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Tajikistan SME Policy Project Press Review - Issue #24

Dushanbe, 02 February 2007

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1. News directly connected to SME Project

DOING BUSINESS IN TAJIKISTAN: NOT AN EASY TASK

Institute for War and Peace reporting, November, 10, 2006. In a country like Tajikistan where it is hard enough to do business because of factors like the country's remote geographic location, the government needs to do more to remove the obstacles that face entrepreneurs, NBCentralAsia economic experts say.

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.

NBCentralAsia analysts say this low ranking stems from an environment in which business have to devote a lot of time to gathering various kinds of permits, corruption is prevalent, and officials make arbitrary decisions. The analysts agree with the IFC's findings, while arguing that official corruption is the number one obstacle to the development of the business sector.

The situation is such that if you open a business in Tajikistan, the main thing you need to know is whom to bribe so as to avoid problems in the future, they say.

Although only the taxation service is allowed to inspect functioning companies, other government agencies also carry out their own checks, sometimes by force. The experts say businessmen are unaware of their legal rights, and are reluctant to defend these rights for fear of being accused of some kind of legal breach.

One solution would be for the authorities to step up their campaign against corruption and overgrown bureaucracy, and offer more state support for small and medium-sized enterprises, SMEs. Only then, say NBCentralAsia's experts, will the situation start improving.

But as well as these problems, making a success of any business venture is also made more difficult by objective factors such as Tajikistan's landlocked position, underinvestment in infrastructure, the dearth of new technology, and lack of access to long-term loans.

2. News interesting for Business Environment

AGROINVESTBANK MAKES PREPARATIONS FOR LAUNCHING MORTGAGE CREDIT SERVICE

DUSHANBE, February 2, Asia-Plus /Zarrina Ergasheva/ -- AgroInvestBank has extended a line of its deposit products through offering a new deposit product to its customers – deposit account Khona (Home).

Sharif Qaraqulov, the head of the AgroInvestBank deposits and attracted resources department, said in an interview with Asia-Plus that the Khona deposit is intended for those who want to collect money for housing and an annual interest rate on funds deposited on the Khona account is set at 5%. According to him, the Khona deposit is the first move taken by the bank towards offering mortgage credit services to the customers.

According to Tajik central bank, a mortgage credit law has not yet been adopted in the country and the work on drafting this law is under way. "However, since banks in Tajikistan are joint-stock companies, they may make decision to introduce the mortgage credit service themselves," a source at the central bank said.

At present TojikSodirotBank (TSB) is still the only bank in Tajikistan to offer the mortgage credit service to its clients. According to TSB, many people have already applied for mortgage credit to the bank since the service was introduced two years ago.

"Before providing the mortgage loan, the bank checks and analyzes incomes of client; person applying for the mortgage loan should have stable income in order to repay the loan," said the TSB source, "It is to be noted that there are no so many people in Tajikistan having stable incomes and therefore the bank has provided only 26 mortgage loans for a total amount of more than 1 million somonis over the past two years."

According to the TSB source, the mortgage loans provided by their bank carry an annual interest rate of 25 percent and are repayable over five years. The maximal amount of the mortgage loan provided by TSB is \$30,000.

PROGNOSIS OF TAJIKISTAN'S ECONOMIC GROWTH FOR 2007 REALISTIC

DUSHANBE, February 1, Asia-Plus /Nazarali Pirnazarov/ -- Prognosis of Tajikistan's economic growth for 2007 is quite realistic, Carlos Pinerua, the head of the International Monetary Fund's (IMF) mission to Tajikistan, remarked at a news conference in Dushanbe on January 31.

According to him, the gross domestic product (GDP) growth in the country this year is projected at 7%-7.5 percent. "This figure is quite attainable because a number of large investment projects are being implemented in the country," said the IMF mission head, "The economic growth will be provided also due to remittances of Tajik labor migrants working outside the country, as well as trade and rendering paid services."

At the same time, Pinerua noted that shortage of electricity may become one of impediments to development of economic growth in Tajikistan this year. "However, the Ministry of Economic Development and Trade assured that there are no factors in 2007 that could contribute to decline in generation of electrical power as it was last year," Pinerua noted.

