

ATTACHMENT 2. INTERVIEW MEMOS

Tentative Schedule (as of 05 August)

Preliminary Study on Business Promotion in Central Asia

Tajikistan

August 06, 2005 Saturday	
13:45 p.m.	Mr. Iwase, Mr. Mori, Mr. Hamada and Ms. Kobayashi Arrive in Dushanbe Checking in the hotel: <i>"Sino" –confirmed</i>
17:00 p.m.	Meeting with PFA and Consultant at Sino Hotel

August 07, 2005 Sunday	
	City observation Documentation at Sino Hotel or Liaison Office
18:35 p.m.	Mr. Niino and Prof. Wada Arrive in Dushanbe Checking in the hotel: <i>"Sino" –confirmed</i>

August 08, 2005 Monday	
10:00 a.m.	Courtesy Call and Discussion on Business Environment to/with the Japanese Embassy
p.m.	Internal meeting
16:00 p.m.	Meeting with Mr. Abdulaziz Noor Muhammad, Regional Director for Infrastructures, Aga Khan Fund for Economic Development

August 09, 2005 Tuesday	
09:00 a.m.	Meeting with Mr. Jim Egan, Chief Executive Officer, The First Micro Finance Bank,
10:00 a.m.	Mr. Boboev Gulom, Minister of State Revenues and Levies of Tajikistan
10:00 a.m.	Mr. Khotamov Davlat, Director of the Agency for Standardization, Metrology and Trade Inspection under the Ministry of Economy and Trade of Tajikistan
11:00 a.m.	Meeting with Mr. Saifiev Maruf, Deputy Minister, The Ministry of Economy and Trade
14:00 p.m.	Round Table with Matluba Uljabaeva, Chairman National Association of SME
16:00 p.m.	Meeting with Mr. Peter Argo, Country Representative, USAID Tajikistan

August 10, 2005 Wednesday	
09:00 a.m.	Meeting with Mission Adviser, Muzafar Usmanov, the EBRD
10:00 a.m.	Meeting with Kholboboiev F.S., State Advisor to the President of the Republic of Tajikistan, For Economic Policy
10:00 a.m.	Meeting with Mr. Abibulloev Narzullo, Head of State Budget Department, Ministry of Finance of Tajikistan
11:00 a.m.	Meeting with Mr. Alisher Isaev, Economy Policy Advisor International Finance Corporation
14:00 p.m.	Meeting with Mr. Tariq Anwar, Portfolio Management Specialist. Asian Development Bank
15:00 a.m.	Meeting with Deputy Director, Beau Taylor, USAID Enterprise Development Project
16:00 p.m.	Round Table Meeting with The Center for Support and Development of Entrepreneurship under Dushanbe Municipality (Mr. Rakhmatzoda Ashurali, Director, etc)

August 11, 2005 Thursday	
10:00 a.m.	Meeting with Mr. Karamaliev Asanali, Deputy Chairman Tajikistan Chamber of Trade and Industry
10:00 a.m.	Meeting with Deputy Director, Mr. Akbar Muratov USAID Trade Facilitation and Investment Project
11:00 a.m.	Meeting with Mr. Maqsud Odinaev National Program Manager, Trade Promotion Program in Tajikistan Program implemented by ITC
11:00 a.m.	Tahmina Karimova, Project Manager, Project on Promoting transparency and accountability (former Anticorruption Project) , UNDP Tajikistan
14:00 a.m.	Meeting with Deputy Director, Mr. Naimov Agency for Antimonopoly Policy and Entrepreneurship under the Government of the Republic of Tajikistan
14:00 p.m.	Meeting with Mr. Sangov Vaisiddin, Director, Private Company "Sharbatho"
16:00 p.m.	Meeting with Mrs. Tamara Kholikova, General Director of LLC "Stroyinvest"
17:00 p.m.	Meeting with Mr. Mahmoud Naderi, Chief of Mission, International Organization for Migration

August 12, 2005 Friday

09:00 a.m.	Meeting with Mr. Saidmuradov Niezmurod, Chairman of the Board, Agroinvest Bank
11:00 a.m.	Meeting with Mr. Jamshed Abdulov, General Director, JSC Industrial Financial Corporation "Olimi Karimzod-L"
14:00 p.m.	Meeting with Mr. Akhad Ashurov, General Director, Private Company "Doro"
16:00 p.m.	Report to the Embassy of Japan
17:00 p.m.	Meeting with Mr. Rasulov Jabor, Deputy Minister of Industry
19:00 p.m.	Meeting with Mr. Sino Jabborov, General director, "Sino" hotel

August 13, 2005 Saturday

10:00 a.m.	Meeting with Mr. Umed Juraev, Director, LLC "Fonus"
11:30 a.m.	Meeting with "Vostok trading Tour" Tourism Company, Mrs. Miralieva Aziza, General Director
14:00 a.m.	Club of young entrepreneurs of Tajikistan, Mr. Sharipov Hairullo, General Director
19:00 p.m.	Reception

August 14, 2005 Sunday

08:00 a.m.	Mr. Iwase, Mr. Mori, Departure Dushanbe (Check out Sino Hotel at 7:30 a.m.)
	City observation Attendance of Nurek city, Hydro Power station visit Documentation at Sino Hotel or Liaison Office
23:35 p.m.	Mr. Niino, Prof. Wada, Mr. Hamada and Ms. Kobayashi Departure Dushanbe (Check out Sino Hotel at 21:30 a.m.)

Aga Khan Fund for Economic Development

August 08, 2005.

Mr. Abdulaziz Noor Muhammad, Regional Director for Infrastructures, Mansoor Dhannani, Chief Financial Officer.

Summary

Mr. Noor Muhammad is a Regional Director for Infrastructures and has working experience in Indonesia for 10 years. The Aga Khan Foundation began its operation in Tajikistan since 1992 providing assistance to post conflict Tajikistan. In present The Aga Khan Fund for Economic Development (AKFED) is an international development agency, which supports business sector in certain sectors of the economy and in Tajikistan it mainly targets on tourism, financial services and telecommunications. AKFED is not NGO, it is profit-based company.

SME Support and development:

AKFED involves in Tajikistan three companies "Indigo Tajikistan", Power Co., Micro Finance Bank, which according to AKFED estimation have about 1000 employees. In 1995 Aga Khan Fund for Economic Development started to provide micro-credits to small businesses, mainly in agricultural sector in Gorno-Badakhshan oblast. The Enterprise Support Facility provides training to entrepreneurs and funds small-scale businesses in the area of services, trade and agriculture and amount of financing is maximum \$5000. AKFED one of the shareholder of cell-phone company "Indigo Tajikistan" that was created with US Corporation MCT in November 2001 and for the moment one of the leading cell-phone companies in Tajikistan. AKFED also invested in construction of modern hotel in Tajikistan and has a land site in the center of Dushanbe, capital of Tajikistan. AKFED provides support mainly under two its financial facilities: The First Micro Finance Bank and Enterprise Support Facility. The First Micro Finance Bank provides loans to support small and medium size business and Enterprise Support Facility provides small-scale loans to farmers. IFC has a share of \$3.000.000 in micro financing bank.. AKFED also involved in Power supply project which is commercial project and Power Supply Company will supply power 140.000 people.

