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Tajikistan SME Policy Project

Press Review - Issue #25

Dushanbe, 09 February 2007

1. News directly connected to SME Project

- What should you know on inspections?

2. News interesting for Business Environment

- «Councils» against «barriers»
- How poor is poor Tajikistan?
- Micro-loan schemes need more funding
- The challenge of e-government
- Rapid fluctuation of currency trading prices caused artificially
- Tajik president pays official week-long visit to Egypt and Syria
- EBRD presents report on process of transition to market economy
- Isfara entrepreneurs invest in construction of mini cement plant

1. News directly connected to SME Project

WHAT SHOULD YOU KNOW ON INSPECTIONS?

The youth of Tajikistan newspaper (Djavnini Tojikiston), January 11, 2007. This was the topic of the seminar held with the support of the Club of young entrepreneurs and the Committee of Youth, Sports and Tourism upon the Government of the RT. This seminar was organized with the technical assistance of IFC, the World Bank group, and joined the young entrepreneurs of the city of Dushanbe. The representative of SECO, Maqsoud Odinaev, and specialists of IFC's SME Policy project Jienshokh Bukhoriev, Polina Pilyugina and Eugenia Mardenskaya informed the participants on the inspection procedure of business entities activities. The most part of the learners proved that the inspections' results are not important unless they are registered in the Inspection Registration Book. Each year the inspecting authorities inspect 96% of all SMEs. These inspections are held during a year and amounted to 13 inspections per entrepreneur in average.

The seminar providers appealed to entrepreneurs to learn thoroughly the Inspections Law. Along with they should use the handouts prepared by IFC.

2. News interesting for Business Environment

«COUNCILS» AGAINST «BARRIERS»

Deuche Welle, February, 1, 2007. Public councils are being established in Tajikistan to solve the entrepreneurship problems.

The public councils are being established upon the administrative bodies of each region and the capital. Their goal is to resolve the problems of entrepreneurs. Government officials as well as all interested businessmen could participate in their activities aimed at removing the barriers of the entrepreneurship development.

USAID helps to create these public councils through its Business Environment Improvement project launched recently. Similar projects are initiated in Kyrgyzstan and Kazakhstan. Their goal is to promote the entrepreneurship development by eliminating the legal and administrative hurdles for small and medium businesses. According to Nurali Shukurov, the BEI Project Director, it is important to create direct and open dialog among the entrepreneurs and government officials. But there still too many barriers for private sector development:

- There are a lot of barriers. Today entrepreneurs face with them since the business launch. We have multi-step registration procedure of the legal entity – first, you need to receive the registration in the Ministry of Justice. After that it is required to register in the Statistics body, then – in Tax body and afterwards in the Social Protection Fund. It would be most effective to introduce the “one window” registration, i.e. to bring all the documents in one agency, and not to spoil time running all around. The same is applicable for the licensing procedure. There are cases when the license is granted within a period much longer than established by the law. Known are the facts when the official fee is overpaid, i.e. the amount of real payment is higher than fixed in the regulations.

One of the new USAID project goals is to raise the level of entrepreneurs' legal knowledge. To improve the business environment as a whole there are lots to do, especially in the area of anticorruption,

transparency of taxation and permit issuing bodies. The drafts of laws should also be more reachable for the public. Besides, the transparency of state bodies activity is also the requirement of accession to WTO, which Tajikistan is intended to join in future.

To read the original article, [click here](#).

HOW POOR IS POOR TAJIKISTAN?

Institute for War and Peace Reporting. February, 5, 2007. As Tajikistan's government announces plans to cut the number of poor people by one-quarter by 2010, commentators say the measurement of poverty needs to be both accurate and ongoing, since it is a relative concept.

In order to achieve its goal, the government is drafting a document that will see funding earmarked from external investment and domestic budget revenues to implement poverty reduction strategies that are already in place.

Rustam Jaborov, one of the architects of the government's Poverty Reduction Strategy, said this programme and Tajikistan's National Development Strategy to 2015 both envisage that some five billion US dollars drawn from loans, direct investment, and grants, will be spent on developing the economy and creating new production capacity and jobs.

