

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 #61

Dushanbe, 26 October 2007

## 1. News directly connected to SME Project

- There is no dialogue between entrepreneurs and inspectorates in the country – participants of round table

## 2. News interesting for Business Environment

- IFC launches Central Asia corporate governance project in Tajikistan
- Tajikistan's external debt exceeds \$1 billion.
- Inflation reaches 12.4 percent in Tajikistan, says Central bank official
- Tajikistan's investment portfolio includes 52 joint projects.
- Revival of cross-border trade between Tajik and Afghan entrepreneurs
- Domestic labor market development issues to be discussed in Dushanbe tomorrow.

IFC PRESS REVIEW

## 1. News directly connected to SME Project

### THERE IS NO DIALOGUE BETWEEN ENTREPRENEURS AND INSPECTORATES IN THE COUNTRY – PARTICIPANTS OF ROUND TABLE

**Dushanbe. October 26. "Asia Plus"** - There is no dialogue between entrepreneurs and inspectorates when it comes to inspections – informed the head of the entrepreneurs' legal support department of the State Investment Committee R. Bahriddinova at a round table "What entrepreneurs need to know about inspections", which took place today in the capital. According to her, as a result of this in 98% of the studied cases entrepreneurs try to solve their problems through unofficial payments. "Entrepreneurs' knowledge of their rights from one side streamlines the inspections and from the other side disciplines inspectors," believes Bahriddinova. Head of the Central Department of the State Anti-corruption Agency Sharif Mulloev said that during inspections in 16 towns and regions of the country the employees of the agency discovered many cases when businesses hid their income to avoid taxation. According to him, the total sum of the unpaid tax is estimated upto one million somoni. "As a result, today all regions of the country except for Dushanbe and Tursunzade became subsidiary, that is their local budget cannot meet their expenses," – highlighted Mulloev. He informed that considering the situation in the regions, in the budget for 2008 all districts of Hissar valley will be excluded from subsidies. "That is, all expenses will have to be covered from local budget," he said.

The director of the Entrepreneurship Support Centre in Dushanbe Ashurali Rakhmatzoda believes that often laws are violated even by inspecting bodies, while entrepreneurs being unaware of their rights believe the inspectors and follow their instructions. He highlighted the importance of training all entrepreneurs on basic provisions of laws necessary for them to know. He noted that for the past one and a half year 1600 physical and legal entities have been trained, and 4 universities received specially equipped class-rooms for students to learn entrepreneurship. IFC specialist Safro Isaeva conducted a presentation on inspections rules and rights and responsibilities of entrepreneurs, which was followed by a hot discussion. The event was organized by the State Investment and State Property Management Committee of the Republic of Tajikistan, International Finance Corporation, and Entrepreneurship Support Centre in Dushanbe. Representatives of more than 10 inspectorates and more than 60 representatives of small and medium entrepreneurship participated at the round table.

## 2. News interesting for Business Environment

### IFC LAUNCHES CENTRAL ASIA CORPORATE GOVERNANCE PROJECT IN TAJIKISTAN

**DUSHANBE, October 25, Asia-Plus** - International Finance Corporation (IFC) Tajikistan Tuesday announced in Dushanbe the launch of the Central Asia Corporate Governance Project in Tajikistan.

IFC's worldwide experience shows that companies with good corporate governance have better access to capital, obtain higher sale prices for their shares, perform better operationally and are less likely to experience fraud.

Mr. Karl William Bach, Project Manager, IFC Central Asia Corporate Governance Project, said that the project's objective is to improve corporate governance practices of Tajikistan's joint stock companies, including banks. "This objective will be accomplished through seminars and workshops, as well as through direct consultations with joint stock companies on corporate governance best practices," the project manager said.

According to Karl William Bach, a number of competitively selected banks and companies will participate in a pilot programs aimed at development of their corporate practice.