According to AKFED legal framework for micro financing should be improved and it refers to taxation, customs regulation, land reform. AKFED also face some difficulties in providing banking services, hotel business, license problems with commercial activity and bond issue. Another issue is absence of restriction of cash transactions and competition in banking sector.

**Mr. Boboev Gulomjon, Minister of State Revenues and Levies of the
Republic of Tajikistan
August 09, 2005**

Ministry of State Revenues and Levies of the Republic of Tajikistan has been established according to the decree of the President of the Republic of Tajikistan under №745 on January 24, 2002. Ministry was formed on the base of two state organs, namely Tax Committee under the Government of Tajikistan and Custom Committee under Government of Tajikistan. Ministry is responsible for realization of the tax and customs policy, protection of economic interests of Tajikistan, implementation of the revenue part of the state budget and policies under its competence. Ministry has its own law enforcement agency that controls and prevents tax and customs violations.

SME support and development policy.

Ministry promotes SME through governmental policies of SME support. For example, according to the new tax code simplified taxation and tax rate introduced for SME scale companies in Tajikistan. According to the new tax code number of taxes has been reduced and income tax has been reduced from 30% to 25%. In present customs duties for importing goods for certain group of commodities is 5%, for Eurasian Economic Community members 0% rate and average rate of tariffs is 7%. Every three months Ministry holds open press conference in which participation is open for mass media and where all issues regarding taxes and other duties are discussed. Ministry is in the close cooperation with international organizations and international financial institutions under development or introducing amendments to tax and customs codes. Ministry for example was in close cooperation with International Finance Corporation (IFC) in preparation of SME Survey in Tajikistan and a lot of suggestions by SMEs and IFC were taken into account by the Ministry. In the same time as Minister noted there are cases of violations of tax and customs rules by local companies and individual entrepreneurs such tax avoidance and fraud invoices. Ministry effectively fights with corruption among the staff of the Ministry and has its own supervision department for internal control. Tax inspection is to be held once per year by tax officer and Ministry holds inspection for prevention of the violation of the tax and customs code by local businesses.

Mr. Khotamov Davlat, Director, Agency on Standardization, Metrology and Trade Inspection under the Ministry of Economy and Trade of Tajikistan

Former Committee on Standardization, Metrology and Accreditation was transformed into the Centre for Standardization in 1992. In 2001 on the base on this centre the Agency for Standardization, Metrology and Trade Inspection under the Ministry of Economy and Trade of Tajikistan – “Tajikstandard” was established.

The agency conducts its activity on the base of the following Laws:

- The Law «On Standardization;
- The Law «On Metrology and Accreditation»;
- The Law «On Protection of Consumers' Rights»
- The Law «On Market Protection»
- The Law «On Quality and Safety of Food Products»

At the moment all these Laws have been perfected and brought according to international norms, standards and rules.

The Structure of the Agency: the Main body consists of 8 divisions and 18 departments. Total number of employees is 500, and about 200 people work in the main division. The Agency has the following tasks

- elaboration of standards;
- provision of unity of metrology;
- development of policy in the field of standards;
- control over compliance of standards by producers and importers;
- accreditation of laboratories and centers and other.

The Agency is a member of Intergovernmental Standard Agreement (IS), within the framework of which methodological materials on standardization are being prepared. 18 countries (12 republics of Commonwealth of Independent States and 6 countries of the Eastern Europe) form IS. International and Intergovernmental standards are used in everyday activity of the agency.

3. Activity and problems in the field of SME promotion.

The Agency controls compliance of all existing standards in the country by producers and trade companies. According to acting regulations during production of products the agency issues Certificate of Quality. Member countries of IS admit our certificates. In its turn the agency acknowledges certificates issued by appropriate agencies from which products are imported. Only during import of food products the agency conducts quality test of the product and grants a certificate of accordance. According to list elaborated by the government of Tajikistan, 97 product groups are subject to compulsory certification (food products, oil products as well some goods for). During the import of such products, the customs authorities request certificate, which the agency can grant.

There are also cases of smuggling. In such situation the agency conducts inspections and removes smuggled products from domestic market. Geographic location of Tajikistan makes more difficult the work carried on by the agency, because a lot of smuggled products are coming. In 10 remote areas of Tajikistan a testing centres have been created (on the border of China, Kyrgyzstan, and Uzbekistan).

For development of certification system the agency has accredited 10 laboratories among which there is also private one. One of such laboratories is a laboratory of Tajik Aluminum plant. Companies exporting cotton, cotton-yarn and clothes receive certificates of compliance.

The agency should not create barriers for business. On the contrary, it must facilitate its development. In 2004 there were undertaken measures for perfection of certification procedure twice. Managers of companies and organizations, entrepreneurs and heads of controlling bodies were invited for meeting. There were no complaints in respect of the agency, while some suggestions were made, which will be taken into account in the activity of the Centre.

Preparation of specialist in the field of standardization and metrology is one of the acute problems.

4. Resume

The agency implements its activity on the base of legislation and elaborates programs for development of standardization and certification systems.

The development of business is complicated because of shortage of qualified specialist in this field.

Standards are elaborated by the agency and there were no cases when entrepreneurs suggested new standards.

Mr Saifiev Maruf, Deputy Minister of the Ministry of Economy and Trade of the republic of Tajikistan.
August 09, 2005

The Ministry of Economy and Trade of Tajikistan was established on January 11, 2001 according to the Presidential decree under N445 and is a public organ under the Government of Tajikistan., within the framework of Programme for Reform and Perfection of State Management. The former Ministry of Economy & Foreign Economic Relations was united with the State Committee on Contracts and Trade. As a result, the Ministry of Economy and Trade of Tajikistan was established. Ministry is responsible for economic policy of the Government of Tajikistan. Ministry coordinates activity of other ministries, agencies, enterprises and other organizations on economic and other issues under its competence. Ministry is responsible for development of socio-economic policy of Tajikistan, coordination of industrial and regional development programs, economic projections and preparations of the short and long term economic development policies as well as other policies under its competence. Ministry is government organ for implementation and promotion of tourism business in Tajikistan.

Organizational structure of the Ministry of Economy and Trade of Tajikistan:

Minister	
Deputy Minister	
1	Department of macroeconomics analysis, economic reforms, and investment policy
	division of macroeconomic analysis and information
	division of monitoring and implementation of economic reforms programs
	unit for legal support of economic reforms
Deputy Minister	
2	Department of projections and social development
	division of foreign investments
	Division of projections of economy's industries
	Unit for development of regions
First Deputy Minister	
3	department of industrial and regional policy
	division of science and social infrastructure
	unit of financial-credit relations
Deputy Minister	
4	Department of foreign economic and trade policy
	division of capital investments and housing infrastructure
	division of agro industrial development
	division of development of industries
Deputy Minister	
5	Department of state procurement and trade
	division for affairs with distant foreign countries
	division for affairs with CIS countries
	division of development of export potential and regulation of foreign trade
Deputy Minister	
6	General department
	division on policy on tourism, trade, and exchange business
	division of foodstuffs and public feeding
	Division of inspections, certification and standards
Deputy Minister	
6	General department
	division of state and mobilization reserves
	Unit on procurement
	Unit for finance and accounting
	General unit
6	General department
	unit for human resources
	unit of information systems
Deputy Minister	
6	General department
	unit of translations services and press services
Deputy Minister	
6	General department
	General service unit

200 employees work at the ministry, according to staff time table. There are also a number of lower organisations under the Ministry: "Tajikstandard", Agency for Provision of Law Enforcement Organs, Agency on Tourism issues, Commodity and Raw Materials Exchange, Institute of Economic Researches and Information Patent Centre.

