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Tajikistan Business Enabling Environment- SME Policy Project Press Review - Issue #59

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IFC PRESS REVIEW

1. News directly connected to SME Project

IFC, ESKHATA BANK HELP SMES ACCESS TRADE FINANCE IN TAJIKISTAN

DUSHANBE, 12 October 2007, OREANDA-NEWS - IFC, a member of the World Bank Group, on October 11 announced that Eshkhat Bank has become the first bank in Tajikistan to join its Global Trade Finance Program, IFC's press service reports.

The program will help the bank expand its capacity, improving access to trade finance for small and medium enterprises in the country. The Global Trade Finance Program promotes trade with emerging markets worldwide by supporting flows of goods and services to and from developing countries. Under the program, IFC provides guarantee coverage of bank risk in emerging markets, allowing the banks to expand their trade finance operations within an extensive global network.

Increasing access to trade is a key force in fostering economic growth and development. This transaction is in line with our strategy to expand our activities in frontier markets like Tajikistan, helping increase their share of global trade, said Michel G. Maila, IFC Vice President for Risk Management.

We are pleased to work with Eshkhat Bank. The program will help expand the bank's global reach, opening new markets and increasing business opportunities for its small business clients, said Shahbaz Mavaddat, IFC Director for Southern Europe and Central Asia.

Eskhata Bank was established in 1993. It is a regional bank based in Khojand, Tajikistan's second-largest city and major commercial center. Its primary business lines are small and medium enterprise banking, foreign exchange, and remittance services. Eskhata Bank is the fifth-largest bank in Tajikistan ranked by total assets. The bank has a network of eight branches located in Khojand, the other major centers of the Sogd Region, and Dushanbe.

Document Title: IFC, Eskhata Bank Help SMEs Access Trade Finance in Tajikistan
Document Source: RIA Oreanda

IFC TO OPEN MISSION TO TAJIKISTAN

DUSHANBE, 9 October, Avesta – The International Finance Corporation (IFC) is planning to open its mission to Tajikistan. The corresponding agreement was signed between IFC and Tajik Foreign Ministry on October 8.

The document, according to Tajik Foreign Ministry, was signed by Tajik FM Hamrokhon Zarifi and IFC Vice President Michelle Mill.

In the past 13 years IFC has approved 12 investment projects for Tajikistan worth \$36mln.

Document Title: IFC to open mission to Tajikistan
Document Source: Avesta News Agency

WORLD BANK'S AFFILIATE TO OPEN OFFICE IN TAJIKISTAN

DUSHANBE, 9 October, Asia-Plus - An agreement between the government of Tajikistan and the International Finance Corporation (IFC [member of the World Bank Group]) to set up an IFC office in Tajikistan was signed in the country's Foreign Ministry yesterday [8 October].

A source in the Foreign Ministry's information department said that Tajik Foreign Minister Hamrokhon Zarifi and Vice-President of Risk Management of the International Finance Corporation, Michel Maila, had signed the agreement.

Document Title: World Bank's affiliate to open office in Tajikistan
Document Source: BBC Monitoring Central Asia

IFC MISSION WILL BE OPENED IN TAJIKISTAN

DUSHANBE, 9 October, IA REGNUM - An agreement between the government of Tajikistan and the International Finance Corporation (IFC) to set up an IFC office in Tajikistan was signed in the country's Foreign Affairs Ministry. IA REGNUM was informed by MFA's information department that Tajik Foreign Minister Hamrokhon Zarifi and Vice-President of Risk Management of the International Finance Corporation, Michel Maila, had signed the agreement.

2. News interesting for Business Environment

TAJIKISTAN TO START GETTING TURKMEN ELECTRICITY FROM 1 NOVEMBER – UZBEK OFFICIAL

DUSHANBE, 12 October, BBC Monitoring Central Asia - A deputy head of the [electricity] distribution control centre of Uzbekistan, Iso Sadullayev, said this at a news conference following a session of the CIS electrical energy council.

"Two power lines from Turkmenistan to Uzbekistan and further to Tajikistan are now being repaired. Work to repair them has been almost completed and once can already say that electricity from Turkmenistan will be supplied to Tajikistan via Uzbekistan starting from 1 November this year," the Uzbek representative noted.

For his part, the director-general of the Barq-I Tojik [Tajik Electricity] energy holding company, Sharifkhon Samiev, noted that 1.2bn kWh of Turkmen electricity would be allocated for the needs of the country's economy.

Source: Avesta website, Dushanbe

150TH PLACE IN TRANSPARENCY INTERNATIONAL CPI DOES NOT MEAN THAT TAJIKISTAN DOES NOT COMBAT CORRUPTION: TAJIK EXPERT

DUSHANBE, October 12, Asia-Plus - Tajikistan's Center for Strategic Studies on October 11 held a news conference to discuss its work in the first nine months of the year.