The most recent World Bank study dates from 2003, and showed that 64 per cent of the population were living below the poverty line. Jaborov said the percentage was estimated at about 58 per cent in 2005. If you earn less than two dollars a day, you count as poor, he said.

A source in the government's statistical agency told NBCentralAsia that the real scale of poverty could be even greater.

"The methodology the World Bank has used in two past studies is based on purchasing power parity and does not show the full picture," the source said, adding that the average consumer basket has not been properly defined in Tajikistan, not least because such measurements ideally need to be made all year round using the same families.

Sociologist Firuz Saidov noted that poverty indicators change over time, so that a new poverty baseline study will be needed soon. "The problem used to be access to food, but now it's about other things such as access to education and medicine," he said.

Saidov was extremely doubtful that it would be possible to reduce the number of poor by 25 per cent in the three years that are left to the 2010 deadline. Supposing current challenges such as labour emigration, agriculture, major energy projects and electricity provision are overcome, he predicts it will take the government 10 or 15 years to achieve its target.

Please, read the [original article here](#).

MICRO-LOAN SCHEMES NEED MORE FUNDING

Institute for War and Peace Reporting. February, 2, 2007. Microcredit schemes have proved a successful way of helping people out of poverty in Tajikistan, but they will require substantial additional funding if they are to help everyone in need of a small loan.

On January 26, a round-table meeting in Dushanbe convened to discuss microfinance issues heard that things have improved in the last few years, from a position where new business development was constrained since few entrepreneurs had any chance of getting a loan. At that time, complex procedures made bank loans virtually impossible to obtain, while private lenders charged exorbitant interest rates.

Thanks both to financial-sector reforms and the emergence of microcredit, Tajikistan now has around 100 banks, microcredit organisations and government agencies that grant small loans worth 25 million US dollars a year.

One of the most widespread schemes allows people to take out a loan ranging from 100 to 2,500 dollars to start a small business. There is no collateral, but a collective guarantee is given by a number of people. Experts say the demand for microcredit is much higher than current availability. Gulbahor Mahkamova, deputy director of the IMON microcredit fund, told NBCentralAsia that only seven per cent of the

population – around half a million people – have taken out these small loans in Tajikistan, one of the world's 25 poorest countries. In neighbouring Kazakhstan and Kyrgyzstan the equivalent figure stands at 27 and 21 per cent, respectively.

Mahkamova believes there is still considerable unsatisfied demand for loans, especially in the agricultural sector.

"We are unable to meet the rising demand for credit as we do not have sufficient funds," she said. "Local banks have recognised that the microfinance market is both substantial and profitable and are trying to attract foreign investors, but the interest rates they [the banks] charge are too high."

Nurinisso Rustamova, a member of the Association of Microfinance Companies, would like to see lending made accessible to as many people as possible. "Both donor and government funding should be sought for a unified, powerful fund that would implement social programmes," she told NBCentralAsia.

Economy professor Hojimahmad Umarov argues that microfinance companies should be allowed to raise capital in the open market.

"The main problem is that microfinance organisations have no legal right to accept deposits from members of the public, and that significantly reduces their [capital] resource base," he said.

[The original article find here](#)

THE CHALLENGE OF E-GOVERNMENT

Institute for War and Peace Reporting. February, 2, 2007. Analysts say a new e-government programme will set higher standards for transparency and good governance than the authorities in Tajikistan have ever been subjected to.

On January 28, Transport and Communications Minister Abdurahmon Ashurov announced that his department had finalised an e-government programme to allow a rapid information exchange among all official agencies, regional authorities and the public.

The programme was approved by the government as long ago as 2004, and a pilot project involving 20 government agencies began in March last year.

Zafar Saidov, director of the state news agency Khovar, said Ashurov's announcement indicated that the programme was about to be implemented in practice. He explained that e-government would entail setting up a government internet network, creating a government portal and individual websites for state institutions, and providing more public internet access points.

Saidov estimates it will take 18 months to two years to complete all this work.

Muhammadi Ibodulloev, coordinator of the E-Community Project with the Civil Initiative for Internet Policy group, highlighted some of the practical difficulties that the scheme will come up against. For example, many state institutions have computers but these are not part of an integrated network. There is also a shortage of IT specialists to design websites and create databases.