SME support and development policy. According to Plan of the Government of Tajikistan it is expected till September 2005 to break up Agency on Antimonopoly Policy and Support of Entrepreneurship and handing over parts of the agency's functions, in respect of Entrepreneurship support to the Ministry of Economy and Trade. Following recommendations of international organizations (UNDP) within the ministry a special subdivision dealing with issues related to support and protection of entrepreneurs' interests, will be created. This subdivision shall also consider disputes between enterprises and state institutions. It is necessary to make better legislation and normative acts in this sphere. During elaboration of Regulation on licensing of separate activities, the Ministry has invited donor organisations. As far as the new regulation has not been elaborated, there is discrepancy between new law and old regulations, which makes difficult business activity. The Ministry grants a licence only for doing tourism activity.

Activity of the ministry on WTO accession process. In present, Ministry according to the government decision is responsible for negotiations of the Republic of Tajikistan in accession to the World Trade Organization. Two meetings of the working group on Tajikistan Accession to WTO have been organised. Concrete proposals came from European Union, USA and Japan. There don't exist a particular deadline for joining to WTO. However it is intended that by the end of 2006 Tajikistan will join to WTO. Also coordination of issues within Euro Asian Economic Community is of importance. Although all member countries of this integration group will join to WTO separately, it is necessary to coordinate actions. A Reply from the Secretariat of WTO has been received. At the moment the following problems must be solved:

- Abolishment of system for compulsory sale of some commodities through Commodity and Raw Materials Exchange;
- Cancellation of a system for issuance of licence for production of alcohol products by Corporation "Khurokvory";
- Issue regarding subsidies to agriculture has not been solved yet.

New Customs Code has been adopted in which norms have been brought in compliance with WTO requirements. USA and EU requested more liberal access to financial service market, communication, business services. Legislation in this sphere needs to be brought in perfection.

Tajikistan doesn't have its own permanent representative in WTO and therefore all negotiations are conducted during the meetings of the working group. This circumstance retards and slows down negotiations process.

The main reason for Tajikistan entrance into WTO is getting access to the world markets as well opportunities to export directly domestic products, instead of through mediators. For instance, in order to avoid quotas system on textile in EU, Tajikistan has to export textile products through organisation of Joint Ventures with foreign countries ("Tajik-Kabool-Textiles", "Sano").

At the moment the ministry has been preparing "Strategy of Export Potential Development and Import Substitution Production". Provision of domestic market with quality and cheap products with further realisation of domestic products on foreign markets, through development of real sector of economy is one of the strategic goals. The time has come when Tajikistan is able to utilise huge investments.

Round Table with Matluba Uljabaeva, Chairman of National Association of SME.

August 09, 2005

Association has been created to promote and support SME initiatives and interests both in public and private level. Among the objectives of the Association the most important are: lobbying entrepreneurs' interests, business trainings, search of partners for entrepreneurs. Association also represents interests of other seven associations in the Euro Asian Economic Organization. Annual member fee is equal to \$10. In 2005, 170 persons took part in two-day seminar devoted to normative technique, 75 person participated in business training courses, 120 people participated in seminar dedicated to Psychology, Conflictology of Business Communication. Association has prepared 100 trainers for organization of business trainings. It doesn't have vertical links with regions. Interrelations with the regions of Tajikistan (Shartuz, Pamir, Kurgan-Tyube) are based on mutual agreements. Association always participates in discussions and elaboration of legislative acts concerning SME. According to chairman opinion tax rates are high and in particular income tax. Service business is subjected for taxation from first year of operation compare to industry sector which is exempted from certain taxes in first few years of business activity. One of the concern of private companies is new regulation on import of equipment that is effective from July 15, 2005 and there are 4 ministries (Ministry of Economy and Trade, Ministry of Revenues and Levies, Ministry of Justice, Ministry of Finance) in charge of giving resolution that exempt equipment from VAT. These ministries are in charge of issuing document that allows to exempt imported equipment from VAT. Another concern for NGO is that the NGO is subjected to taxation in Tajikistan. Association closely works with international donor organization and attracts donor funds to hold seminar, workshops and other events that are designed for SME promotion and support.

**Mr. Muzaffar Usmanov, Mission Adviser, European Bank for
Reconstruction and Development
August 10, 2005**

Tajikistan became member of EBRD in 1992. EBRD has started its activity in Tajikistan in 1995. First Technical Assistant Grant was provided to the Government of Tajikistan for Dushanbe Airport Runway Rehabilitation. Gradually, EBRD moved from technical assistance to providing loans and supporting private sector, especially commercial banking recovery and promotion small and medium business as well as individual entrepreneurship.

SME support and development policy

EBRD launched two separate facilities to promote and support small and medium business in Tajikistan. First, is EBRD Tajikistan Micro & Small Enterprise Finance Facility (TIMSEF). TIMSEF started its leasing operations in October 2003 and by April 2005 cumulated disbursement amounted to \$9,000,000. TIMSEF is operated through leading commercial banks in Tajikistan and namely, through Tojikstodirobtbank, Tajprombank, Eskhata bank, and Agroinvestbank. About 3500 loans were provided through TIMSEF from \$50 up to \$20,000. TIMSEF is financed by EBRD, International Financial Corporation and Swiss SECO. Funds under TIMSEF are lent through commercial banks and technical assistance is funded by British DFID and USAID and aimed in training loan officers. LFS, German company is also provides technical assistance like a training to credit officers working under as a credit expert in commercial banks. TIMSEF operates in Sugd oblast, Khatlon oblast and operates in cities and towns like Khujand, Istaravshan, Chkalovsk, Kurghon-teppa, Kulyab. In June 2005 number of loans disbursed was 572 loans. TIMSEF is a source of funding for most of SMEs and individual entrepreneurs.

EBRD also signed agreement on credit line to Microfinance Fund "Imon" in the amount of \$1,000,000 and "Imon" is a first non-bank finance organization that receive EBRD financing in Tajikistan.

EBRD has also invested in Vnesheconombank (present Tojikstodirobtbank) and has a share in the mentioned bank. IFC also participated in this through its governance program. After one year EBRD sold its share and left Vnesheconombank. The reason was differences with top management in conducting banking activity.

One of SME support program of the EBRD was initiation and providing loan to Orienbank SME Credit Line in December 1996 that was amounted to \$4,000,000 and Government Guaranteed. This loan is already repaid by the Orienbank.