The project will also provide advice to the Tajik government to improve the legislative framework related to corporate governance. Additionally, to target needs of the next generation of business leaders, the project will partner with local educational and training institutions to help develop corporate governance curricula. Finally, the project will conduct a public and media education campaign to raise awareness of corporate governance among Tajikistan's population and shareholder base.

Mr. Mathew Scanlon, Investment Office, IFC Tajikistan, noted that the launch of the corporate governance project is Tajikistan is a result of logical extension of the IFC Central Asia Corporate Governance Project that was launched in Kazakhstan in 2006.

The project has helped companies in more than 80 countries improve their corporate governance practice, Mr. Scanlon said.

Jouma Eshov, the deputy head of the National Bank of Tajikistan (NBT), holds that implementation of the project will promote modernization of corporate governance of banking system and joint-stock companies in the republic.

The International Finance Corporation, the private sector arm of the World Bank Group, is the largest multilateral provider of financing for private enterprise in developing countries. IFC finances private sector investments, mobilizes capital in international financial markets, facilitates trade, helps clients improve social and environmental sustainability, and provides technical assistance and advice to businesses and governments. In 2007, IFC invested \$8.2 billion and mobilized an additional \$3.2 billion in form of participation in 299 projects in 69 countries with transition and developing economies.

### TAJIKISTAN'S EXTERNAL DEBT EXCEEDS \$1 BILLION

**DUSHANBE, October 25, Asia-Plus** - Tajikistan's external debt increased from \$829.81 million to \$1.076 billion in the year to October 1, 2007, amounting to 30.5 percent of gross domestic product (GDP), Deputy Finance Minister, Sherali Safarov, told journalists in Dushanbe on October 24.

The deputy minister attributed the debt increase to newly attracted loans. According to him, long-term preferential loans from international financial institutions such as the World Bank, the Asian Development Bank and the Islamic Development Bank form the bulk of Tajikistan's debt.

Safarov said that in January-September 2007 the external trade turnover of the Republic of Tajikistan, including electric energy and natural gas, has amounted to \$2.766 billion, which is 124 percent of the January-September 2006 level. The trade balance was negative and amounted to 578 million US dollars.

Exports of goods over the report period have to \$1.094 billion and imports of goods into the republic have amounted to \$1.672 billion.

On administration of the national budget for the 2007, the deputy minister said that over the first nine months of 2007, the budget has received some 2.67 billion somonis, which is 121 million somonis more than it was originally planned. The revenue part of the budget for January-

September 2007 has been overfulfilled by 4 percent. "As far as the expenditure part of the 2007 budget, the expenditure part for the report period has been fulfilled for 96 percent,"

## **INFLATION REACHES 12.4 PERCENT IN TAJIKISTAN, SAYS CENTRAL BANK OFFICIAL**

**DUSHANBE, October 25, Asia-Plus** - Inflation has reached 12.4 percent in Tajikistan, Jouma Eshov, the deputy head of the National Bank of Tajikistan (NBT), announced at a news conference in Dushanbe on October 24.

According to him, the inflation rate was quite stable before July, when export prices rose sharply. "In the beginning of 2007, we expected inflation for this year to stand at 9 percent, but beginning from July export prices of basic goods such as wheat flour, fuel and grain, rose sharply, affecting the inflation rate," said the central bank official, "Inflation for September stood at 6.3 percent and by the end of the report period inflation has reached 12.4 percent."

The deputy head added that at present it is impossible to predict further rate of inflation. "It is quite possible that inflation will remain at the same level by the end of this year but it is also possible that it will change; everything depends on world trends and prices on the domestic market," Eshov said

## **TAJIKISTAN'S INVESTMENT PORTFOLIO INCLUDES 52 JOINT PROJECTS**

**DUSHANBE, October 25, Asia-Plus** - Tajikistan's investment portfolio now includes 52 projects for a total amount of \$1.367 billion, Sharif Rahimzoda, Chairman of the State Committee for Investment and Management of the State-owned Property, told journalists in Dushanbe on October 25.