Speaking to journalists, Abduvohid Shamolov, the head of the center's department for national strategy and socioeconomic programs, dwelled on the corruption problems in the country and the results of a Transparency International (TI) 2007 Corruption Perceptions Index (CPI).

We will recall that the survey ranked Tajikistan, with a score of 2.4, 150th along with the Kazakhstan, Kyrgyzstan, Belarus and Azerbaijan. The CPI ranked 180 countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys.

The 2007 CPI looks at perceptions of public sector corruption in 180 countries and territories - the greatest country coverage of any CPI to date - and is a composite index that draws on 14 expert opinion surveys. It scores countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels of perceived corruption.

The Russian Federation has been ranked 143rd, while last year, it was at 127 of the CPI. Turkmenistan has been ranked 162nd and Uzbekistan has been ranked 175th in the 2007 CPI.

The 2007 Corruption Perceptions Index ranks 20 countries in Eastern Europe and Central Asia.

The annual Corruption Perceptions Index, first released in 1995, is the best known of Transparency International's (TI) tools. It has been widely credited with putting TI and the issue of corruption on the international policy agenda.

Shamolov noted that the 150th place does not mean that Tajikistan's authorities do not combat corruption.

In 2006, the TI survey ranked Tajikistan, with a score of 2.1 score, 144th along with the Congo, Kenya, Pakistan, Paraguay, Somalia, and Sudan. But last year, the CPI ranked 163 countries.

"The score of 2.4 is not so bad for Tajikistan, because several years ago we were among five the most corrupt countries as Uzbekistan was ranked this year," Shamolov said.

Shamolov stressed that Transparency International CPI's findings were based on the data provided by the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB) and a number of international organizations as well as the sociological surveys.

TAJIK EXPERT CLAIMS GUEST WORKERS' REMITTANCES LEAD TO INCREASE IN PRICES IN TAJIKISTAN

DUSHANBE, October 12, Asia-Plus - Olimjon Bobokalonov, the deputy director of Tajikistan's Center for Strategic Studies, told a news conference in Dushanbe on October 11 that labor migrants' remittances to Tajikistan are one of reasons for increase in prices of products in Tajikistan.

Over the first six months of this year alone, labor migrants have remitted some 600 million US dollars to banks in Tajikistan for their relatives," said the deputy director, "But money are not left in banks; migrants' relatives issue goods against the remitted money that, in turn, leads to shortage of products on markets and as a result increase in prices."

Besides, local entrepreneurs realizing that people have considerable cash assets on their hands deliberately overprice goods, Bobokalonov said.

He also named world market trends such as rising prices of energy resources and grain, as well as domestic rise in electricity prices as factors that have also led to increase in prices of a number of basic food products in the country.

MAJOR POLICY REFORMS NEEDED TO BOOST ECONOMIC GROWTH AND REDUCE POVERTY: WB REVIEW

DUSHANBE, October 9, Asia-Plus - The World Bank launched the first volume of the Programmatic Public Expenditure Review for Tajikistan with a focus on Public Expenditure, Fiscal Space and Growth; and Policy-based Budgeting.

Press release issued by the World Bank (WB) Dushanbe Office said that the PPER has been designed to cover five themes which represent key challenges for fiscal policy and public financial management reforms in Tajikistan. The other three themes to be covered by the subsequent two volumes of the report include: 1) Efficiency of Public Expenditures in the Social Sectors; 2) Fiduciary Risks; and 3) Inter-governmental Fiscal Relations. The PPER work is also supported by the UK Department for International Development (DFID) and the Swiss State Secretariat for Economic Affairs (SECO).

Tajikistan is a small economy in Central Asia with 7 million population and a per capita income of US\$410 (2007, WB Atlas Method). The economy, which has been growing on average at 8 percent during 2000-06, depends heavily on exports of cotton and aluminum, and on growing remittances of migrants to Russia (estimated at 36 percent of GDP in 2007). With such a steady GDP growth, the economy is now close to its production possibility frontier (PPF), which requires an expansion of aggregate supply for further growth. Poverty, although declining steadily, remains very high. In 2005 the headcount was 57 percent using poverty line of US\$ PPP 2.15/day.

Structural and institutional reforms are now the major challenges for Tajikistan as it seeks to develop its economy and reduce poverty. The priorities for reform efforts are: firstly, the promotion of private investment to provide employment and gradually shift the economy away from the rigid capital intensive production structures built up during the Soviet era and secondly, the restructuring of the public sector so that it can focus scarce public resources on the efficient provision of essential public goods and services.

The Programmatic Public Expenditure Review (PPER) aims to deepen understanding of key analytical issues related to fiscal policy and public financial management (PFM) in Tajikistan and to support the ongoing PFM reform program in the country. The fiscal policy and PFM issues addressed in the PPER include the need to focus fiscal policy on supporting sustainable economic growth and poverty reduction, the introduction of policy based budgeting, improving the efficiency of public expenditures and strengthening fiduciary controls. The analysis and diagnostic work in the PPER will provide the basis for the preparation of a government owned PFM reform strategy and action plan which will guide the policy dialogue and technical assistance on PFM reforms.