EBRD launched Trade Facilitation Program through four commercial banks, namely, Bank Eskhata, Tojikstodirobtbank, Tajprombank, Agroinvestbank. Under this facility EBRD provides loans to mentioned banks to promote regional trade and enhance trade financing facility of these commercial banks. Agroinvestbank was the last commercial bank that joined TFP facility and EBRD signed \$2 million trade-related guarantee limit that in its turn amounted to \$9.5 million of cumulative limit of EBRD opened for the banks. It is to mention that most of funds under two facilities go to trade sector both external trade and domestic trade transactions. Under TFP Bank Eskhata received \$500,000,

Tojiksodirotbank – \$4.000.000, Tajprombank - \$1.500.000, Agroinvestbank - \$2.000.000. EBRD is a shareholder and investor to private water bottling company in the north of Tajikistan in Urateppa town.

EBRD provides loans for infrastructure modernization of Tajikistan and starting from 2002 initiated infrastructure project in the amount of \$20.000.000 through Technical Assistant Grant. Of the past infrastructure projects of EBRD were Khujand Airport Emergency Runway, Tajiktelecom modernization, Tajik State Air company Air Navigation Systems Modernization and other projects.

Mr. Abibulloev Narzullo, Head of State Budget Department, Ministry of Finance of Tajikistan
August 10, 2005

240 employees are working at the Ministry of Finance. The Ministry comprises of the following sub-divisions:

1. Department of State Budget (30% of the Ministry's employees);
2. Treasure Department;
3. Department of Foreign Debt Management;
4. Department of Tax Policy;
5. Department of Management Economy's Sectors;
6. Agency on Financial Market under the Ministry;
7. Depository of Gold Reserves of Tajikistan.

The Ministry regulates the activity of all financial structures of the country, elaborates state budget and controls its implementation, determines tax policy, conducts measures targeted on perfection of Tajikistan's financial sector. The activity of Finance Ministry is based on the Law «On State Finances», the Law «On Treasure», and The Law «On State Financial Control».

In 2005 revenues of the state budget are 18.1% of GDP, expenditures – 18,6%, deficit 0,5% . The policy of the Ministry is oriented on stabilisation of state budget.

SME support and development policy. According to Poverty Reduction Strategy Paper, the priority in the expenditures part of the state budget is given in favour of social fund, education, health care, electricity, rehabilitation of roads and development of SME. A particular attention is given to development of SME in the mountainous regions of Tajikistan, since the situation with business is worse in comparison with urban areas.

To encourage development of SME in 2005 3 million Somoni through Savings Bank of Tajikistan was allocated for advantage crediting (on 7 percent annual interest rate). About 4 investment projects for micro financing are being elaborated at the sum \$20 million dollars. The government attracts financial resources of foreign donors for micro crediting of SMEF, with priority given to production sector.

Resume. Finance Ministry elaborates policy regarding expenditures of state budget as well as plans tax collection. In this direction the ministry strives to increase the revenues parts of the state budget not relying on number of taxes, but instead at the expense of taxation base increase via development of SME. The activity of the ministry for development of SME is undertaken through micro crediting.

Mr. Alisher Isaev, Economy Policy Advisor International Finance Corporation
August 10, 2005

International Finance Corporation is an institution of World Bank Groups extended its activity in Tajikistan since 2001 and implements large-technical assistance program. IFC promotes attraction of FDI, SMEs support, and establishment of attractive business environment in Tajikistan.

SME support and development policy

IFC in Tajikistan focuses on SMEs promotion and support and provides technical assistance to SMEs through seminars, workshops and round tables that involve SMEs participation. Growing share of the private sector and necessity to form favorable environment for SMEs support stipulated initiation a number of laws, regulations and instructions to support business promotion in Tajikistan. Agency for Support of Entrepreneurship was established on January 11, 2001 and government program on support of entrepreneurship adopted. IFC in order to respond theses objectives jointly with the State Secretariat for Economic Affairs of Switzerland (SECO) and with the latter financing was commissioned to hold country survey for studying situation with SME in Tajikistan.

Survey 2003 was done under Project Phase I and titled "Business Environment in Tajikistan as seen by Small and Medium Business". Survey is focused on such issues as SMEs and financial institutions, international trade, taxation, SME management and interaction of the SME and government agencies in various fields. Survey for publication was financed by World Bank representative office in Tajikistan. Survey helped initiation of number amendments to certain regulatory decrees and laws of Tajikistan and example inspection and licensing of entrepreneurs. The second survey is to be done in 2006 under Project Phase II. IFC office in Tajikistan initiated number activities of which dissemination of Registrar Book on Inspection (RBI) is of much importance. IFC disseminated this book through the tax departments. IFC holds trainings on RBI for microfinance organizations, business associations both in Dushanbe and in oblast centers. Info on RBI is under dissemination through mass media with coordination of the Ministry of State Revenues and Levies of Tajikistan.

Asian Development Bank. Mr. Tariq Anwar, Portfolio Management Specialist.
August 10, 2005

Republic of Tajikistan is a member of ADB since 1998 and one of the first projects were Post-Conflict Infrastructure Rehabilitation Project and Emergency Rehabilitation Flood Project. ADB mostly focuses on infrastructure modernization projects in Tajikistan that have both national and regional magnitude. ADB closely works with Government of Tajikistan under realization of projects and projects are implemented through public sector. Among the projects are Power Transmission Project, Power Rehabilitation Project, Dushanbe-Kyrgyz Border Road Rehabilitation Project that have great importance. Two loans in the amount of \$33 million were approved for Tajikistan. The first loan is for irrigation rehabilitation project in the amount of US\$22.7 million and second loan in the amount of US\$10.7 million as a component of customs modernization and infrastructure development project that is a continuation of program loans in 2002 to the Kyrgyz Republic and Tajikistan. Cumulative lending of ADB as of December 2004 in Tajikistan falls on agriculture – 25.8%, energy sector – 22.1, multisector – 18.4%, transport and communications – 14.3% and other sectors.

**Mr. Beau Taylor, Deputy Director, USAID Enterprise Development Project.
August 10, 2005**

Enterprise Development Project (EDP) is a USAID Business Consulting project that focuses on improvement of present business environment in the area of SME in Tajikistan. It started operations since August 24, 2002. EDP project provides following services to businesses such as business training for entrepreneurs, accounting reform, regional trade promotion program and association development program.

SME support and development. EDP project major goal is to increase productivity and competitiveness of the local companies both in domestic and international market. The major obstacles that EDP faces in realization of its activities are difficulties with getting to accounting information of the local companies, communication with company staff, and other problems that mostly relate to business mentality that exists among local companies. Another issue is expansion of the local companies because most of the companies operate in short or medium term and investing in expansion of the local companies is problematic. As mentioned before EDP project component is regional trade promotion, which provides a wide range of services such as market research for potential suppliers and buyers, business directories that contains information on national and international directories of businesses, listing of trading companies, product information and other useful information. Another major component is the accounting reform that is dedicated in providing certificates after passing examinations that lead in awarding Certified Accounting Practitioner (CAP) and Certified International Professional Accountant (CIPA). This program is very popular among professional accountants and faculty members and many individuals, accountants and faculty members attended CAP and CIPA program.