He also noted inflation is expected to be 7%-9% this year, which is much lower than last year, when inflation in consumer sector was 12.5 percent. Pinerua pointed to the necessity of taking into consideration also increase in the price of natural gas imported from Uzbekistan.

ADB PROVIDES \$17.1 MILLION TO HELP RAISE RURAL INCOMES AND PRODUCTION IN TAJIKISTAN

DUSHANBE, February 1, Asia-Plus /Zarrina Ergasheva/ -- The Asian Development Bank (ADB) will provide a \$171.1 million assistance package to help raise household incomes in rural areas of Tajikistan.

According to the ADB Dushanbe Office, the funds are provided to increase productivity, introduce better land management, and develop the rural infrastructure in the country.

Press release issued by ADB says agriculture provides the major source of livelihood for more than 64% of Tajikistan's population and contributes about one quarter to gross domestic product. But despite this importance, the sector is still falling short of its potential to contribute to growth, poverty reduction, rural development, and exports.

Among the key constraints are sub-optimal farming decisions, an [unpredictable business environment](#), extensive land degradation caused by salinity, waterlogging or soil erosion, scarcity of support services, poor infrastructure, and weak institutions. In addition, women face special problems that affect their equal access to resources, services, and opportunities.

Focusing on five districts – Fayzobod, Roghun, Rudaki, Vahdat, and Varzob – located around Dushanbe, the project will tackle all these issues, introducing reforms on land use security, agro-processing, and marketing, and enterprise development.

It will undertake a nationwide pasture land assessment; prepare a road map of policy, strategy, legislation, and investment; provide essential agriculture and business support services, rehabilitate small scale but essential community infrastructure such as access roads and bridges, irrigation and drainage systems, and water supplies; and address land degradation.

The total cost of the project is estimated at \$23.2 million, of which ADB will finance from its Asian Development Fund a loan of \$8.8 million and a grant of \$8.3 million. The loan carries a 32-year term, including a grace period of eight years. Annual interest is 1% during the grace period and 1.5% for the rest of the term.

The grant-funded segment will develop awareness of land management and business opportunities, a modern curriculum for pasture land management, train staff, and help districts to plan and maintain infrastructure.

The project is expected to be supported with a grant of \$3.5 million from the Global Environment Facility. The Government will finance \$1.65 million equivalent and beneficiaries will contribute \$1 million.

The Ministry of Agriculture and Environmental Protection (MoAEP) is the executing agency for the project, which is due for completion around the end of March 2014.

ACTIVITY OF RUSSIAN COMPANIES IN TAJIKISTAN IMPEDED BY BUREAUCRATIC DELAYS

DUSHANBE, January 31, Asia-Plus /Valentina Kondrashova/ -- Activity of Russian companies in Tajikistan is frequently impeded by some local officials themselves, Russian Ambassador to Tajikistan Ramazan Abdulatipov remarked at a news conference in Dushanbe on January 30.

According to him, some Tajik officials are sometimes delaying decisions on granting licenses. “Russian gas company Gazprom was recently faced with such problems when it applied for licenses to explore gas reserves in Tajikistan,” Abdulatipov said.

Russian diplomat noted that during a meeting with Gazprom head Aleksey Miller, President Rahmonov had asked to speed up the geological prospecting of natural gas and oil fields in Tajikistan.

“The company opens its representative office here; however, it has to spent several months to receive the licenses,” said the ambassador, “The president gives one order while officials work in absolutely other way.”

Abdulatipov also noted Gazprom had to date received two licenses and the Tajik government has

promised to grant two other licenses.

RUSSIAN-TAJIK TRADE INCREASES BY 50 PERCENT LAST YEAR: RUSSIAN AMBASSADOR

DUAHNBE, January 31, Asia-Plus /Valentina Kondrashova/ -- Russian Ambassador to Tajikistan Ramazan Abdulatipov told journalists in Dushanbe yesterday that Russia attached important significance to its economic cooperation with Tajikistan.

