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1. News directly connected to SME Project

TAJIKISTAN WILL STRENGTHEN THE FIRE PREVENTION

Events in Tajikistan and the world, February 22, 2007. The National Conference of fire prevention took place in Dushanbe. The time for this conference was chosen not randomly: the number of fires increases during the winter period.

The hotline phones are not falling silent from morning till night. Especially in winter the firemen have the maximum number of cases. The ones of the most vulnerable objects by statistics are markets and trade centers. For the past 6 years more than 200 fires occurred there. The firemen are discussing the fire prevention measures with entrepreneurs.

Head of the Central Directorate of the State Fire Fighting Service of the RT, General-Mayor Nazarboy Djangiev said: "First of all, the head and employees of each object should know the requirements on fire prevention on this object and they should follow them at their working places."

Andrea Dall'Olio, the project manager of Small and Medium enterprises development project in Tajikistan: "Our main goal is to promote the development of small and medium business in Tajikistan. Together with the officials from the State Fire Fighting Service we are conducting the information campaign – inform on fire prevention measures."

According to the firemen, usually the reason of fire is non-observance of elementary fire prevention rules. Now the inspections law is being implemented in the republic, so when the supervision will become more strict, the number of fires will decrease.

2. News interesting for Business Environment

TAXES SHOULD BE REDUCED!

Asia-plus, February 22, 2007. Tax system at Tajikistan needs to be reformed. This is an opinion of famous Tajik economist Rustam Jabbarov.

At the present time tax rates in Tajikistan remain comparatively high. Of course the decrease of income tax to 13% is a significant achievement and should reduce the number of avoidance among tax-payers while the same tax rate in Georgia is 12% and in ARE is 5%. However, the social tax rate related with this tax still remains high (25% + 1%) and it is close to the same tax rates in developed countries like Great Britain (23,5%), Netherlands (24,7%), Switzerland (25,25) and Japan (28,8%). In Russia and Kazakhstan the regressive scale of social tax is being introduced, the minimum rate of which is 7-8%.

Current tax system analysis shows its unreasonableness to certain extent: 2 kinds of sale taxes are charged (cotton-fiber and retail trade) and two VAT taxes close to them by content (main VAT and road users tax).

Simplified tax does not stimulate transition of SME to this taxation. Still, simplified forms adjusted for micro and small enterprises are not fixed. Individual entrepreneurs besides the patent payment (regarded as advance payment of income tax) are subjects to social payments and retail tax, which make their taxation conditions more complex.

In addition, sharp difference between tax and administrative burden on individual entrepreneurs (that have a right to hire employees) and legal entities leads to distortion of statistical data, increasing of

shadow economy.

In the Tax Code 18 taxes are stipulated as earlier, and Law on other payments is not adopted yet, that at no extent does not simplify entrepreneurship terms and to some extent contradicts to the guidelines given by the President.

IS IT REAL MICROFINANCING?

Facts and Comments, February 22, 2007. Author: Madina Turaeva, The Tajikistan center of social-economic problems investigation. This is the answer to the article "Microfinancial whirlpool or where to get a credit" (Facts and Comments #6 from 08/02/07), first of all, we wanted to share the opinion of Mr.Pulatov about the microfinancing benefits in that form, how it is made in Tajikistan and to look at the problem from other sides.

Let's calculate the proposed scheme of payments, which is disastrous for entrepreneur. In fact he gets credit not with 1,7% of interest rate, but much more, 3% monthly or 36% yearly. To take a loan amounted to 6000 USD, he practically has a chance to use this amount during the first month. Besides, during the first 30 days he has to receive income not less than 210 USD (3,5% of yield), to pay for the loan 180 USD and give back 1000 USD and have at least 30 USD of personal profit. It is real?

For the next month the entrepreneur has 5000 USD, which he has to turn over so that to have not less than 1180 USD of income with 180 USD of net profit, so on and so forth.

