

# Tajikistan Business Enabling Environment/ SME Policy Project Press Review - Issue #41

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IFC PRESS REVIEW

## 1. News directly connected to SME Project

### **BIGGER BUSINESS - HIGHER BRIBE**

**Dushanbe, 7 June, Vecherny Dushanbe** - Mr. Andrea Dall'Olio, IFC BEE- SME Policy Project in Tajikistan noted at the presentation of survey results on business environment in Tajikistan, 2006 held on last week that the most vulnerable sector of the Tajik business are small and medium enterprises. The details are at the interview with our correspondent.

#### **- Mr. Dall'Olio, what is the objective of private sector survey in Tajikistan?**

- Such surveys we conduct under the IFC SME Policy Project financed by SECO and their objectives are business environment improvement. From one side, through the survey we want to identify critical current problems of small and medium business and based on this, we make recommendations on the improving of business sphere. We try to cover all geographical areas of the country.

**- ....You mentioned the positive signs for business development. Could you please say on this in details. What positive progress in comparison with previous survey period? What are your findings and recommendations?**

- There is a number of positive changes. We can define spheres covered by the changes. For example, registration and access to finance process is improved in comparison with 2002. Also there are new legal acts adopted and hope that soonest they will be implemented. New legal acts cover two main spheres – inspections and licensing. However, in both cases we should wait till next year to see result of laws implementation.

As for recommendations, they are concerned to the spheres to be improved. We recommend to simplify the export-import procedure, certification of imported goods, simplify the taxation for individual entrepreneurs, and registration for small and medium enterprises.

... I would like to mention that SME development - is very important for the country development as Tajikistan requires investments of companies that invest the working places creation and this can be done by SME.

**- ..What measures were taken after the previous survey?**

- One of the significant result of survey, 2002 – identification of barriers and then the solving of such issues as inspections. The culmination was last year when the Inspection Law was adopted. Now we are working on the implementation of the Law.

**- What are your plans for future after the survey completion?**

First of all, the Inspection Law implementation will be continued. Mainly, we will work closely with government representatives, including Fire, SES and Tax Committee to support the training of their staff. Also we work with entrepreneurs: we conduct trainings for them. In addition to trainings, we prepare video spots on Inspection Law to instruct entrepreneurs on the law provisions to protect their rights.

## **2. News interesting for Business Environment**

### **CONSORTIUM FOR COMPLETING CONSTRUCTION OF ROGHUN STATION SHOULD HAVE STATE-PRIVATE STRUCTURE: WB**

**DUSHANBE, June 8, Asia-Plus** - The results of a development forum and prospects of cooperation between Tajikistan and the World Bank (WB) were major topics of a June 7 meeting of President Emomali Rahmon with visiting WB Vice-President for Europe and Central Asia Shigeo Katsu and the World Bank Country Director for Central Asia Annette Dixon.

Speaking to journalists after the meeting, Mr. Katsu noted that international community positively assessed provisions of Tajikistan's national development strategy and a progress made in reduction of poverty.

The development forum in Dushanbe yielded some US\$ 600 million donor commitments. Mr. Katsu noted that that figure is not final because some donors are still defining more precisely their opportunities. "With taking into consideration ongoing reforms in the country, it possible to count on increase of this figure," the WB vice-president said.

He underlined the importance of development of hydropower, agriculture, education and health sectors, as well as structural reforms and macroeconomic stability in Tajikistan.

For her part, asked about possibility of the WB participation in the consortium for completing construction of the Roghun power plant in Tajikistan, Ms Dixon noted that the Bank has not yet received analytical data on the results of feasibility study conducted for the project. "As soon as we receive it, an appropriate decision will be made," she said, noting that although the final cost of the project has not yet been defined, it will be some \$2.5 billion. According to Ms. Dixon, the consortium should have state-private (combined) structure.

Mr. Katsu added that the World Bank together with other international financial institution is providing technical and consultative assistance with implementation of the Sangtuda-1 hydroelectricity project.

He also noted that the Bank is also assisting Tajikistan with conducting negotiations with its southern neighbors (Afghanistan and Pakistan) on future electricity supplies to those countries.

On the present cotton debts crisis in Tajikistan, Katsu called it one of the key problems. Today it is necessary to work out a mechanism in order that farmers would be provided with funds for purchasing seeds, chemicals and other means," the WB vice-president said.

On the poverty reduction strategy, Ms. Dixon pointed to the necessity of attracting foreign and domestic investments. "It is necessary to launch new companies and create new jobs," the WB country director said, adding that it would be also good to attract airlines of other countries.