According to him, compared to 2005 a trade between Tajikistan and Russia last year increased by 50 percent and amounted to some \$490 million. This consisted of Tajikistan's exports to Russia estimated at \$65.4 million and Tajikistan's imports from Russia worth \$423.7 million. "Last year, Russia invested nearly \$250 million in Tajikistan's economy," Abdulatipov added.

"At present 60 Russian regions cooperate with Tajikistan in various fields of economy," the ambassador said, noting that some 70 joint enterprises with participation of Russian capital have to date operated in Tajikistan.

Assessing the present state of Russian-Tajik relations, Abdulatipov noted that although compared to the previous years cooperation between the two countries had expanded "it is not enough especially with regard to our potentials and demands."

TAJIKISTAN SEEKS CLOSER COOPERATION WITH INDIAN COMPANIES

DUSHANBE, January 31, Asia-Plus /Muhayo Oripova/ -- Senior representatives from Tajikistan's Chamber of Commerce and Industry (CCI) took part in an international three-day industrial exhibition that was held in New Delhi from January 23 to January 25.

A source at a CCI said that 48 countries across the world took part in the New Delhi exhibition. Companies from Asia, Europe, America, Africa and Australia put on display displaying their achievements in industry, as well as investment projects and commercial proposals.

Representatives from Tajik CCI held talks with senior representatives from a number of Indian firms on sidelines of the exhibition in New Delhi. During the meeting, the sides underlined the importance of establishing long-term cooperation in the field of industry and agreed to make efforts to achieve this goal. Indian businessmen noted that recently opened air route from Tajikistan to India will facilitate further expansion of economic cooperation between the two countries.

As a result of the meeting a draft agreement on cooperation between Tajikistan's CCI and New Delhi's Chamber of Commerce and Industry was prepared, according to the source.

5,000 ENTREPRENEURS FINED FOR NOT FULFILLING TAX CODE REQUIREMENTS IN 2006

DUSHANBE, January 31, Asia-Plus /Muhayo Oripova/ - Amendments made to Tajikistan's Tax Code have reduced number of types of entrepreneurial activities subject to taxation from 115 to 49, Nusratullo Davlatov, deputy head of the Tax Committee under the Government of Tajikistan, announced at a news conference in Dushanbe on January 29.

According to him, 65,738 people in Tajikistan engaged in entrepreneurial activity by patent pay fixed tax, and another 38,524 people working on the basis of certificate pay income tax. "In 2006, people working by patent and people working on the basis of certificate transferred to the country's budget 9.0858 million somonis and 25.1008 million somonis respectively," Davlatov said.

"Last year, the tax committee inspected 5,776 enterprises," said Davlatov "The inspections recorded instances of violation of the tax code at 4,474 enterprises and fines of a total of 13.9 million somonis were imposed on these enterprises." Of this amount, 5.9 million somonis have already been transferred to the budget, according to the tax official.

Besides, the tax committee last year passed rulings obligating more than 5,000 entrepreneurs to pay totaling 850,000 somonis in fines for not fulfilling the tax code requirements, Davlatov said, adding that of this amount, 63,500 somonis have to date been transferred to the country's budget.

FARMERS DO NOT PAY SINGLE TAX, SAYS TAX OFFICIAL

DUSHANBE, January 30, Asia-Plus /Muhayo Oripova/ -- Because of unstable financial state and large debt to futures companies farming units in Tajikistan have failed to opportunely pay the single tax, Pulod Yusupov, the head of the taxation organization department of the Tax Directorate, told journalists in Dushanbe on Dushanbe 29.

"Last year, tax officers fulfilled targets on all types of taxes, except the single tax target, which has not been fulfilled for already two years," said Yusupov, "Cotton farmers now owe \$350 million to their creditors and therefore they are not able to pay the single tax opportunely."

According to him, last year's target on the single tax has been determined at 61.4 million somonis. "At first, the single tax has been imposed on all categories of lands," said the Tax Directorate official, "Now, beginning on January 1, 2007, lands that are not used by farmers are assessed by the tax on land (in accordance with the Land Code), while the single tax is levied on the remaining land."

