

Tajikistan Business Enabling Environment/ SME Policy Project Press Review - Issue #32

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IFC PRESS REVIEW

1. News directly connected to SME Project

LICENSES – ONLY 18% BUSINESSMEN HAVE THEM IN TAJIKISTAN

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***Licenses – only 18% businessmen have them in Tajikistan
Business Intellectualization is going on***

As it was informed at ‘A&F’ in issue No.10, International Finance Corporation completed the survey under Small and Medium Enterprise Policy Project in Tajikistan.

“During our activity, we faced serious problems, hindering SME development in Tajikistan, said to ‘A&F’ Andrea Dall’Olio, SME Project Manager of IFC, investment sub-department of World Bank Group.

We are doing economic surveys of small and medium business in Tajikistan that from 2003 based on actual numbers and facts through individual survey of private sector representatives. 2,500 people were surveyed from three groups- individual entrepreneurs, dekhkan farmers and SME officially registered at all regions of Tajikistan. For identification of real situation, our experts asked businessmen such questions as «How many days you needed for registration of enterprise?», «Should you pay for it and how much you paid». During the survey, we faced serious problems, hindering SME development.

Main factors hindering the business growth in Tajikistan, entrepreneurs consider high rates of tax, corruption, lack of legal knowledge, administrative barriers, low level of labor market, poor management, high interest rates, poor population, regional and national separation. During several years there is an issue on licensing. Not always to receive a license for business is easy task. To find a solution, Tajik businessmen use not original option – solve their problems by unofficial ways. To get a license to retail trade, private companies spend more time than IE. Based on IFC and SECO surveys, only 18% of Tajik entrepreneurs doing official licensing of their activity. In addition, absence of special training, continuous flow-out of qualified staff creates human resources problem for businessmen. About one mln. of active and highly educated citizens emigrated from Tajikistan.

We consider that support should be provided namely to small and medium enterprises as they are main mechanisms of economic development of the country. Based on the statistics, SME development is lower in comparison with IE and DF. Average annual growth of SME number is 4% while number of IE increased to 7.5% and DF – up to 19%. Main point, that we defined during the survey, that most part of entrepreneurs do not know about existing of Law of Tajikistan ‘On business entities activity inspections’ adopted in June 2006. I think, that our role at the development and adoption of this document was most significant. Results of last survey became the basis for development of reform strategy of entrepreneurs’ inspections by SES, Fire and Tax services.

A Memorandum of Understanding was signed between Government of Tajikistan and IFC, where it is indicated the cooperation strategy of both parties for improvement of legislation, regulating the small and medium business activity, improvement of inspection procedures and training of officials. This is an important step at the sphere of business and investment environment, reducing of barriers for investors and entrepreneurs starting their business. In 2008, we are planning to conduct third stage of the surveys. Despite of its suddenness and inscrutability, Tajik market is full of positive moments. In our opinion, stage-by-stage ‘intellectualization’ of business, when businessmen do their best to prove competitiveness. And specific features of the market arouses the perception of new changes necessity by Tajik business that is ready to accept new ideas.

2. News interesting for Business Environment

TO ATTRACT US ENERGY COMPANIES TO DOMESTIC MARKET TAJIKISTAN OUGHT TO ERADICATE CORRUPTION, SAYS U.S. AMBASSADOR

DUSHANBE, April 6, Asia-Plus /Malika Rakhmanova/

To attract U.S. energy companies to domestic market Tajikistan ought to eradicate corruption.

U.S. Ambassador to Tajikistan Tracey Ann Jacobson remarked this at a news conference in Dushanbe on April 5.

Asked about possible investments in Tajikistan’s energy sector, Jacobson said that there are no large state-run energy companies in the United States.

“We have private companies. The private companies do not work under political pressure,” U.S. diplomat said, noting that private investors cannot be ordered where and how to invest.

They work only there, where there is an opportunity to gain profit and where all is transparent and conditions do not change, according to her.

“I hope our companies will be interested in Tajikistan,” Ambassador Jacobson said.

SEVERAL CHINESE, KAZAKH BANKS TO ACQUIRE STAKE IN AGROINVESTBANK

DUSHANBE, April 5, Asia-Plus /Zarrina Ergasheva/ - A number of Kazakh and Chinese banks are interested in taking a stake in open joint-stock company AgroInvestoBank, the second largest commercial bank in Tajikistan.

The source at AgroInvestBank said that information about the banks to acquire AgroInvestBank’s shares is confidential. “They will probably want to present themselves as shareholders of AgroInvestBank after conclusion of appropriate contracts,” the source said, adding that the European Bank for Reconstruction and Development (EBRD) will probably also acquire a stake in AgroInvestBank and participate in management of the bank.

“It will happen only after the EBRD experts analyze activities of AgroInvestBank,” the source.

According to the source, a general meeting of AgroInvestbank’s shareholders, which was held in late March, considered and approved a strategy of development of the bank for 2007-2013 and the forecast budget for 2007.

“Under the strategy, the bank’s own capital is supposed to have increased by 300 million somonis or more than 5 times over the next seven years,” said the source, “As the first step, the bank will additionally issue shares for a total amount of 27 million somonis, with 10 percent of them being privileged.”