But he said, "The main problem is whether the government is ready to launch such a project. When we talk about e-government, we mean a government that is constantly online and ready to answer questions put by the public."

Other commentators say the government itself will have to change before the new system's potential can be exploited.

Political scientist Shokirjon Hakimov says that even if e-government comes into being, it will not by itself improve the dialogue between society and government. "There won't be significant changes to the government's working methods and systems until it stops hiring personnel on the basis of local and regional allegiances, corruption and other negative phenomena, and starts employing new people who suit the needs of a modern society," he said.

[The original article read here.](#)

RAPID FLUCTUATION OF CURRENCY TRADING PRICES CAUSED

ARTIFICIALLY

February 8, 2007. Asia-Plus. On Monday February 6, the USD suddenly dropped in value in Tajikistan and the market USD/TJS (currency code of the somoni) exchange rate came down from 3.51 to 3.40 and many currency exchange points in Dushanbe did not sale USD, pleading lack of U.S. currency. Only Tuesday afternoon, they began to sale the USD at the rate of 3.46.

According to the National Bank of Tajikistan, nothing supernatural is going on the country's currency market. An official USD/TJS exchange rate has remained the same – 3.44.

A source at Tajik central bank said that the government cannot interfere to control the exchange rate of national currency. Several factors could contribute to reduction in value of the USD: rising demand for local currency and some market trends. According to the NBT, it cannot be ruled out that the USD dropped in value in the republic in connection with the fact that Tajik entrepreneurs had temporarily suspended business trips to China during the Chinese New Year's celebrations.

Local independent experts hold the different opinion. Many of them have agreed that rapid increase in the exchange rate of the TJS resulted from president's demand to take measures to curb galloping inflation in the country.

We will recall that President Rahmonov demanded at a January 31 government session that urgent measures should be taken to strengthen local currency.

Sometime currency trading prices fluctuate rapidly, and the central banks need to intervene to bring back the stability of the currency.

Independent expert Farrukh Zaripov noted that under normal market conditions, if the currency suddenly drops in value, the central bank can jump in with an intervention, in order to maintain the stability of the country's economy. "Intervention is done by vast investment in the currency made by the central bank, that is to increase supply of foreign currency on the financial market of the country in order to meet high demand," said Zaripov, "By the way, President Rahmonov also meant that, telling the government session."

"However, instead of doing intervention, the country's central bank has decided to introduce administrative measures to reduce the USD/TJS exchange rate," the experts said, adding that there is a secret informal instruction to artificially reduce the USD exchange rate. "It is violation of a free currency circulation in the country," Zaripov said.

According to experts, such measures will negatively impact the country's economy. "Thus, it may lead to rapid outflow of capital from the country," said Zaripov, "Realizing that their dollars are dropping in value here, foreign investors will just withdraw their capitals from Tajikistan, and a parallel currency market will appear as it is in Uzbekistan, where the USD rate is curbed artificially."

TAJIK PRESIDENT PAYS OFFICIAL WEEK-LONG VISIT TO EGYPT AND SYRIA

February 5, 2007, Asia-Plus. On Sunday February 4, President Emomali Rahmonov left for Egypt, which is the first leg of his week-long visit to two Arabic nations.

Rahmonov's visit to Egypt will last till February 7, according to presidential press service. A source at the government said that Rahmonov today met in Cairo with his Egyptian counterpart, President Muhammad Hosni Mubarak, to discuss bilateral economic cooperation between Tajikistan and Egypt. During his stay in Cairo, Tajik president is also scheduled to hold talks with a number of other high-ranking Egyptian state officials. According to the source, Rahmonov's visit to Egypt is expected to result in signing of six documents on cooperation in the various fields of economy, science, culture and education.

In the meantime, according to the Ministry of Energy and Industry (MoEI), a memorandum of understanding (MoU) on cooperation between Tajikistan and Egypt in the field of energy will be inked by Tajik and Egyptian officials in Cairo. The source at a MoEI said that Tajik government seeks cooperation with Egypt on the construction of hydroelectric power stations and power-transmission lines in Tajikistan.

