

Tajikistan Business Enabling Environment/ SME Policy Project Press Review - Issue #39

Dushanbe, 25 May 2007

1. News directly connected to SME Project

- Access to finances remains the main problem facing SMEs in Tajikistan: IFC Report
- IFC presents report on business environment in Tajikistan

2. News interesting for Business Environment

- IFC offers Tajikistan to set up system of loan offices to develop mortgage market
- President Rahmon offers public to consider bill on order of observing national traditions and rituals.
- Sughd external trade turnover amounts to nearly \$207 million in January-April.
- Tajikistan interested in cooperation with NATO
- Italy ready to invest in the most significant projects in Tajikistan.
- IFC launches second phase of primary mortgage market development project in Tajikistan, presents report on business environment in Tajikistan.

IFC PRESS REVIEW

1. News directly connected to SME Project

ACCESS TO FINANCES REMAINS THE MAIN PROBLEM FACING SMES IN TAJIKISTAN: IFC REPORT

DUSHANBE, May 25, Asia-Plus - An official presentation of the report by International Finance Corporation (IFC) on business environment in Tajikistan -- Business Environment in Tajikistan as Seen by Small and Medium Enterprises -- was held at the Kokhi Vahdat State Complex in Dushanbe on May 24.

The report, prepared as part of the IFC's project for development of small and medium enterprises (SMEs) in Tajikistan, is based on the results of the independent survey conducted among 2,500 entrepreneurs and includes conclusions and general recommendations, which can be used to further develop government policy on support for entrepreneurship in Tajikistan.

The main objective of the report is to monitor changes in all main administrative processes and legal foundation regulating activity of small and medium enterprises (SMEs) in Tajikistan.

The previous survey was conducted in 2003.

Press release issued by IFC, in particular notes that although a certain improvement of business environment is to be observed in the country, a number of spheres still remain problematic for SMEs and need reforms. The most acute problem facing small and medium enterprises in Tajikistan is access to finances.

According to the survey, provided loans are short-term and do not stimulate long-term investments, interest rates on loans are high that make entrepreneurs cover needs in financing at the expense of internal resources. Besides, pledge demands are very high and difficult for fulfillment.

The survey notes that further moves to improve the situations could be joint carrying out of reforms in the field of providing access to financing and registration, realization and making of new changes to legislation, especially in the fields of licensing and inspection, direction of efforts to unsolved problems in the spheres of permits, standardization and taxation. It is also suggested that regulatory procedures should be simplified.

IFC, 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. From its founding in 1956 through FY06, IFC has committed more than \$56 billion of its own funds for private sector investments in the developing world and mobilized an additional \$25 billion in syndications for 3,531 companies in 140 developing countries. With the support of funding from donors, it has also provided more than \$1 billion in technical assistance and advisory services.

Tajikistan became a member of IFC in 1994.

IFC PRESENTS REPORT ON BUSINESS ENVIRONMENT IN TAJIKISTAN

DUSHANBE, May 22, - A presentation of report "Business Environment in Tajikistan as Seen by Small and Medium Enterprises" prepared by International Finance Corporation (IFC) will be held in Dushanbe on May 24.

According to the IFC Dushanbe Office, the report was prepared as part of the IFC's project for development of small and medium businesses in Tajikistan.

The source at the IFC Dushanbe office said that the main objective of the report is to monitor changes in all main administrative processes and legal foundation regulating activity of small and medium enterprises (SMEs) in Tajikistan.

This report is based on the results of the independent survey conducted among 2,500 entrepreneurs and includes conclusions and general recommendations, which can be used to further develop government policy on support for entrepreneurship in Tajikistan.

2. News interesting for Business Environment

IFC OFFERS TAJIKISTAN TO SET UP SYSTEM OF LOAN OFFICES TO DEVELOP MORTGAGE MARKET

DUSHANBE May 25, Asia-Plus - To develop mortgage crediting Tajikistan ought to set up a system of loan offices along with other actions.

Santiago Ruiz Morales, the head of the Central Asia Primary Mortgage Market Development Project, remarked this at a ceremony dedicated to commencement of the project's second phase in Dushanbe on May 24.

According to him, one of the main aspects of provision of mortgage loan is confidence of bank in client. System of loan offices allows banks having full information about promissory notes of client, his/her incomes, and legitimacy of rights of property, according to him.

Expensive insurance services, complex procedure of registration of rights of property, unsolved issues connected with eviction of client in the event of non-fulfillment of promissory notes, and lack of evaluation of client's property (mortgage) also impede development of mortgage market in the country.