Founded in 1992, AgrolInvestBonk, with headquarters in Dushanbe, has main branches in Khorog, Khujand, Kulob and Qurghon Teppa and 57 other branches across the republic. AgrolInvestBonk's declared capital includes 270,000 shares, valued at 27 million somonis. The face value of one share is 100 somonis.

TAJIK PM, EBRD DIRECTOR FOR CENTRAL ASIA DISCUSS EBRD STRATEGY FOR TAJIKISTAN

DUSHANBE, April 4, Asia-Plus /Bahrom Mannonov/ - On Tuesday April 3, Tajik Prime Minister Oqil Oqilov received a delegation of European Bank for Reconstruction and Development (EBRD) led by Masuru Hanma (phonetically spelled), the EBRD Director for Central Asia.

According to presidential press service, in the course of the talks the sides considered issues related to projecting a strategy of the EBRD for Tajikistan in the coming three years.

During the meeting, Oqilov underlined the importance of further expansion of cooperation between the Government of Tajikistan and the Bank and recommended to include on the strategy the construction of small and medium-sized power plants, modernization of the operating power plants, and development of new lands in Tajikistan.

According to the prime minister, the Bank's strategy should also pay attention to development of fuel-energy complex and infrastructure of civil aviation as well as improvement of water supply and development of small and medium-sized enterprises in the country.

QUITE A STRONG TREMOR JOLTS DUSHANBE TODAY MORNING

DUSHANBE, April 3, Asia-Plus - Quite a strong tremor measuring 4.0-4.5 on a 12-point scale jolted Dushanbe today morning, at 8:36, according to the Dushanbe seismological station.

The tremor, centered in the territory of Afghanistan, some 280 kilometers southeast of Dushanbe, could be felt in other regions of Tajikistan as well.

The source at the seismological station said that in the epicenter the quake's magnitude was 6.0 on the Richter scale.

According to the Committee for Emergency Situations (CES), no damage or injured was reported in Tajikistan.

Asia-Plus' Shonavruz Afzalshoyev in Khorog reported that the quake had been felt in Gorno Badakhshan as well. In Khorog, the tremor's magnitude was 4.0-5.0 on the 12-point scale, according to the Dushanbe seismological station. No damage or injured was reported in Gorno Badakhshan, the GBAO emergencies source said.

EBRD SUPPORTS MICROFINANCE IN TAJIKISTAN THROUGH PROVIDING \$4 MILLION LOAN TO FMFB-T

DUSHANBE, April 2, Asia-Plus - The European Bank for Reconstruction and Development (EBRD) is extending its successful program to support micro and small enterprises (SMEs) in Tajikistan by providing a \$4 million loan to The First MicroFinance Bank of Tajikistan (FMFB-T).

A loan agreement for \$4 million was signed by Fernand Pillonel, head of the EBRD's Office in Tajikistan, and Jim Egan, CEO of FMFB-T, in Dushanbe on March 30.

Fernand Pillonel said that the loan to FMFB-T will enlarge the financial resources of the bank and help it to expand its lending activity further to the remotest regions of the country. This in turn will significantly increase the outreach of the microfinance facility and assist in satisfying growing demand for access to finance.

Jim Egan noted that the confidence shown by the EBRD in lending to the bank is testimony to its successful activities in the Tajik banking sector. The unique mandate of FMFB will be greatly facilitated by the EBRD's loan and will be used to finance future growth and expansion in both rural mountainous regions and urban centers.

The loan comes under the Tajikistan Micro and Small Enterprise Finance Facility (TMSEFF), established in 2003 and expanded in 2006, to provide loans to micro, small and medium-sized enterprises. Since the establishment of the facility more than 18,000 loans with an average value of \$3,000 have been provided by end-2006. Loans to female entrepreneurs constitute 41 per cent of the portfolio. Because of its strong rural focus, FMFB provides even smaller average loan sizes of around \$1,000 and by working with this dedicated microfinance bank, the EBRD will be able to deepen its outreach. The loan will also help to broaden the impact of EBRD funds – in 2006, FMFB itself disbursed almost 10,000 loans.

A central activity under the TMSEFF program is capacity and institution building at the partner banks. The UK's Department for International Development together with USAID and the EU has provided technical assistance funds for institution building in the banking sector. Additionally, the Swiss government through SECO and the EBRD's

Early Transition Countries (ETC) Fund have contributed to the program. Assistance to FMFB will be tailored to meet its needs, and technical assistance will be provided by the ETC Multi Donor Fund.

Established in 2003, The First MicroFinance Bank was the first commercial bank in Tajikistan with a principal focus on the provision of microcredit lending. The Bank has a national mandate to provide a comprehensive range of financial services to the poor throughout the country. In addition to its Head Office in Dushanbe, the bank currently has branches in Khorog, Gharm, Khujand and in the Khatlon province. The bank is affiliated with the Aga Khan Development Network (AKDN) and its shareholders are the Aga Khan Agency for Microfinance (AKAM), the Aga Khan Foundation (AKF), International Finance Corporation (IFC) and KfW Bankengruppe.



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With best wishes,
Tajikistan SME Public Relations/Communication Department