Round Table with the Center for Support and Development of Entrepreneurship under Administration of Dushanbe City, Mr. Rakhmatzoda Ashurali, Director, Mr. Usmanov Fariddun, Head of Department of Economic and Investments, administration of Dushanbe City.

August 10, 2005

Center for Support and Development of Entrepreneurship under Dushanbe City Administration was established in 2001 to support and promote entrepreneurship in Dushanbe. City administration assisted in creation of the Center and for the present time Center is the biggest Entrepreneurship association that involves 200 judicial entities and about 5000 entrepreneurs.

SME support and promotion policy. Starting from this year City Administration will render financial assistance to the Center. There are 32 employees in the Center and it is supported partly by the membership fees of charge that amounts from 1 Tajik somoni to 250 Tajik somoni (equivalent to 30 cents and \$80) and monthly collection of fees amounts to 5.000 Tajik somoni. Center provides free legal consulting to its members and all entrepreneurs that need in this kind of service. It holds seminars that usually last from 1 to three days and designed for entrepreneurs and about 600 businesses were trained in Center's seminars. Seminars are dedicated to the following directions: Taxation Law, Perfection of Business, Finance and Management Accountancy with participation of invited trainers from Ministries and Institutions of Higher Education. It also provides free of charge advocatory services for businesses in court. Staff average salary is 110 Tajik somoni (\$ 36) and besides working in Center some of employees has their own business. Center support and promotes SME interests in public agencies and lobby SME interests in time of preparation of the New Tax code, also provides legal awareness consulting to SME. Center closely cooperates both with international donor organizations in realization of its activity to support SME and local city authorities. It is intended to allocate \$200000 in the budget of Dushanbe city for SME promotion in 2006. Also the issue regarding creation of leasing company in collaboration with the Russian companies is being discussed. Coordination centre is supposed to be launched under the city administration which will render assistance in removal of barriers (control and inspection) which SME face in everyday activity.

Mr. Karamaliev Asanali, Deputy of the chairman, Chamber of Commerce & Trade of Tajikistan.
August 11, 2005.

Chamber of Commerce and Industry (CCI) is non commercial nongovernmental organisation, which is acting on the base of the Law "On Chamber of Commerce and Industry", dated May 1998. More than 200 enterprises are members of CCI out of which 25 % comprise SME. CCI has the following regional divisions: CCI of Sougd Oblast, CCI of Khatlon Oblast, as well as Department of CCI in Badakhshon Autonomous Oblast.

Main functions:

- facilitate business development;
- protection of enterprises' rights before State organs;
- provision of information services;
- organisation of fairs and exhibitions;
- assistance in export promotion;
- attraction of foreign investors, etc.

SME support and development policy. CCI participates in elaboration of laws and normative acts. For example, recently CCI has taken part in preparation of Draft Law on inspection of enterprises, in collaboration with representatives of associations and enterprises. On the whole the legislation is perfect but control over their implementation is weak.

Entrepreneurs complain about the existence of administrative barriers. It is necessary to pass through 12 organs in order to start entrepreneurship activity. Besides there are 15-18 inspecting bodies for acting enterprises. For small violations of law the penalty is very high, which leads to illegal business growth. Therefore it is easier for entrepreneurs to give bribes to inspecting bodies, instead of paying fines.

CCI recently has begun to deal with the issues of organisation of fairs and exhibitions. Before that there were big financial difficulties. At the moment they have bought equipment for exhibitions and also exhibitions of Pakistan and Iran products have been organised. Till the end of 2005 it is intended to conduct 9 exhibitions of: Iran, Russia, China and United Kingdom. CCI has not organised exhibitions abroad because of financial restrictions. Only the Government of Tajikistan organised exhibition in Hanover – Germany in 2000.

Preparation and training of specialists is the problem. In this field CCI faces financial difficulties. CCI cooperates with USAID (PRAGMA) in the field of specialist training according to international accountancy system, and with the Italian Institute of Trade and Standards – ISO 2000.

Mr. Akbar Muratov, Deputy Director, USAID Trade Facilitation and Investment Project in Tajikistan.
August 11, 2005

USAID/CAR SME Trade Facilitation Initiative in Tajikistan. The Pragma Corporation is assisting USAID/CAR in its goal to expand opportunities for the citizens of the new nations of Central Asia to participate in improving their governance, their livelihoods, and their quality of life. The Trade Facilitation & Investment Project (TFI) is funded by the United States Agency for International Development (USAID). The Project has been operating in Tajikistan since 2002. The goal of the Project is to improve trade and investment environment for SME. To achieve this objective, project's activities concentrates on the reduction of investment constraints, trade promotion, accession to and active participation in the WTO and adopting international practices in the fields of Metrology, Accreditation, Standardization and Quality (MAS-Q).

SME support and development. The removal of investment (RIC) constraints will decrease the burden of government regulations, improve the procedures for initiating, drafting, reviewing and enforcing regulations, and promote citizen, association, and business participation in the regulatory process. In addition, TFI project provides training, disseminate information and knowledge among SMEs and local public employees. TFI works toward the removal of investment constraints that impede operations and growth of businesses. In national level, TFI efforts concentrate on drafting and implementation of laws that remove constraints to SME trade and investment, and promote business growth. At the local level, the TFI project focuses greater effort on dissemination, adoption and implementation of those laws in selected oblasts in each nation.

Under the RIC component, the TFI project works directly with national governments, selected oblasts and city administrations and private sector and associations to determine, analyze and reduce regulatory and bureaucratic constraints to trade, investment and business development. Jointly with these partners, the Project's experts help draft, adopt and implement transparent, liberalized laws, regulations and instructions that create a more favorable opportunity for businesses to compete, innovate and grow. Outcomes usually include the elimination of outdated laws and regulations, removal or reduction of bureaucratic processes and procedural costs, removal of undue agency discretion and reduction in the number of documents required to establish or operate business activity.

WTO joining. TFI Project's activities under WTO accession component is to provide technical assistance to the Governments of Tajikistan in its efforts to join the WTO. Accession to the WTO will integrate Tajikistan to world trading system, open new export markets to its products and services and allow Tajikistan to effectively promote its economic and trade interests in the international market. TFI project component under WTO includes providing technical assistance and support to official ministries and agencies that responsible for WTO accession negotiations and membership procedure. Holding of seminars, workshops and training courses, for SME representatives, public officials at the national level, to increase the national to implement the WTO Agreements. Assistance in revision and drafting trade-related legal frameworks and regulations to ensure their compatibility with the WTO Agreements. Replies to questions from Tajikistan officials on WTO accession issues, advisory services on negotiations procedure and other assistance.

Customs promotion and support component. This component provides assistance in the development and implementation of customs modernization plans in Tajikistan. As well as mentioned component looks for bringing about further simplification of customs instructions. TFI project under customs component is working over reformation of customs procedures in Tajikistan.

Metrology, Accreditation, Standardization and Quality (MAS-Q) Component of the TFI project. MAS-Q component concentrates on trade promotion and market access by dissemination of information and legal awareness about cooperating with "Tajikstandard" government agency on disseminating information about MAS-Q standards in Tajikistan and bringing these norms closer to international standards.