"Tajikistan has good growth prospects over the medium term. However, as this report shows, fiscal prudence and critical review and sequencing of infrastructure investments are essential to realize this potential", said Mr. Sudharshan Canagarajah, the World Bank Senior Country Economist for Tajikistan, "Failure to carefully manage the fiscal policy challenges will undermine macro stability and the high economic growth rates Tajikistan has enjoyed over the last seven years," he added.

The report advises that the major long term challenges for fiscal policy in Tajikistan are to restructure government expenditures to improve the quality and efficiency of public services in a manner which can support economic growth and provide poverty reducing public services, while maintaining macroeconomic stability and reducing the large quasi fiscal deficit (QFD) in the electricity sector.

Fortunately the findings of this study suggest that there is potentially large fiscal space for expanding government expenditures, but realizing this fiscal space will require major reforms by government. Moreover, failure to implement effective reforms to public financial management, tax administration and the electricity sector would pose serious risks to fiscal sustainability and macroeconomic stability over the medium to long term.

The report also concludes that reforming of the budget system is a prerequisite for implementation of a meaningful Medium-term Expenditure Framework. The key reforms involve restructuring the budget process into sectors, so that a sector expenditure ceiling can be allocated in a coherent manner among competing expenditure demands in the sector, according to the sector's expenditure priorities. In each sector a lead line ministry should be put in charge of coordinating the budget process in that sector.

The creation of functioning sectors, with sector wide expenditure ceilings and budget allocations, should be implemented first on a pilot basis beginning in the education sector. Consequently substantial financial and technical assistance from donors will be essential to support the implementation of the MTEF.

The report concludes that economic and institutional policy reforms will be critical if Tajikistan is to realize its potential for sustainable growth in the long term. Institutional reforms to the investment climate are necessary to stimulate the private investment which is required to create employment. Reforms to public financial management are required to create fiscal space for expanding the provision and quality of the essential public services needed for human resource development and poverty reduction. Reforms to the electricity sector, to reduce its quasi fiscal deficit, are critical for the long run sustainability of public finances. Finally greater care is needed in the planning and financing of public investments to ensure that these generate positive social rates of return, complement private investment and do not jeopardize fiscal and external debt sustainability.

TAJIKISTAN NEEDS LABOR MARKET TO MEET DOMESTIC LABOR DEMANDS, SAYS LOCAL EXPERT

DUSHANBE, October 9, Asia-Plus - "Internal labor migration has become serious problem for Tajikistan and we should tackle this problem as soon as possible," Anvar Boboyev, the deputy director of the State Migration Service of the Ministry of Labor and Social Security (MoLSS), said in an interview with Asia-Plus.

According to him, labor migrants from all regions of the country are coming to the capital seeking better employment opportunities. "At present it is practically impossible to count how many labor migrants from the provinces have come to Dushanbe to get job here," the deputy director said.

Tajikistan ought to establish a labor market to meet domestic labor demands, Boboyev said. "It will allow regulating, to a certain extent, internal migration flows and create working conditions for internal labor migrants."

The MoLSS official also noted that a new quota for foreign labor manpower will be set in 2008. In 2007, Tajikistan allocated a quota of 7,500 foreign labor migrants, while in 2008, this figure will be not more than 3,000 people.

"At present, 1,300 China's nationals, more than 1,000 Turkish citizens, 287 people from Kazakhstan, 262 citizens of Afghanistan, 63 Iranians and 17 Russians are working in Tajikistan," Boboyev said, noting that last year the quota will be reduced.

TAX AND DEDUCTION DEBTS OF KULOB INDUSTRIAL ENTERPRISES REACH EXCEED 2 MILLION SOMONIS

KULOB, October 8, Asia-Plus - As of September 1, 2007, tax and deduction debts of 27 industrial enterprises located in the city and the district of Kulob have reached 2.063 million somonis, Asia-Plus has learned at the Kulob agency for statistics.

According to the Kulob mayor's office, the enterprises' debts include mainly arrears of the previous years.

The highest debts have been on tax payments – 1.2408 million somonis, including 367,200-somonis debt of the cotton ginning-factory Pakhtai Kulob, 259,700 somonis of the pilot plant on production tools, and 160,700 somonis of the brickworks.

Small enterprises having staffs from 7 to 170 employees are currently using only 10-30 percent of their capacities, the source said.

Besides, debts of the Kulob enterprises on deductions to pension fund have reached 229,800 somonis, their wage debts have amounted to 37,500 somonis, electricity payment debts have exceeded 128,200 somonis, and debts for natural-gas consumption have amounted to 415,000 somonis.



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

With best wishes,
Tajikistan SME Public Relations/Communication Department