According to him, borrowings amount to \$1.066 billion (78 percent of the investment portfolio) and grants amount to \$160 million (some 3 percent). The government's contribution is \$99.51 million and \$40.51 million are contributions of Barqi Tojik (Tajik electric systems) power holding, Tojikgaz (Tajik national natural-gas distributor) and other sources, Rahimzoda said.

300.27 million were planned to be used in January-September 2007," said the committee head, "However, only little more than \$162 million have been spent so far, which 54 percent of the target."

Rahimzoda noted that the Committee has prepared 18 agreements on mutual protection of investments with other countries over the report period.

The Committee considers that priority countries and organizations for attraction of direct investments are China, the United Kingdom, the United States, as well as the World Bank, the Asian Development Bank, and International Finance Corporation.

The committee head noted that they had prepared a draft collection of rules for attraction, coordination and use of external aid and it will be submitted for consideration to the government in the near future.

## **REVIVAL OF CROSS-BORDER TRADE BETWEEN TAJIK AND AFGHAN ENTREPRENEURS**

**DUSHANBE, October 24, Asia-Plus** - On October 21 and 22, 2007, an international trade fair was held in Kunduz, Afghanistan in which entrepreneurs from Afghanistan and Tajikistan displayed a wide array of goods as part of a project to develop cross-border trade between the two countries, press release issued by the US Embassy in Dushanbe said.

The trade fair was organized by the NGO Sapeda, which, as part of the aforementioned project, has also been working to create mechanisms for cross-border cooperation in business and trade between Afghanistan and Tajikistan and to minimize the technical and administrative barriers to trade between the two countries.

"The push to cooperation was a bilateral agreement on economic and other forms of cooperation signed by the leaders of the two countries," noted Dilbar Nurmatova, Director of NGO Sapeda. Businessmen from the south of Tajikistan and the northern provinces of Afghanistan have naturally taken advantage of this opportunity."

In his opening speech, the Governor of Kunduz Province expressed hope for close and continuous Tajik-Afghan economic partnership. "We suggest establishing a cross-border Tajik-Afghan market where Tajik and Afghan entrepreneurs will be able to sell their goods and promote economic development of both countries. The Afghan side is ready to create all the necessary conditions for creating such market," the Governor said.

Businessmen, representatives of local governments, non governmental organizations, and diplomatic missions from Afghanistan and the southern Khatlon Region of Tajikistan took part in the event.

The cross-border trade project was made possible with the support of the Eurasia Foundation of Central Asia (EFCA) and the U.S. Embassy in Tajikistan, in order to foster conditions for the development of small- and mid-sized business in Tajikistan and Afghanistan. "This trade fair is evidence that there is interest on both sides for cross-border trade and cooperation. Once the recently completed Tajik-Afghan Panji Poyon Bridge becomes operational, it will contribute to stronger economic relations for the benefit of both countries", said David Froman, Economic Officer at the U.S. Embassy in Tajikistan.

The bridge is the largest U.S. Government funded (\$37.1 million) infrastructure project for Tajikistan. It cuts the distance between Dushanbe and the warm water port (in Karachi, Pakistan) almost in half, offering the potential to spur trade and economic development throughout the region.

#### **DOMESTIC LABOR MARKET DEVELOPMENT ISSUES TO BE DISCUSSED IN DUSHANBE TOMORROW**

**DUSHANBE, October 24, Asia-Plus** - Issues related to creation of domestic labor market will be focus of a scientific-practical conference formally titled "Labor Relations and Social Development in Tajikistan" that will be held in Dushanbe tomorrow.

Fayzali Buriyev, Academic Secretary of the Research Institute of Labor at the Ministry of Labor and Social Security, told Asia-Plus that the conference aims to consider issues of socio-labor relations, regulation of labor migration flows from the provinces to the capital city, as well as training of personnel.

The conference will also discuss ways to find solution to the problems of regulation of the socio-labor relations and analysis of the social development and social protection of the population.

The conference is expected to result in adoption of recommendations on tackling the topical problems of labor relations and social development in Tajikistan.



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