**Mr Maqsoud Odinaev, National Project Manager, Trade Promotion Programme in Tajikistan, International Trade Centre, UNCTAD/WTO
August 11, 2005.**

ITC started its activity in Central Asia since 2000. It closely cooperates with the Government of Tajikistan, and namely with ministry of Economy and Trade of Tajikistan, Chambers of Commerce of Tajikistan and with SME representatives.

SME promotion and support

ITC supplies individual assistance to selected businesses that concentrates in exports of processed fruit and vegetable and engaged in trainings of entrepreneurs, provides business training on export-related issues and assisted in creation of National Trade Development Center (ntdc@mail.tj), formulates export strategies in discussion with public and private entities. In Tajikistan activity of the ITC includes technical assistance for SME that are engaged in fruit and vegetable processing and works over export development strategy. One of the main issues is attracting foreign investments to processing industry in fruit and vegetables processing sector, supply of fresh fruits and vegetables for processing companies, modernization of equipment of processing companies, packaging modernization and improvement remains strong disadvantage of processing companies.

ITC offers training and advice to Tajik trade related business services providers and works with them to assist Tajik Enterprises in solving export related problems. ITC supports the Government in assessing the feasibility of setting up a National Trade Core. ITC also bring together the public and the private sector to discuss trade obstacles, design and implement trade strategies.

Mr. Naimov, Deputy Director, Mr. Djumaev D, Head of Department of Entrepreneurship Support, Agency on Antimonopoly Policy and Support of Entrepreneurship.

August 11, 2005.

State Agency on Antimonopoly Policy and Support of Entrepreneurship under the Government of Tajikistan was established by the Decree of Government of Tajikistan dated February 2001, Number 75. Besides carrying out state control concerning compliance of state monopoly legislation as well protection of consumers' rights, the agency also implements state policy for support of entrepreneurship, including SME, and strengthening of enterprise sector.

There are 170 employees in the agency and 47 employees in the main office. Only 9 persons are dealing with issues related with SME promotion in the main office and 4 persons in branch offices, which is not enough.

Agency consists of 5 departments: Department of Antimonopoly Policy, Department of Natural Monopolies, Department of Consumers' Rights Protection, Department of Entrepreneurship and Economic-legal Management.

SME support and development policy. The agency participated in elaboration of draft law "On Inspection of Enterprises". The Strategy of Entrepreneurship Support was also prepared by the Agency. In the strategy the sum, schedule of measures and schemes are indicated clearly. It is expected that the strategy will be adopted in September 2005. According to the strategy till 2015 up to 500 million US dollars (40 % state and 60 % at the expense of donors) will be allocated for development of SME.

Beginning from 2001 and till present the agency has been granting micro credits up to 15000 somoni to every enterprise. Annually 300-400 thousand somoni is granted for micro credits. The term of maturity of given credits is usually 1 year. The agency gets those financial resources from the state budget via its account at the treasury.

Resume. Main activity of the agency is directed on carrying out antimonopoly policy and other functions, in addition to support of entrepreneurship. In some cases antimonopoly policy and support of entrepreneurship are contradictory activities. Only 5% of employees are dealing with support of entrepreneurship.

Meeting with Mr. Sangov Vaisiddin, Director, Private Company “Sharbatho”.

August 11, 2005

Private Company “Sharbatho” has been established in 1965 and designed in production of juices, beverages, tomatoes paste and canned vegetables. In early times of creation company products mostly delivered to Russia and Kazakhstan markets and limited number of products remained in Tajikistan and company produced about 50-60 types of products. In present, according to company estimation share in the domestic market of beverages is about 40% and maybe increased. Company has 3.5 hectares of land site inside and all infrastructures (such as water supply, natural gaz communication) are in good condition.

Mr. Sangov Vaisiddin became director of the company since 1989 and in 1992 company has been privatized. All stocks were belonged to company employees but during first years of 1990s all shares were bought by present director who is 100% shareholder of the company. Before 1992, every three years outdated company equipment was subjected to modernization which was financed by the government, but since 1992 no funds were invested in modernization. Shortage of investments to fixed capital and shortage of primary products such as fresh fruits and vegetables led to decline in production and now company utilizes only about 40% of its production capacity that existed before 1992. Number of products compare to times before 1990s fall but not significantly, about 30-35 types of products company produces in present. In present time company concludes contracts with Dekhkan farmers and individual farmers to supply fruits and vegetables but supply according to contract terms sometime may not be realized.

Another issue is that the company has no enough resources to fund completely dekhkan farmers and individual farmers in order to allow them increase production and this impedes supply. Third, is that the company has to take fruits and vegetables for consignment and repay after selling its products. The major obstacle to expand production and fully utilize capacity is expensive credit resources that make unprofitable borrowing from bank. Company has to buy fresh fruits and vegetables in green market and prices are expensive as company buys from trading companies and individuals. In present there are 76 employees in company including administration. Now company plans to start production of ketchups and seek for partners. Competition is high and company share has been decreasing due to competition with foreign producers of beverages, especially Russian companies. Other competitors are companies that are located in Khujand and they have stable supply and transportation cost is low as farmers' land sites are located near to companies. One of the issues is high taxes like VAT, income tax that as company believes is too high. Despite some problems company seeks foreign company to start Joint Venture.

**Meeting with Mrs. Tamara Kholikova, General Director of LLC
“Stroyinvest”, Chairman of Association of Constructors.
August 11, 2005**

Association of Constructors has been established in May 2004 and includes 22 private construction companies. According to Association there are 50 to 100 employees are engaged in these companies. Association members locate not only in Dushanbe, but also involve distant towns such as Isfara, Kolkhozobod, Shartuz and Komsomolobod. With the support of USAID Association created Architecture Design Center and objective of the Center is to provide technical assistance to Association members and all constructors that need in consulting. According to association there were 105 construction companies in 2004 in Tajikistan of which 16 located in Khujand oblast, 35 – in Khatlon, 12 - towns under republican administration, 42 – Dushanbe. There are also Joint Ventures in construction business and in 2004 in Tajikistan according to association there were 19 JV construction companies of which 6 located in Khujand, 1- in Khatlon, 2 - in towns under republican administration, 10 – in Dushanbe. There also exist Joint Stock companies and in 2004 in Tajikistan operated 97 JS of which 47 located in Khujand, 12 - in towns under republican administration, 13 - in Khatlon, 25 – in Dushanbe.

