

# Tajikistan Business Enabling Environment/ SME Policy Project Press Review - Issue #47

Dushanbe, 20 July 2007

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IFC PRESS REVIEW

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### IMPORTANT ISSUE...

#### Dushanbe, July 19, Business and Policy

Macroeconomic indicators in Tajikistan are positive and quite sustainable.

.. In 2007, total budget is foreseen to be 3,2 bln. somoni. Foreign trade turnover of Tajikistan for 2006 made up \$2 bln.806 mln (with growing rate 41,9%) and export - \$1270,9 bln.

The World Bank experts believe that Tajikistan should focus its efforts improvement of competitive business environment.

The most dynamically developing sectors in the country are the ones oriented on rapidly growing demand, in the internal market, such as construction, trade and financing services.

The World Bank experts expect that positive tendency at the field of investments will remain. However, this tendency should not stop at what has already been achieved. The World Bank conducts annual monitoring and evaluates business conditions in several countries. According to results of last year's research, Tajikistan was rated one level higher than the year before, which is fairly good. But, if compared, China was rated 15 levels higher.

### **What to do?**

Tajik entrepreneurs think that, tax service activities and tax administration should be improved. There are three main problems. First of all, there is a lack of qualified personnel. The second problem is corruption, which is getting worse. Corruption hinders small and medium business more than it does large projects, while SME is essential for economic growth of the country and for formation of sponible population at the internal market. Another problem, which would not surprise anyone, is the work of the Tajik judiciary system. As it often turns out, Tajik business society does not have much trust in this system.

Mukammal Odinaeva

## **INTERNATIONAL HERALD TRIBUNE (HERALD ASAHI)**

**DUSHANBE, Tajikistan** – This landlocked former Soviet republic is surprising the world's powers with its diplomatic skill in coaxing economic assistance from three global rivals: the United States, Russia and China.

### **FIVE LESSORS TO WORK IN TAJIKISTAN BY THE END OF THE YEAR**

**DUSHANBE, July 19, Asia-plus** - Problems of leasing market in Tajikistan perspectives of its development and coverage of lessors' activities were discussed at a conference formally entitled "Leasing in Tajikistan: Start to the Future" in Dushanbe on July 19

The conference participants included representatives from the government, banking sector, business environment, donor and international financial structures active in Tajikistan.

According to Mathew Scanlon, Officer of International Finance Corporation (IFC) for Investments, development of leasing is one of priorities for IFC, whose Central Asia Leasing Project has united the market participants and provided an efficient cooperation to promote development of leasing in Tajikistan. Twelve financial institutions from Tajikistan, Azerbaijan, Kyrgyzstan and Uzbekistan have to date participated in the project.

"The government attaches a special significance to development of this financial instrument, which promotes renovation of main means and material-technical basis of local enterprises and improvement of their competitiveness on the market," Malohat Keldiyorova, Adviser to the Tajik President for Economic Matters, said.

Five lessors are expected to have actively worked in Tajikistan by the end of this year.

TojikSodirotBank (TSB) was the first in Tajikistan to act in the role of lessor in 2001. TSB has to date has written eleven leases for a total amount of more than 15 million somonis. Having realized the importance of development of leasing, the bank set up Tajikistan's first leasing company Nakhust Leasing in 2005, which has to date written leases for a total amount of more than 3 million somonis.

In 2006, leasing company Inter-Leasing increased number of lessors in Tajikistan.

Last May, open joint-stock company (OJSC) AgroInvestBank registered another leasing company LeasingFinance.

In August, the First MicroFinance Bank of Tajikistan (FMFB-T) will start leasing operations. It will offer its customers new product – microleasing, which allows funding small and medium enterprises to purchase various inexpensive equipment and transport means. Microleasing, the financing of small value leases typically under \$25,000, has significant promise in Tajikistan.

During the conference, it was noted that despite positive results of development of leasing sector in the country issues of optimization of taxation of leasing operations have not yet been resolved completely.

At present IFC jointly with lessors of the country is discussing issues related to legalization of mechanism of repeat leasing and proposals on the most optimal regime of taxation of the leasing operations.

## **CUSTOMS SERVICE REMITS 504.4 MILLION SOMONIS TO NATIONAL BUDGET IN JANUARY-JUNE**

**DUSHANBE, July 20, Asia-Plus** - Over the first half-year of 2007, the Customs Service has remitted 504.4 million somonis to the country's national budget, which is 139.7 percent of the target for this period or 226.2 million somonis more, Nematboy Rahmatov, the first deputy head of the Customs Service, announced at a news conference in Dushanbe yesterday.

According to him, over the report period, the foreign trade turnover of Tajikistan, including electric energy and natural gas, has amounted to \$1.845 billion. Exports of goods in January-June 2007 have amounted to \$710.5 million and imports of goods into the country have amounted to \$1.134 billion.