Speaking to journalists, Nusratullo Davlatov, the first deputy head of the Tajik Tax Directorate, said that last year, Tajik tax officers transferred to the country's budget 736.9 million somonis, which is 59.7 million somonis more than it was originally projected.

TAJIKISTAN INTENDS TO REDUCE POVERTY LEVEL BY FURTHER QUARTER BY 2010

DUSHANBE, January 30, Asia-Plus /Nazarali Pirnazarov/ -- Economic Development and Trade Minister Ghulomjon Boboyev told a news conference in Dushanbe on January 29 that Tajikistan intends to have reduced poverty level by further 25 percent by 2010.

According to him, over the past three years, as a result of the implementation of the poverty reduction program the poverty level in the country has reduced from 83 percent in 2003 to 64 percent in 2005. "We intend to conduct a survey on this issue," the minister said.

Boboyev added that the ministry is currently projecting a document on allocating funds from investments and the country's budget to implement the National Poverty Reduction Strategy designed for the period up to 2015 as well as the second phase of the Poverty Reduction Strategy paper (PRSP) for 2007-2009.

INVESTMENT PROJECTS TOTALING MORE THAN \$ 1 BILLION CURRENTLY BEING IMPLEMENTED IN TAJIKISTAN

DUSHANBE, January 29, Asia-Plus /Zarrina Ergasheva/ -- Maruf Sayfiyev, the first deputy head of the State Committee for Investments and Management of State-owned Property, told journalists in Dushanbe on January 26 that Tajikistan last year received \$334.16 million in investments.

According to him, at present 51 investment projects totaling \$1.036 billion are being implemented in Tajikistan. "Some 90 percent of funds has been invested in large projects aimed at the construction of hydropower plants, tunnels and highways," Sayfiyev said.

According to him, they expect investments in the projects for the construction of hydropower plants, enterprises from processing precious metals and stones as well as textile factories to increase in the future. Sayfiyev noted that by 2015, 100 percent of the cotton Tajikistan produces will have been processed into manufactured goods in the republic.

According to the Ministry of Economic Development and Trade (MoEDT), a total of \$677.1 million of investments is expected to come to Tajikistan in 2008. In 2005, Tajikistan received \$54.5 million of investments, according to a MoEDT.

TAJIKISTAN INTENDS TO CREATE ITS E-GOVERNMENT

DUSHANBE, January 29, Asia-Plus /Nazarali Pirnazarov/ -- Tajikistan intends to create a system of electronic government. Transport and Communications Minister Abdurahim Ashurov remarked this at a meeting with journalists in Dushanbe on Friday, January 26.

According to him, four projects have been prepared in the communications sector: electronic government; electronic passport; medical services and digital services.

The minister noted that all those projects had been worked out as part of the Information and Communication Technology Development Program. "In future, we plan to replace the existing communications networks and install optic-fiber communications networks, linking all regions of the country to each other," Ashurov said.

Dwelling on the electronic government, the minister said that it will senior public sector professionals and decision makers with relevant and accurate sources of comment and information from both their public sector peers and the foremost private sector solution providers. Ashurov noted that the ministry had submitted for consideration to the government a draft electronic government development concept, adding that it is necessary to project a program and plan for the implementation of this project.

Meanwhile, Asia-Plus has learned from the Public Service Directorate under the President of Tajikistan that 20 state structures have to date been connected to the single system of the electronic government as part of the pilot project.

Electronic Government (also known as e-gov, digital government, online government or in a certain context transformational government) refers to government's use of information and communication technology (ICT) to exchange information and services with citizens, businesses, and other arms of government. e-Government may be applied by legislature, judiciary, or administration, in order to improve internal efficiency, the delivery of public services, or processes of democratic governance. The primary delivery models are Government-to-Citizen or Government-toCustomer (G2C), Government-to-Business (G2B) and Government-to-Government (G2G). The most important anticipated benefits of e-government include improved efficiency, convenience, and better accessibility of public services.

With best wishes,
Tajikistan SME Public Relations/Communication Department