The Tajik side intends to submit for consideration of Egyptian officials a number of projects for rehabilitating and modernizing power plants in Tajikistan, launch of joint ventures on producing electricity meters, as well as projects for use of solar energy and technical support on introducing modern hydropower technologies.

According to some sources, the possibility of Tajik side offering the Egyptian officials a number of investment projects in the field of industry cannot be ruled out.

On February 7, Rahmonov will leave Cairo for Damascus, the capital city of Syria. During his visit to Syria that will last until February 11, Rahmonov is scheduled to meet with Syrian President Bashar al-Assad as well as some other high-ranking state officials of Syria to discuss issues related to bilateral cooperation between the two countries.

The present state of trade and economic relations of Tajikistan with Egypt and Syria is at improper level and there is considerable room for expansion of economic ties.

According to data of the State Committee for Statistics, compared to 2005 a two-way trade between Tajikistan and Egypt last year reduced by 98.7 percent and valued at \$3,100.

Meanwhile, a trade between Tajikistan and Syria last year amounted to \$126,400, which is 12.7 percent fewer than in 2005.

EBRD PRESENTS REPORT ON PROCESS OF TRANSITION TO MARKET ECONOMY

February 6, 2007, Asia-Plus. The European Bank for Reconstruction and Development (EBRD) presented Transition Report 2006 in Dushanbe today.

A source at the EBRD Dushanbe Office said that the Bank expects Tajikistan to return to higher growth rates in the medium term fuelled by an increasing amount of foreign direct investment and higher incomes. In 2005 and 2006, the country has achieved growth rates of 6.9% and 7% respectively, according to the Transition report 2006.

The slowdowns in the last two years below the average 10 percent recorded in the previous five years reflects a fall in cotton production and lower electricity output. In this context, the EBRD warns that Tajikistan is still highly dependent on a few sectors -- aluminum, cotton and power -- which are vulnerable to large fluctuations in prices and demand. Therefore a further diversification of the economy must remain one of the priorities for the country.

Foreign direct investments -- especially from Russia, China and Iran -- has also been growing encouragingly, but also focused on the key sectors. In addition, despite improvements the business climate is still perceived as difficult by foreign investors. The successful consolidation of the banking sector, which has been achieved, is expected to make doing business in Tajikistan more attractive.

The report, in particular, says that although consumption levels have improved for the entire population in recent years and the number of people living below the poverty line is decreasing, Tajikistan remains one of the low-income countries among the Bank's countries of operation, with GDP per capita of \$1,314 in 2005.

The report also notes that remittances play an increasing role in poverty alleviation.

ISFARA ENTREPRENEURS INVEST IN CONSTRUCTION OF MINI CEMENT PLANT

February 8, 2007, Asia-Plus. A mini cement plant is supposed to have been finished at the Isfara building materials complex in northern Tajikistan by the end of this year, Mahmadjon Okhunov, the head of the building materials department of the Ministry of Energy and Industry (MoEI), said.

According to him, the construction of the mini cement plant began last year with use of funds of local entrepreneurs. The estimated budget for the construction of this plant is \$250,000.

"It will be the second mini cement plant in Isfara," said the MoEI official, "The first one, having the

capacity of producing 70,000 tons of cement per year, was put into operation last month.”

According to Okhunov, Tajikistan’s annual requirements in cement are increasing. “In 2004, the country’s annual requirements in cement were 1 million tons, while last year’s requirements of Tajikistan in cement were 1.2 million tons,” Okhunov said, adding that the country’s annual requirements in cement are supposed to have increased up to 1.6 million tons by 2010. He links this to the construction of facilities of the nationwide significance such as hydropower plants and tunnels in the republic.

We will recall that two large cement plants are supposed to be built in southern in the Khatlon districts of Shahritus and Danghara in the near future.

In the meantime, the Dushanbe cement plant needs major repairs. Modernization will enable the plant to increase its daily production of cement from 1,500 tons to 1,800 tons, according to specialists.

With best wishes,
Tajikistan SME Public Relations/Communication Department