Construction business promotion and support

Association provides such services as preparation of cost estimation in construction, training and retraining courses, design services in construction. Association was created to support and promote interests of construction private companies in all levels both in public and in private sector. Association closely works with international donor organizations and in particular cooperated with PRAGMA Corporation with partner from US. In addition to private construction companies there are also state construction companies and Ministry of Construction provide license to engage in construction business. One hundred private construction companies are focused on constructing roads, houses and industrial buildings. In their business private companies face difficulties regarding absence of equipment and machinery. Under Association has been created with USAID assistance Architecture Design Center that aims to provide technical assistance to members of association and all construction companies that includes purchase of equipment and machinery for construction services to participate in tenders on construction services. Association applies efforts under Architecture design center to attract technical assistance in purchasing of equipment and machinery to participate in tenders on construction of buildings, roads and other construction works. Association also provides cost estimation of construction works. The main problem for local private construction companies is the absence of equipment and machinery that impedes participation in tenders, higher interest rates for credit resources, discrimination in the field of advertising, getting licenses, numerous inspections, insufficient domestic raw materials needed for constructions. As a result, association is working on elaboration of project on reduction of barriers which private construction companies face. The most acute problem is the fact that the Law “On Standardization” has not been changed for a long time.

Mr. Saidmurodov Niyezmurod, Chairman of the Board, Stock Commercial Bank "Agroinvestbank".

August 12, 2005.

"Agroinvestbank" was created in 1993 on the base of former "Agroprombank". The shares of the Bank are mainly belonging to citizens of Tajikistan.

The main function of the bank is crediting and provision money circulation of all enterprise as well as SME. There are 1200 employees working in the bank including its branches. The bank cooperates with European banks.

Agroinvestbank provides services to corporate clients (plastic cards services, settlement services, trade financing, deposit operations etc.), private individuals (money transfer, deposit operations, plastic cards services, mortgage, retail credit etc.) and local commercial banks (plastic cards services).

Deposits of the bank comprise 30 million US dollars, whilst last year they were 13 million dollars. Deposits of population in Somoni and foreign currencies accepted at 14 % annual interest rates. Within the 6 months of this year money transfer accounted 120 million dollars. Everyday on average 1 million dollars is transferred to Tajikistan.

SME support and development policy. The Bank has signed an agreement with regarding getting financial resources for microcrediting at the amount of 2 million US dollars and another 2 million US dollars for trade crediting with the term of expiry – 5 years. Those recourses are granted to customers as micro credits. The sum of micro credits is from 50 US dollars till 10000 US dollars. During the first half of 2005 the bank has given micro credits at the amount of 20 million somoni, on average 2.500 \$ for 2500 customers at the annual interest rate 30% - 42%. Micro credits have been granted for the following directions: industry – 7%, agriculture – 9%, transport – 4%, commercial activity – 40%. The Project of EBRD began in March 2005. Within the framework of this project, EBRD conducts trainings of the Agroinvestbank specialists on micro crediting.

Problems which the banks faces are: weak level of laws implementation, unperfected tax system, difficult connection, weak regional development, shortage of specialists, and low level of computer techniques provision. Banking technologies are subject to customs duties during import. Also there are problems with customers: insufficient knowledge of accountancy standards.

Mr. Jamshed Abdulov, General Director, Mr. Mahkamboev Shavkat, Deputy Director General, JSC Industrial Financial Corporation "Olimi Karimzod-L"

August 12, 2005.

Industrial Financial Joint Stock Company "Olimi Karimzod" has been established in 1995 and in first years company was engaged in wide range of businesses. Starting from 1997 "Olimi Karimzod" concluded partner agreement with "Danavand Co." and since 2000 closely conducts business with Russian companies. In present times company has its own business that is focused on cotton trading. Company concludes futures contract with Dekhkan Farmers and invest funds in purchase of equipment, seeds, fuel, trucks and fertilizers for Dekhkan Farmers and in the end of harvest time purchase cotton from Dekhkan farmers and according to contract terms extra cotton produced by Dekhkan Farms is to be sold at first to the Company that concluded contract. Company makes investments in land sites that are about 45 thousands hectares and according to company estimation about 25.000 thousands tons of cotton fiber were exported in most favorable business year and company's share in exporting of cotton fiber ranges between 10-12%. According to company cotton fiber produced in Tajikistan is in high demand.

Company has its own four ginneries. Company activities in the area of futures contracts according to company estimation is 100% based on banking credits of which 20% are credits from Tajik commercial banks. Price for cotton fiber is determined by Liverpool Cotton Association. Company in order to export cotton fiber has to receive license from Tajik Universal Commodity and Raw Materials Exchange that in its turn serves as permission to Customs Committee to give permission for exporting of cotton fiber. About 7 to 12% of cotton fiber produced remains in domestic market as domestic production is not able to absorb more than this volume. There are no requirements in Tajikistan with respect of licenses and quotes in this field. According to company estimation competition in the domestic market does not exist and cotton trading companies concentrate in their markets. Company promotes skills improvement and sends its employees for retraining abroad. Specialists of the company have been trained in Poland for determination of cotton's quality. Russian specialists are invited for training of domestic experts for technology of cotton processing.

Mr. Ashurov Abduvakhid, Director, Private Company "Doro"
August 12, 2005.

Private company "Doro" has been working for 11 years in Tajikistan market. The main field of its activity – import of furniture, techniques, electronics and cell phones. The company has its daughter company which produces furniture. The equipment was brought from Italy, and it is planned to produce furniture for offices and schools. The company has received a licence for construction activity. It also takes part in tenders. 100 people are engaged in the company including in daughter enterprise. The company has shares of "Tojiksodirotkon" and receives credits from this bank.

Successes and problems in the field of business development. Due to experience and ability to protect its rights the company doesn't have problems with authorities. The company has a lawyer in its staff. Annual turnover of the company exceeds 1.2 million US dollars. A site for construction for 12 store building was purchased. At the moment they are looking for partner and are ready to give 95 % of sales share for partner.

The company itself solves the issues related with training of employees. It sends specialists to study courses in Russia and other countries depending on financial abilities. It is going to produce plastic tubes, for which 120.000 US dollars needed. The company also wants to process raw material for production of automobile tires.

During import of furniture customs fees account 38%, accordingly the price of products has to be higher. Production of furniture within Tajikistan can lead to lower prices on the domestic market.

Mr. Djuraev Umed, Director, "Fonus" Ltd. Company
August 13, 2005

"Fonus" Ltd. Company was registered at the end of 2003. Founders of the company previously were doing their individual business. Starting capital of the company was formed at the expense of the founders own capital. 13 employees are working in the company. The main activity of the company is related with sales of personal computers and their spare parts (70%), software (10%), internet service (10%), and IP telephony (10%). Products are mainly imported from Moscow, Urumchi and Dubai.

Successes and problems in the field of business promotion. There were no difficulties during opening of the company, because founders had to give unofficial payments. Only the registration procedure continued for long time.

Tax inspection, police workers and fire inspection as well as Sanitation and Epidemiology agencies come for inspection. They always check something. There are no problems, however it is time-consuming. Some of inspectors are illiterate; they don't know themselves what are they inspecting, cannot fill protocols.

There are a lot of enterprises involved in the same business; however some of them don't have experience or financial recourses. At the moment, there is no company that could give consulting business services. Fonus Company needs in business consultation.

The company doesn't receive bank credits because of high interest rates. It mainly purchases products on consignments and sales them via its store. Suppliers were found through friends. The company participates in tenders, sends its price-list to organizations and institutions. In the future the company is planning to do construction activity. Annual turnover of the company is 100.000 US dollars. Existing taxes are very high for the activity of "Fonus ltd company."