With the same result our entrepreneur can get a credit each month for about a half-year and then to return it, so that for the first 30 days he can take 6000 USD with 3% interest, then 5000, then 4000 and so on... till 1000 USD.

Taking into account that the payment scheme in our example is based on monthly decrease of the amount of credit, let's make the calculations in another way. After the first month the borrower returns 1180 USD. Accordingly, from the credit amount rests 4820 USD, from each he will return 1150 next time. In his disposal rests 3670 USD, from which he returns 1120, so that from the total credit amount of 6000 in the fourth month will rest only 2550 USD. To the sixth month he has only 400 USD, for which usage he will have to pay 1030 USD.

WHO benefits from this situation?

In reality, the microfinancing in Tajikistan, on one side, is honey to the sole of donors, and on another side is a gap in the legislation for those who make usury and receive considerable income. The real benefit is brought to the owners of "credit resource" and their mediators. In this situation we can understand why so many international organizations are interested in opening a credit line in Tajikistan. In which countries they could sell their credit resources for **such a high interest rate?**

...Yes, let's truly admit, that microfinancing don't have any relation to entrepreneurship support as it declared widely, neither on its purpose, nor on content...

The editors proposed to discuss this topic from the other points of view, for example, to bring arguments from microfinance organizations.

MICROLENDER LENDS SOME 322,000 SOMONIS IN MICROLOANS IN GBAO

DUSHANBE, February 19, Asia-Plus – Pamir Media – The Khorog microlending organization Madina has lent 321,600 somonis since the beginning of 2006.

The Madina chairwoman Nabot Dodkhudoyeva said that the lender last year lent 308,648 somonis in microloans to 139 clients. "In January 2007, we lent microcredits totaling some 13,000 somonis to another 11 customers," Dodkhudoyeva said, adding that microcredit has successfully enabled vulnerable people, mostly woman, to engage in self-employment projects that allow them generating an income.

According to her, women constitute more than 60 percent of the lender's customers. "Madina lends small loans, up to \$1,000, for the period up to one year," said Dodkhudoyeva, "Loans provided by our lender

carry an annual interest rate of 2.5 percent.”

According to her, many people want to get loan from Madina and at present more than 100 people are queuing for taking microloan from Madina,” said the lender chairperson, “But our facility does not have enough funds to meet requirements of all those interested.”

According to Dodkhudoyeva, the microlender Madina has 90 active clients dealing with small business.

“The main objective our microlending facility, whose main donor is the OSCE Center in Dushanbe, is to promote development of small business in the region,” said the Ngo Madina top manager, “Last September, we opened legal consultation and small business support center in Khorog, which makes available information related to small business.”

At present, two microlending facilities operate in Gorno Badakhshan – Madina in Khorog and Ishkoshim in the Ishkashim district.

KHATLON AUTHORITIES RAISE PAYMENTS FOR RENTING PLACES ON LOCAL MARKETS

QURGHON TEPPA, February 19, Asia-Plus. Compared to last year, prices of shopping places on markets in the Khatlon province have risen on average by 30 percent, according to the Khatlon branch of Tojikmatlubot (Tajikistan’s consumer cooperatives’ union).

A source at the Khatlon branch of Tojikmatlubot said that the prices had been raised by resolution of Tojikmatlubot.

Joroubali Saydaliyev, director of the Qurghon Teppa central market, said that rental for hawkers had risen from 0.50 somoni to 0.70 somoni per day and rental for entrepreneurs working in shops had risen seven times.

In the meantime, an entrepreneur, who wanted to remain unnamed, said in an interview with Asia-Plus that “this resolution by Tojikmatlubot may leave many people dealing with small business outside market and lead to increase in prices of food products and other goods.”

The source at the Khatlon branch of Tojikmatlubot said that they plan to use money made from increase in the rates of rental to develop markets and construct new modern commerce facilities in the region.