Asked about customs infringements reported in the country over the same six-month period, the customs service deputy chief noted that 2,241 such cases had been revealed in the country in January-June 2007. "The totaled included 31 customs crimes, 16 drug-trafficking crimes (over the report period Tajik customs officers have intercepted 12.778 kilograms of narcotics), 14 cases of smuggling of consumer goods, etc.," Rahmatov said, adding that 2,210 instances of violation of administrative code have been recorded over the report period.

In January-June 2007, violators of the customs legislation have been fined a total of more than 1 million somonis and some 800,000 somonis have been exacted to the public purse, the customs official said.

## **KYRGYZSTAN'S FinansCreditBank OPENS ITS LOCAL OFFICE IN TAJIK CAPITAL**

**DUSHANBE, July 19, Asia-Plus** - Representative office of Kyrgyzstan's FinansCreditBank (Financial Credit Bank) has been opened in Dushanbe.

Touraqul Haqnazarov, the head of the department for banking supervision and licensing of the National Bank of Tajikistan (NBT), told Asia-Plus that FinansCreditBank positions itself as a modern bank offering a broad range of services with optimal interest rates.

According to him, priorities and main directions of FinansCreditBank's activity include development of retail (consumer and mortgage crediting), attraction deposits from population and organizations, etc. The Tajik central bank official also noted that Kazakhstan's Bank TuranAlem had curtailed its activity in Tajikistan. "TuranAlem Bank's local office was opened in Dushanbe in August 2005 and it was mainly engaged in studying state of market in Tajikistan as well as fulfilled commercial tasks of the bank's head office," Haqnazarov said.

"At present representative office of Kazakhstan's Kazkommertsbank is continuing its activity in Tajikistan, and the Kazakh bank intends to open its branch here," the central bank official said.

## **735 SAMPLES OF TESTED FOOD AND FARM PRODUCTS REJECTED IN TAJIKISTAN IN JANUARY-JUNE**

**DUSHANBE, July 18, Asia-Plus** - Over the first half-year of 2007, the republican test lab has rejected 735 samples of the tested food and farm products, which is 4.44 percent of the total amount of the goods tested, Davlatali Hotamov, director of Tojikstandart, the agency for standardization, metrology and certification, announced at a briefing in Dushanbe on July 17.

According to him, over the report period, the agency has tested 775 samples of the imported wheat flour. "In 18 cases, totaling 2,219 tons, the samples have not met the quality standards," said Hotamov, "Of 402 samples of wheat products (groats) imported to our country, 4 (totaling 2,190 tons) have been rejected."

He added that of 3,000 tested samples of confectionaries imported to Tajikistan from other countries, 107 samples (some four tons) had been rejected as not meeting the standard requirements.

According to him, all rejected products have been withdrawn from circulation.

Hotamov noted that two new labs for testing food products – the physical-chemical laboratory and the laboratory for heating-engineering measurement -- were recently introduced into operation at the agency.

## **UKRAINIAN COMPANY SEEKS COOPERATION WITH TAJIK ENTERPRISES**

**DUSHANBE, July 18, Asia-Plus** - A meeting of Dushanbe's entrepreneurs with visiting senior representatives from Ukraine's limited liability company East European Alliance was held at Tajikistan Chamber of Commerce and Industry (CCI) in Dushanbe on July 17.

The source at a CCI said that the sides had discussed prospects of expansion of cooperation between Tajik and Ukrainian entrepreneurs in the fields of construction, energy, commerce, etc.

During the meeting, it was noted that Ukraine had already organized delivery of train cars to Tajikistan and the sides had studied opportunities of leasing products of the Kharkov tractor-manufacturing plant.

Besides, Tajikistan's Barqi Tojik power holding representatives and Ukrainian entrepreneurs are currently considering issues related to rehabilitation of the Perepadnaya power plant and construction of a series of small power plants in Tajikistan.

The source added that the Trade Center Ukraine-Tajikistan and the Ukrainian-Tajik Business Council will be established in Dushanbe, and the Ukrainian side had already expressed readiness to assist Tajikistan with seeking reliable partners for Tajik enterprises.

## **AGROINVESTBANK REPORTS 48 PERCENT CAPITAL GROWTH**

**DUSHANBE, July 17, Asia-Plus** - AgroInvestBank's capital rose 48 percent in the year to July 1, 2007, reaching 69,869,490 somonis (equivalent to more than 20 million US dollars). As of July 1, 2006, the bank capital amounted to 47,215,298 somonis.

According to the AgroInvestBank headquarters in Dushanbe, the bank's net profit rose 52.8 percent in the year to July 1, 2007, reaching 9,288,010 somonis, while as July 1, 2006, the net profit amounted to 6,087,792.

The source at AgroInvestBank's head office added that over the first six months of this year, 196,375,649 US dollars and 627,575,121 Russian rubles have been remitted to the bank for physical entities.