## **IMPOSITION OF VAT ON ENTERPRISES DEALING WITH TOURISM LEADS TO RISE IN PRICES OF PLACES IN TAJIKISTAN'S HOLIDAY RESORTS**

**DUSHANBE, June 8, Asia-Plus** - Now enterprises dealing with tourism and organization of holiday in Tajikistan will pay a 20% value added tax (VAT) that has led to increase of prices of places in the country's health and holiday resorts.

Imposition of value added tax (VAT) on enterprises dealing with organization of holiday and tourism in Tajikistan has led to increase of prices of places in the country's health and holiday resorts, Razzoq Rasoulov, the deputy head of the republican resort management council of Tajikistan's Trade Unions, said.

According to him, their enterprises had previously been exempted from paying VAT. Besides, rates of other taxes as well as communal services' payments have also increased, Rasoulov said.

Thus, the prices of a 12-day place in the Khoja Obigarm resort has risen from 253 somonis to 403 somonis and in the Uro Teppa resort from 190 somonis to 233 somonis.

"The price of a 12-day place in Shohambari now is 300 somonis and in Zumrad – 275 somonis," Rasoulov said.

According to the State Unitary Enterprise Sayoh (Tourism), prices of places in resorts located at the Qairoqqum reservoir, also known as Tajik Sea, have risen as well. The source at Sayoh said that the price of a place in the holiday resort "Qairoqqum" had risen from 288 somonis in 2006 to 360 somonis this year.

In the meantime, the Sayoh deputy director Bakhtiyor Hamdamov said that every year, a number of Tajik nationals who want to take rest at the country's holiday resorts is increasing by 30 percent. Besides, the number of foreign tourists wanting to visit Tajikistan is increasing as well. According to him Tajikistan is attractive for mountain climbers as well as nature and cultural tourists.

"Last year, more than 30,000 foreign tourists visited Tajikistan," Hamdamov.

In the meantime, only 3,000 foreign tourists have visited Tajikistan over the first quarter of 2007, according to the Committee on Youth, Sports and Tourism.

At present some 82 tour companies operate in Tajikistan, and 16 others are still waiting for getting license, the source at the youth, sports and tourism committee said.

Although Tajikistan has world-class mountains and a lot to see for cultural tourists, it is still not so attractive for foreign tourists.

Tourism could make considerable contribution to the country's GDP and generate its foreign incomes. Local experts say that Tajikistan ought to make it easy for mountain climbers, as well as nature and cultural tourists to choose Tajikistan. According to them, government's resolution of March 31, 2006 easing visa requirements for citizens of 68 countries will promote development of tourism and relevant industries in the country. We will recall that the resolution allows citizens of those countries to obtain 45-day visas within three days.

## **WB VICE-PRESIDENT VISITS TAJIKISTAN**

**DUSHANBE, June 6, Asia-Plus** - The World Bank Vice President for Eastern Europe and Central Asia, Shigeo Katsu arrived in Dushanbe today for a short visit.

According to the WB Dushanbe Office, Today morning, Shigeo Katsu visited school #10 in the Vahdat district, near Dushanbe. The school has been renovated and provided with equipment as part of the education modernization support project funded by the World Bank.

Launched in 2003, the Education Modernization Project in Tajikistan seeks to avoid further decline in the education system, to instead support the rebuilding process, through improved learning conditions, school enrollment, and educational completion through grade 5. Specifically, the project components: 1) provide school grants to improve the quality of education, the student enrollment rates, and the schools' infrastructure; 2) build capacity, and support the design of an education system, focused on learning outcomes, know-how and attitudes, emphasizing the skill needs for the new economy; and, 3) strengthen service delivery, through credit financing of physical infrastructure, equipment supply, and textbooks development and distribution.

In Vahdat, the WB vice-president also met with teachers at the school and parent association to discuss the issue of introduction of mechanism of per capital financing in the secondary education system. The WB vice-president is also scheduled to hold talks with President Emomali Rahmon and Tajikistan's economic team today afternoon. The talks are expected to focus on the results of a development forum that was held in Dushanbe on June 2, as well as a progress implementation of economic reforms, development of energy, agriculture, and private sector, as well as general aspects of activity of the World Bank in Tajikistan.

## **TAJIK PRESIDENT, UN OFFICIAL DISCUSS TAJIKISTAN'S INITIATIVES TO ACHIEVE MDGS**

**DUSHANBE, June 5, Asia-Plus** - President Emomali Rahmon met with Ms. Kori Udovicki, the Assistant Secretary-General, Assistant Administrator of UNDP and Director of the Regional Bureau for Europe and Commonwealth of Independent States (CIS), in Dushanbe on June 4 to discuss state and prospects of further expansion of cooperation between Tajikistan and the United Nations.

According to presidential press service, in the course of the talks the two expressed satisfaction with a steady socioeconomic growth in Tajikistan and called the implementation of the national poverty reduction strategy for 2007-2009 an important means of development of the country.