Saydaliyev noted that the central market’s administration is undertaking efforts to improve conditions of entrepreneurs and consumers. “We recently delivered from Afghanistan 30 tons of potatoes that are realized at the rate of 1.3 somonis per one kilograms,” said the central market head, “Our market is cooperating with local farming units as well and we intend to conclude contracts with them on deliveries of their products for this year.” “For realizing products of local farming units we will open special stalls,” Saydaliyev said.

He also added that by the Khatlon governor’s order six points with slots machines were closed at the central market last week.

At present, 2,135 entrepreneurs work on the central market in Qurghon Teppa.

BY KULOB EPIDEMIOLOGICAL STATION’S RULINGS 2 DENTIST CLINICS, 4 SHOPS CLOSED

KULOB, February 19, Asia-Plus. By Kulob center for sanitary-epidemiological supervision’s rulings two dentist clinics and four shops were closed in the Farkhor district over the past week and their owners were fined up to 60 somonis each for not meeting sanitary requirements.

Kulob Head Sanitary Physician Said Davlatov said that two managers and 20 sellers of the Kulob central market Sakhovat had also been fined for similar reasons.

According to him, the center’s specialists last week made raids on markets and other facilities in the region to check their compliance with requirements of sanitary norms. “Some 50 percent of fines imposed has already been paid,” said Davlatov, “If the other fines are not paid this week, the cases will move to courts.”

FORMER LABOR MIGRANTS LAY OUT ORCHARD IN KHUROSON DISTRICT OF

KHATLON

QURGHON TEPPA, February 22, Asia-Plus. 31 families from the village of Tangguzar in the Khuroson district of Khatlon have decided to lay out an orchard on an area of more than 46 hectares. More than 3,000 seedlings of grapes, persimmons, walnuts and almond-trees have already been planted there.

Nouriddin Zaydulloyev, the head of the association of dehqan (peasant) gardening farms, noted that \$54,000 are needed for construction of a pump station and 1,000 km of pipeline from the Vakhsh River to the Tangguzar village to water the orchard. “We have sold our cattle and purchased some equipment and applied for help to CARE International but unfortunately, they could not help use,” said Zaydulloyev, “Growing the orchard will take at least 3-5 years and therefore we no need short-term loans.”

According to him, if the pump station is built, a new village will spring up there within the next few years.

“31 families working on laying out the orchard are former labor migrants,” Zaydulloyev said.

In the meantime, the Khuroson authorities said that a special commission will be set up to study the proposals in order to allot plots for housing for those 31 families.

REVIEWED BILL ON MORTGAGE CREDITING TO BE RESUBMITTED TO THE GOVERNMENT FOR CONSIDERATION BEFORE MARCH

DUSHANBE, February 23, Asia-Plus. The Ministry of Justice (MoJ) will submit the new edition of a bill on mortgage crediting for consideration the Government before March.

The source at a MoJ said that the ministry today sent the reviewed bill for coordination to relevant ministries and organizations.

“First time, the bill was submitted for consideration to the government at the end of last year but it was remitted for further reviewing and making a number of changes and addenda,” the source said. “The mortgage loan should be affordable for the population in terms of both interest rates on it and period of repayment.”

According to the source, mortgage loans provided today by some financial institutions in the country are not long-term and carry annual interest rates from 20% to 25%, “which is unacceptable for the majority of the population.”

The source said that Tajikistan is not fully ready for development of the mortgage crediting market. “At present not more than 10%-12% of the country’s population are able to use mortgage crediting services, and this should be taken into consideration,” the source stressed.

Mortgage lending is the primary mechanism used in many countries to finance private ownership of residential property.

Survey by International Finance Corporation (IFC) of housing finance market in Tajikistan has shown that prices of one square meter of dwelling space in the country have risen several times over the last years and now fluctuate from \$550 to \$1,350.

With best wishes,
Tajikistan SME Public Relations/Communication Department