"AgroInvestBank pays a special attention to the issue of providing loans to physical and legal entities," said the source, "Over the first six months of the year, the bank has provided loans for a total amount of 340,185,042 somonis, which is 120.3 percent more than in the same period of 2006, when the bank provided 154,448,659 somonis in loans."

The source further added that a total amount of resources attracted by the bank amounted, as of July 1, 2007, to 358,523,995 somonis. As of July 1, 2006, the amount of attracted resources was 179,351,589 somonis.

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

## **10 MINING COMPANIES MAY LOSE THEIR LICENSES FOR DEVELOPING MINERAL RESOURCES**

**DUSHANBE, July 17, Asia-Plus** - Ten Tajikistan's leading companies dealing with exploration and development of mineral resources in the country may lose their licenses, Azim Ibrohimov, the head of Tajikistan's Main Geology Directorate, remarked at a briefing in Dushanbe on July 16.

According to him, the directorate may revoke their licenses because of violations in their financial accounting. "These ten companies have not yet submitted reports on their activities to the Main Geology Directorate," Ibrohimov said.

He noted that those companies include joint venture Aprelevka, limited liability companies Nasimi Iskandar, Khoja Moumin, Zarrink, Crystal, Vostokredmet, Saloca and Sangalt, as well as Petroleum-Sughd.

"We have prepared an official letter to the government on revoking their licenses," the main geology directorate head said.

He noted that the main geology directorate is successfully implementing the geology development program designed for 2007-2015, which was endorsed by the government in December 2006, and over the first six months of this year, it has spent 618,496 somonis earmarked by the national budget for 32 projects for the same six-month period.

Ibrohimov further added that 18 investment projects aimed at developing and processing mineral resources have been launched in the country this year. "Some \$150,000 are expected to have been invested in nine of these projects by local companies and enterprises, and more than \$18 million, with more than \$13 million from Russia's Gazprom, are supposed to have been invested in another nine projects by foreign companies by the end of this year," the geology directorate head said.

## **INVESTMENT PROJECTS FOR TOTALING \$1.33 BILLION BEING IMPLEMENTED IN TAJIKISTAN**

**DUSHANBE, July 16, Asia-Plus** - At present 51 investment projects for a total amount of \$1.33 billion are being implemented in Tajikistan, Asia-Plus has learned at the State Committee for Investments and Management of the State-owned Property.

The source at the committee said that the amount includes \$1.043 billion in loans, \$152.8 million in grants, a \$97.076 million contribution of the Tajik government, as well as a \$38.097 million contribution of Barqi Tojik power holding and Tojigaz (Tajik state natural-gas distributor). Tojigaz accounts for 2.92 percent in those \$38.097 million.

The source added that as of June 1, 2007, \$355.3 million had been used on implementation of the investment project.

“Business forums and conference with participation of international donors play a key role in development of the investment climate in the country,” said the source, “Thus, the Tajikistan Development Forum that was held in Dushanbe in June took stock of the country’s development efforts to date, defined further priorities and the way forward.”

The forum brought together representatives of the Tajik government, international development agencies, bilateral donors, civil society and private sector. The discussions focused on the challenges for future development and determining the role each partner can play in contributing to the Government’s development vision. The forum provided an opportunity to assess the implementation of the Tajikistan first Poverty Reduction Strategy and discuss the implementation of the country’s National Development Strategy and the second Poverty Reduction Strategy recently adopted by the Government. To that end, the National Development Council, comprising key Government officials and civil society representatives, will be established that will define main strategic directions and oversee the implementation of the country’s development programs. The forum yielded US\$596.37 million donor commitments.

## **FOREIGN TRADE TURNOVER OF SUGHD PROVINCE SHOWS UPWARD TENDENCY**

**KHUJAND, July 16, Asia-Plus** - Over the first half-year of 2007, the foreign trade turnover of the northern province of Sughd, including electric energy and natural gas, has amounted to \$310.6 million, which is 141 percent of the January-June 2006 level or \$90.3 million more, according to the Sughd customs directorate.

The source at the Sughd customs directorate said that in January-June 2007, exports of goods have amounted to \$76.3 million, which is \$12.2 or 19.1 percent more than in the same period of last year. Imports of goods into the province over the report period have amounted to \$234.2 million, which is \$78 million or 50 percent more than in January-June 2006.

Over the same six-month period, the Sughd province has had trade relations with 56 countries, including 10 CIS states.

The CIS states have amounted for 59.9 percent (\$186.2 million) of the Sughd foreign trade turnover for the report period, and the far abroad countries have amounted for 40.1 percent (\$124.4 million).

In January-June 2007, the far abroad countries and the CIS states have amounted for 50.5 percent and 49.5 percent of the Sughd exports respectively.



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With best wishes,  
Tajikistan SME Public Relations/Communication Department