associations and NGOs from Dushanbe, Gorno Badakhshan, Khatlon, Rasht Valley and Sughd was held in the office of the USAID Business Environment Improvement (BEI) Project in Dushanbe yesterday.

The meeting focused on problems facing entrepreneurship in Tajikistan, in particular those that impede development of private business in the country. It was noted that entrepreneurs practically do not have access to elaboration and adoption of laws aimed at promoting development of entrepreneurship in the country. In this connection, the meeting participants noted that business community should be more solid and active in protection of their interests and removing various administrative obstacles.

The private sector should not only follow state-established rules but also influence to a certain extent decision-making process for the purpose of creating more favorable conditions for effective participation of the private sector, ensuring economic wellbeing of the country.

To achieve these goals the meeting participants proposed to set up coordinating council of business association, which would be an informal union of legal entities – business associations, sectorial, regional and professional unions and business-supporting NGOs.

The main goal of the coordinating council is to provide effective and consolidated participation of business community in preparing and carrying out economic reforms, elaborating business-related laws, creating favorable conditions for development of entrepreneurship, raising its role in providing economic growth of the country and sustainable development of market economy.

The key objectives of the coordinating council include consolidation of business community's effectors, expression of entrepreneurs' interests, participation in economic reforms, establishment of partnership with government bodies on condition that balance of interests of society, authorities and business is observed. The council should also participate jointly with government in elaboration and implementation of economic development, establishment of partnership with representatives from business communities of other countries, etc.

This new union is called "Coordination Council of Association of Entrepreneurs of Tajikistan." The council's board will consist of heads of the mentioned organizations that would be members of the council.

Nekroy Zobirov was elected as chairman of the Coordination Council, and Boymamad Alibakhshev from Gorno Badakhshan, Rahmatboyev from Sughd and Imomnazarova from Khatlon were elected as deputy heads for regions.

The first meeting of the coordinating council is expected to discuss the upcoming meeting of President Rahmon with Tajik entrepreneurs. It is also planned to prepare a text of an appeal of Tajik entrepreneurs to the president.

CIS MIGRATION POLICY CONCEPT ADOPTED IN MINSK AIMED AT COUNTERING ILLEGAL MIGRATION

DUSHANBE, December 12, Asia-Plus - The CIS migration concept, endorsed by CIS experts in Minsk in early December, is aimed at regulating labor migration processes and countering illegal migration, Ramazan Rahimov, the head of the migration service of the Ministry of Interior (MoI), said in an interview with Asia-Plus.

According to him, the draft document was elaborated by the Tajik government. Expert group consisting of representatives from president's office, migration service and researchers had been engaged in elaboration of the draft document, Rahimov said.

"The main objective of the document is creating favorable conditions for labor migration, protection of rights of labor migrants against any forms of violence, threats, intimidation and discrimination," the migration service chief said.

Besides, the document requires elaboration of new methods and directions of cooperation in the field of labor migration and provides for improvement of legal foundation regulating issues related to labor migration process countering illegal migration and ensuring social guarantees and economic rights of labor migrants, etc.

Rahimov added that mechanism of implementation of the concept had already been elaborated. One of such mechanisms envisages implementation of medium-term and long-term programs based on forecasting potential migration for the purpose of preventing spontaneous and unregulated processes of labor migration.

On the present state of Tajik labor migrants in the Russian Federation, Rahimov said that a number of legal labor migrants had considerably increased after adoption by Russia of new migration legislation. "In 2006, Russia's Federal Migration Service officially registered some 30,000 Tajik labor migrants, while this year, the number of officially registered Tajik labor migrants has reached 200,000."

In the meantime, more than 1,850 Tajik labor migrants have been deported from Russia this year, Rahimov said. Most of them were deported for failing to register within three days of their arrival in Russia.

We will recall that a meeting of the council for social policy at the Integration Committee of the Eurasian Economic Community (EAEC) that was held in Dushanbe last month adopted a new common policy on migration policy. An agreement includes important new initiatives, such as providing medical insurance for migrants and social protection for their family members. The agreement was approved by all the EAEC member nations except for Uzbekistan.

TAJIKISTAN TO PARTICIPATE IN PROD EXPO 2008 IN MOSCOW

DUSHANBE, December 11, Asia-Plus -Tajikistan will participate in an International Prod Expo 2008 that will be held in Moscow on February 11-15, 2008, press service of the Trade Promotion Project in Tajikistan told Asia-Plus Tuesday.

Six Tajik companies dealing with processing fruits and vegetables, including limited liability companies Sharbat, Elita-Istaravshan, Nek, as well as production group Nour and Khujand' cannery, will put on display their achievements in this field at a fair in Moscow.

Saidmoumin Kamolov, national manager of the Trade Promotion Project in Tajikistan, said that participation in the exhibition would give Tajik companies an opportunity to get access to markets of other countries, in particular Russia and Kazakhstan.

Tajikistan's trade system is particularly vulnerable to external shocks because of its reliance on a few commodities export (cotton, aluminum) but also geographical concentration of its trade. Both for internal as for external reasons a diversification of production is therefore of major importance. As the domestic market is too small to allow the development of sectors based only on national demand, a diversification of exports is crucial for a balanced economic development.

The objective of the Trade Promotion Program in Tajikistan, launched in 2001, is to strengthen the sustainable expansion and diversification of SMEs' exports from Tajikistan. Interventions are to be demand- driven, and built around three pillars formulated as immediate objectives: to improve the export competitiveness of enterprises in two priority sectors (initially agro-processing) and this at the enterprise level (such as in product design, quality management or marketing); to strengthen "Business Support Services Organizations" through increasing the quality and range of their services that can assist potential and actual exporters in becoming more export competitive; and to improve the business environment for exporters by strengthening the dialogue between stakeholders and public sector, this in the context also of national trade strategies.

In practical manner, the project will aim at achieving improvement for all types of inspections, with a particular focus, in agreement with the relevant State bodies, on tax, sanitary and fire safety inspections. The new project phase had started in 2004.

Implementing agencies are ITC (International Trade Center), UNCTAD/WTO, and Tajik Ministry of Economic Development and Trade. The project is funded by the Swiss State Secretariat for Economic Affairs (SECO).



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

With best wishes,
Tajikistan SME Public Relations/Communication Department