"The project has set to work on new directions. Thus, with active support of the National Bank of Tajikistan, a working group uniting five Tajikistan's largest banks has been set up to work out and introduce into banking practice modern standards and technologies of mortgage crediting for implementation of a joint complex program projected within the framework of the project," he said, adding that it will allow creating conditions for providing various sections of the population with available housing.

International Finance Corporation (IFC) is providing technical assistance to Tajikistan in projecting legislative and regulatory documents in the field of housing mortgage crediting.

The Central Asia Primary Mortgage Market Development Project is designed for the period till 2009.

This two-phased, regional program documents demand and identify gaps in current housing finance systems

in Azerbaijan, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan. This study is IFC's first regional housing TA program in Central Asia. The data will be used to create action plans for improving the affordability and availability of housing funds for middle and lower income households and, where feasible, generate business viability plans for primary and secondary mortgage finance companies in each country.

The second stage of the project provides for technical assistance in the direct implementation of reforms, including working out of legislative and regulatory documents, introduction of state-of-the-art technologies of mortgage crediting into commercial banks as well as making population aware of the mortgage crediting.

The first phase of the project, which was implemented from 2005 to 2006, focused on determining legislative and other obstacles on the way of development of housing finance system and working out a plan of actions for development of mortgage market in each country of the region.

PRESIDENT RAHMON OFFERS PUBLIC TO CONSIDER BILL ON ORDER OF OBSERVING NATIONAL TRADITIONS AND RITUALS.

DUSHANBE, May 25, Asia-Plus - President Emomali Rahmon has held meeting with representatives of all sections of population to consider a bill on order of observing national traditions and rituals practiced by people. The president has called to give up costly household feasts.

On Thursday May 24, President Emomali Rahmon held a meeting with heads of local administrations, workers of culture and science, experts in art and literature and representatives of religious confessions at the Kokhi Borbad State Complex in Dushanbe.

Some 2000 participants at the conference unanimously approved the bill "On Order of Observing National Traditions and Rituals" that will be submitted for consideration to the Majlisi Namoyandagon (Tajikistan's lower chamber of parliament).

Telling the conference, Emomali Rahmon dismissed spending huge sums on show-off events held in a family that either rejoices or grieves over certain events in its life as an immoral and wretched practice. He noted that such costly events are in contrary to Koran and Hadis of the Prophet Muhammad.

The president, in particular, noted that people annually spend for weddings and mourning ceremonies on average 4.5-5 billion somonis, while the entire Tajik national budget makes up 3.3 billion somonis (an official exchange rate of the Tajik national currency is 3.44 somonis to one USD).

President Emomali Rahmon also urged the creation of a public charity fund for the poor.

He pointed out that despite annual growth of pensions and social allowances of 1,100,000 families in the country, 500,000 families live below the poverty line. Of 527,000 pensioners living in the country, 9,000 pensioners do not have relatives to support. Besides, on the list of the poor are 118,000 orphan children and 68,000 families without breadwinners.

"Business representatives and all those, who wish, will make donations to the charity fund. The fund's activity should be extremely transparent and controlled by the society," Rahmon said, noting that the government will also make donations to this charity fund.

The bill stipulates a maximum number of guests invited, limits the time of a ceremony, the number of cars used to service a wedding and cracks down on mourning ceremonies, curtailing the number of dishes served at a burial feast as well as the number of commemoration ceremonies.

Besides, a special directorate will be set up at president's executive office to regulate observance of traditions and rituals. Changes will also be made to the country's Administrative Code.

Rahmon said that under the new law, weddings would be attended by no more than 150-200 people and would last only one day, with a maximum of four cars to be used. He said meals at funeral ceremonies would be prohibited.

Those who break the law would be fined, the president said. The fine for ordinary citizens would be 2,000 somonis, for officials 5,000 somonis and for legal entities 10,000 somonis.

Rahmon also noted that beginning on 2008, Tajik Islamic University will be funded from the country's national budget and its curriculum along with theology will also include secular subjects such as the Tajik language and literature, history of Tajikistan, computer course, philosophy, logic, history of culture, and foreign languages.

The president said that more than 20,000 messages had arrived on his e-mail site in support of his initiative. These measures are not aimed against religion; they fully conform to the Koran and will help improve the living standards of the people, the president said.

Tajikistan has conducted debates on huge expenditures on costly household traditions and rituals in Tajikistan for two months.