Rahmon and Udovicki also highly appraised results of the Tajikistan Development Forum that was held in Dushanbe on June 2.

Emomali Rahmon appreciated the UN's support for policy of Tajik state in different spheres of life, presidential press service said.

For her part, Ms. Udovicki stated that initiatives of the Tajik government to achieve the Millennium Development Goals (MDGs) deserve support, according to presidential press service.

During the meeting, the sides also discussed issues related to development of regional cooperation and security in Central Asia.

Ms. Kori Udovicki assumes her responsibilities as an Assistant Secretary-General, Assistant Administrator of UNDP and Director of the Regional Bureau for Europe and Commonwealth of Independent States (CIS). Udovicki has held several senior management positions in the Government of the Republic of Serbia. From July 2003 to March 2004 she served as Governor of the National Bank of Serbia. Before that, from June 2002 to July 2003, she was the country's Minister of Energy and Mines. Prior to those appointments, from 2001, Udovicki worked as a Special Adviser to the Minister of Finance and Economy. Most recently, Udovicki has been serving as President of the Center for Advanced Economic Studies, a Belgrade-based non-governmental organization working to advance economic knowledge in Southeast Europe.

Udovicki holds a Ph.D. and a M.Phil. in Economics, both from Yale University. In her new position, she succeeds Kalman Mizsei, who served as the Regional Director of the Regional Bureau for Europe and CIS between 2001 and 2006.

## **EUROPEAN AMBASSADORS VISIT VARZOB**

**DUSHANBE, June 5, Asia-Plus** - Within the framework of the current Europe Week in Dushanbe all of the Ambassadors from European Union countries who are resident in Tajikistan are making a joint visit to district of Varzob today.

Press release issued by the British Embassy in Dushanbe says the aim of the visit is to see some of the projects which have been implemented with funding from the European Union, and also to learn of some of the challenges of this mountainous region so close to Dushanbe.

The Ambassadors will be visiting two jamoats, Dehmalik and Chorbogh, where they will see examples of projects implemented by the NGO Care International with European funds.

These projects are in the fields of food security, disaster mitigation and infrastructure. The diplomats will also hold meetings with Ms Sitora Sherova, the Chairwoman of Varzob district, and will be hearing from women from the area who represent various elements in civil society about the specific issues they face.

The day's visit will finish with a tour of the Chorbogh children's home, recently refurbished with the assistance of international assistance and inaugurated by President Emomali Rahmon last year.

The six Heads of Mission who will participate in this visit are the Ambassadors of Germany (the acting presidency of the European Union in Tajikistan), France, Sweden and the United Kingdom, the Head of Delegation of the European Commission office in Dushanbe and the Ambassador of Turkey, which is a candidate for membership of the EU. In addition they will be accompanied by senior representatives of the EU's Humanitarian Office, ECHO, and also managers from the NGO Care International.

## **HEAD OF STATE ACCEPTED WB REPRESENTATIVES**

**Dushanbe, June 5, Jumhuriat** - On 1 June, Emomali Rakhom, President of Tajikistan met with Ms. Annet Dixon, WB Central Asia Country Director and Executive Director of WB Department Michel Mordasini.

The cooperation of Tajikistan and WB and Development Forum held in Dushanbe yesterday are discussed at the meeting.

The WB representatives expressed their interest for cooperation at such spheres as hydro energy, industry, communication and transport, agriculture production and tourism.

Among the strategy issue, the opening of energy market at Central Asia and was indicated as one of the regional cooperation spheres.

The original document is attached.

## **RESULTS OF OUR PLANS DEPEND ON COOPERATION WITH PARTNERS: PRESIDENT RAHMON**

**DUSHANBE, June 4, Asia-Plus** - "Due to support of our well-wishers we have managed to come out of crisis and started transition to real market relations, heading for sustainable development," President Emomali Rahmon remarked at a meeting of the Consultative Group of Donors (Tajikistan Development Forum) in Dushanbe on June 2.

The president noted that over the past six years, the country's gross domestic product (GDP) has increased by more than 80 percent, a volume of production of industrial goods has doubled, and Tajikistan's external debt has decreased from 90% to 30% of GDP.

Reminding that sustainable development of macroeconomic potential, enhancement of investment climate, development of small and medium enterprises, as well as further development of democracy is to be observed, the president noted that all this has been taken into consideration in the national development strategy for 2007-2015.

“Providing increased and sustainable economic growth is the main direction of further development,” Rahmon said.

Rahmon identified sectors like hydropower, construction of roads and bridges, power transmission lines, and agriculture as priorities of the country’s economy.