SUGHD EXTERNAL TRADE TURNOVER AMOUNTS TO NEARLY \$207 MILLION IN JANUARY-APRIL

KHUVAND, May 25, Asia-Plus - Over the first four months of 2007, an external trade turnover of the Sughd province has amounted to \$206.7861 million (151 percent of the January-April 2006 level), including exports estimated at \$47.9239 million and imports worth \$158.8622 million, according to the Sughd regional customs directorate.

Over the report period, the Sughd province has had trade relations with nine CIS states and 38 far abroad countries.

The Sughd main export partners were the far abroad countries, which accounted for 52.9 percent of its exports (\$25.3826 million). Imports mainly came from the CIS states, which accounted for 62.8 percent of the Sughd imports (\$99.76 million).

In January-April, electrical power has accounted for 2.3 percent of the Sughd external trade turnover. Over the same four-month period, the province has imported 367.8 million kWh of electricity for a total amount of \$4.7813 million.

Sughd has also imported \$.8111 million worth of natural gas over the report period, the Sughd regional customs directorate.

TAJIKISTAN INTERESTED IN COOPERATION WITH NATO

DUSHANBE, May 24, Asia-Plus - Tajikistan is interested in cooperation with NATO, President Emomali Rahmon said at his meeting with visiting NATO Secretary General's Special Representative for Central Asia Robert Simmons yesterday.

Presidential press service cited the president as saying that Tajikistan is interested in broadening the cooperation with the alliance that has a big experience in the conduction of joint military exercises, coordination of search and rescue operations, humanitarian actions and liquidation of consequence of emergencies.

The sides positively appraised cooperation in the Euro-Atlantic Partnership Council, NATO's Partnership for Peace Program and interaction with NATO's countries whose armed forces are engaged in Afghanistan, according to presidential press service.

The Tajik president called very important the Western alliance's role in the consolidation of security and stability in Afghanistan.

He stressed that Dushanbe "supports NATO's actions in the region and will help accomplishing them." The two also exchanged views on ways to strengthen Tajik-Afghan border and fight drug trafficking.

ITALY READY TO INVEST IN THE MOST SIGNIFICANT PROJECTS IN TAJIKISTAN.

DUSHANBE, May 22, Asia-Plus - State and prospects of bilateral cooperation between Tajikistan were discussed at a meeting of President Emomali Rahmon with the First Deputy Italy Foreign Minister, Gianni Vernetti, in Dushanbe today.

According to presidential press service, in the course of the talks Tajik head of state hailed the present level of cooperation between Tajikistan and Italy and called for further expansion of it.

During the meeting it was noted that a two-way trade between Tajikistan and Italy over the first quarter of the year has amounted to more than \$30 million, while during the whole year of 2006, the trade between the two countries amounted to \$77 million.

The sides also discussed international and regional issues being of mutual interest.

Gianni Vernetti expressed his country's readiness to invest in the most significant projects in Tajikistan, presidential press service said.

IFC LAUNCHES SECOND PHASE OF PRIMARY MORTGAGE MARKET DEVELOPMENT PROJECT IN TAJIKISTAN, PRESENTS REPORT ON BUSINESS ENVIRONMENT IN TAJIKISTAN.

DUSHANBE, May 22, - International Finance Corporation (IFC) will provide technical assistance to Tajikistan in projecting legislative and regulatory documents in the field of housing mortgage crediting.

According to the IFC Dushanbe Office, the technical assistance is provided within the framework of the second phase of the Central Asia Primary Mortgage Market Development Project designed for the period till 2009.

The source said that this two-phased, regional program documents demand and identify gaps in current housing finance systems in Azerbaijan, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan. This study is IFC's first regional housing TA program in Central Asia. The data will be used to create action plans for improving the affordability and availability of housing funds for middle and lower income households and, where feasible, generate business viability plans for primary and secondary mortgage finance companies in each country.

According to him, the second stage of the project provides for technical assistance in the direct implementation of reforms, including working out of legislative and regulatory documents, introduction of state-of-the-art technologies of mortgage crediting into commercial banks as well as making population aware of the mortgage crediting.

On occasion of launch of the project's second phase, Shahbaz Mavaddat, IFC's Director for Southern Europe and Central Asia, will arrive in Dushanbe on May 24.

The first phase of the project, which was implemented from 2005 to 2006, focused on determining legislative and other obstacles on the way of development of housing finance system and working out a plan of actions for development of mortgage market in each country of the region.



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With best wishes,
Tajikistan SME Public Relations/Communication Department