“However, the final result also depends on cooperation with partners, including international financial institutions,” said the president, “But these institutions pay more attention to poor countries in Africa, while such countries are also in Asia and on other continents.”

Dwelling on issues related to tackling debt crisis of the country’s cotton sector, Emomali Rahmon critically noted that “there are still only words and there is no real passage to deed.”

Speaking to journalists, Rahmon reminded that last year, the International Monetary Fund wrote off nearly a \$100 million debt of Tajikistan and the World Bank provided a \$140 million grant.

Asked whether the issue of write-off of Tajikistan’s debt to Russia will be discussed at the upcoming meeting in St. Petersburg, Rahmon said that that subject would not be discussed. “We have already repaid the main part of the debt and this process will be finished next year,” the president said.

In the meantime, Russia’s Itar Tass said that during the donor conference in Dushanbe it had been noted that Tajikistan will obtain full energy independence and will start exporting energy to the neighboring Afghanistan after the two Sangtudin hydropower stations begin operation on the Vakhsh River in the next two years.

“Tajikistan has experienced acute energy shortage – estimated at 1.5 billion kilowatts in autumn and winter- in recent years,” Tajik President Emomali Rakhmon told an international donor conference in Dushanbe, according to Itar Tass. He said the last winter was the hardest for Tajikistan and its population. The people had light in their homes only for several hours a day.

Rahmon said Iran, which is taking part in the construction of the Sangtuda-2 hydropower station, had promised the facility would be launched in 2009. Iran has pledged to begin the construction of another hydropower station shortly after the first station begins operation.

“The Russian investor – the Unified Energy Systems of Russia – has promised to launch the first stage of the Sangtudin-1 hydropower station late this December, a year earlier an officially set deadline,” President Rakhmon went on to say. All this will not only meet Tajikistan’s demand in electric energy but will also enable it to export energy surpluses to the neighboring Afghanistan, the president added.

The Tajik leader said the exports could amount to three billion kilowatts of energy a year.

## **TAJIK PRESIDENT MEETS WITH ADB, WB OFFICIALS TO DISCUSS COOPERATION ISSUES**

**DUSHANBE, June 4, Asia-Plus** - On Friday June 1, President Emomali Rahmon received Juan Miranda, the Director General of the Asian Development Bank’s (ADB) Central and West Asia Department.

According to presidential press service, in the course of the talks Rahmon and Miranda discussed state and prospects of further expansion of cooperation between Tajikistan and the ADB. They discussed a progress of ADB’s assistance program in the country, which focuses on strengthening rural development, social sectors, and regional cooperation, and rehabilitating basic infrastructure. The two highly appraised paces of socioeconomic development of Tajikistan over past years.

Rahmon expressed gratitude to the ADB administration for supporting socioeconomic policy of Tajikistan and funding a series of projects to enhance transportation, energy, education, health, financial, and agrarian sectors in Tajikistan.

Mr. Miranda headed the ADB’s delegation at the Tajikistan Development Forum, which was held in Dushanbe on June 2.

The same day, Emomali Rahmon met with Ms. Annette Dixon, the World Bank Country Director for five countries of Central Asia, and Mr. Michele Mardizini (phonetically spelled), acting WB Director, presidential press service said.

In the course of the talks, the sides vowed to boost cooperation between Tajikistan and the World Bank. According to presidential press service, Dixon and Mardizini noted that they will take efforts to give new impulse to further development of relations between the World Bank and Tajikistan.

The sides identified the creation of energy market in Central and South Asia as being of strategic importance for further expansion of regional cooperation, presidential press service said.

## **CONSULTATIVE GROUP OF DONORS MEETS IN DUSHANBE**

**DUSHANBE, June 4, Asia-Plus** - A meeting of the Consultative Group of Donors (Tajikistan Development Forum) was held in Dushanbe on June 2.

Inaugurating the forum, Tajik Prime Minister Oqil Oqilov noted that the objective of the meeting is to discuss ways of further socioeconomic development of the country and determine role of partners in providing assistance with achievement of the development goals.

Addressing the meeting, the World Bank Regional Director for Central Asia Annette Dixon noted that a progress had been made in implementation of the first poverty reduction strategy paper and pointed to the necessity of dialogue between the government and partners on the next, second paper. "This forum gives an opportunity to analyze the work done and set ways to coordinate actions of donors," Ms. Dixon said.

The meeting focused on the national poverty reduction strategy, perspective of energy, human potential, as well as ways of tackling the debt crisis in the country's cotton sector.

The forum participants included representatives from the United States, Russia, Germany, Sweden, Switzerland, China, Canada, Iran, the United Arab Emirates (UAE) as well as donor organizations such as the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, etc.



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With best wishes,  
Tajikistan SME Public Relations/Communication Department