Ms. Miraliev Aziza, General Director Tourism Company "Vostok Trading Tour".

August 13, 2005.

Vostok Trading Tour was created in 2004 and its staff previously had been engaged in this field. Before it was state-owned company and has been privatized into private company. In 1996 state enterprise on tourism has been established and renamed into "Saiyoh". In present company has 18 employees and hire part-time workers during intensive visit of tourists when it receives and send tourists. Local tourists go to China, Kyrgyz republic, Uzbekistan, Russia. Foreign tourists mainly come from Netherlands, United States and European Union. Foreign tourists come to visit Fans Mountains and Pamir mountains and usually stay for up to one week. Jeep tourism is popular among foreign tourists and alpinism. Business season for tourism in Tajikistan starts from March to October.

Number of foreign tourists per month is about 25-30 and number of Tajik tourists is about 90-100 and it is important to add that Tajik migrants are mainly go for shop-tour. Vostok Trading Tour share in tourism market is about 15% and according to company there are 60 tourist companies. Company closely cooperates and conducts joint business with Russian, Uzbek and Kyrgyz tourist companies. Company faces with several problems such as: shortage of investments for improvement tourist services, absence of hotel, transport to host tourists. Company has a land site in the center of Dushanbe that is suitable for construction of guest-house and now company is seeking business partner to start construction. In the same time company does not face any constraints related to government activity. The Ministry of economy and Trade of Tajikistan is authorized to grant license to start tourism business and fee is not high compare to few years ago when it was \$5.000. License is given to three years and after every re-registration is held by licensing authority. Company aims to expand and improve tourist services that it offers and active in dissemination of information through its web-site, tourist partners, sending posters. Lack of funding was a major constraint that company could not send representative to Expo-2005 but company presented by information leaflet. German Technical Assistance (GTZ) organization assisted company to send it representatives to annual International Tourism Bureau to Berlin, Germany and 50% of expenses were covered by GTZ. In present for company major objective is the construction of guest house in the land site it owns. The company has conducted survey among its customers and it became clear that 80% respondents don't have a fear regarding Tajikistan as Post-conflict country. The government of Tajikistan follows according to our objectives – the law "On Tourism" has been adopted. Three tourism zones have been created: Varzob, Romit and Baljuvon. The government has elaborated Tourism Development Programme for 2004-2009 years. The cost of license has been reduced from \$5.000 to \$60. the company has agreements with the following University: Tajik State National University, Branch of Russian International Academy of Tourism. 20 students are invited for internship in the company on annual base. It also took part in the seminar held in October 2004, organized by OSCE, where the project of introduction of unified tourism visa within Central Asia was elaborated.

Mr. Sharipov Hairullo, General Director, Club of Young Entrepreneurs of Tajikistan
August 13, 2005

Club of Young Entrepreneurs of Tajikistan has been established in October 1999 according to decision of Committee for Youth Affairs under the Government of Tajikistan. There are 14 employees in Club. Major objective of the Club is protection and rendering assistance to young entrepreneurs, assistance to youth in their employment and promotion of business initiative among youth. It is in close contact with Agency for Anti-Monopoly, Ministry of Labor and other public agencies. Club is some extent conducts government youth policy and there are 3000-3500 members in Club. Membership fee is almost 1 somoni per month. Members of the club should be younger than 30 years old. Club holds seminars and longer term courses for young people and provides free consulting services for young people who start their business and offer comprehensive legal awareness advice to young businessmen. Club plans to create consulting services offices in oblast centers that render legal assistance to young entrepreneurs. Creation of Club entrepreneurs is one of the major objectives for Club in near times. Club promotes and support young entrepreneurs by sending letter of support to mayors of towns to release young entrepreneurs from certain local taxes for a certain period. It also provides assistance to dekhkan farmers. Club supports young families in housing. Club is in close contact with donor organizations such as Swiss SECO, CIDA, Aga Khan Foundation. Government budget allocates \$100.000 for the Government program "Youth of Tajikistan" and of which \$35000-40000 are provided to SME promotion among young businessmen. Club provides small grant for business start among young entrepreneurs and amount of each grant ranges between 2000 to 3000 Tajik somoni (\$700 to \$1000). Club offers 3-6 day-seminar for entrepreneurs and it holds about 10 seminars per year that involves 15-20 participants. In addition Club offers 6 month courses on entrepreneurship for young jobless people and in 2004, 225 young unemployed people attended this course. United Nations World Food Program supported providing 6-month courses for young girls. Club also provides general consulting services to young entrepreneurs. Organization structure of the Club has been confirmed in June 2005. Young entrepreneurs address Club with the following issues: legal framework problems, granting credits, protection of rights, marketing management.

**Organization structure of the Club of Young Entrepreneurs under
the Committee for Youth affairs under the Government of Tajikistan**

**Club of Young Entrepreneurs of the
Committee for Youth Affairs under
the Government of Tajikistan**

Regional branch in Kulyab region of Khatlon oblast	Regional branch in Kurghon- teppa region of Khatlon oblast	Regional branch in Hisor	Regional branch in Rasht valley	Representa- tive office in Dushanbe	Regional branch in Badakhshon Autonomy Oblast	Regional branch in Zarafshon valley	Regional branch in Khujand	Regional branch in Konibo- dom town of Sugd oblast
Towns: Hamadon Farkhor Muminobod Yose Temurmahk Khovaling Kulob Baljuvon Shurobod Dangara Norak	Towns: Joni Huroson Iovon Kurgontepa Sarband Vakhsh Kolhozobod Kumsangir Panj Jilibkul Kabodien Shakritus N. Husrav	Towns: Tursunzoda Shakrinav Hisor Rudaki Varzob Vahdat	Towns: Faizobod Rogun Nurobod Tavildara Rasht Tojikobod Jirgatal	Towns: I. Somoni A. Sino A. Firdavsi Shohmansur	Towns: Darvoz Varj Rushon Khong Smugon Roshkala Ishkoshim Murgob	Towns: Aini Mastchohi Kuhi Panjakent Istavaishan Shakriston Spitamen Zafarobod	Towns: Khujand Chkalovsk Taboskar J. Rasulov Mastchohi Asht Gonchi	Towns: B. Gafurov Kairokum Konibodom Isfara Shurob

ABBREVIATIONS

ADB	Asian Development Bank
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
GBAO	Gorno – Badakhshan Autonomous Oblast
GDP	Gross Domestic Product
HDI	Human Development Index
HPI	Human Poverty Index
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
MDGs	Millennium Development Goals
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
RRS	Regions of Republic Subordination
UN	United Nations
UNDP	United Nations Development Programme
UTO	United Tajik Opposition
WB	World Bank
WTO	World Trade Organization

Attachment 3. Changes in Trade Regime of Tajikistan

Instruments	Changes in tariff	Changes in tariff	Changes in tariff
	Resolution of the Government of RT, dated January 7, 1999, No 1 "On custom tariff"	Resolution of the Government of RT, dated April 30, 2002, No 187 "On custom tariff"	Resolution of the Government of RT, dated October 25, 2003, No 450 "On custom tariff"
Tariff rates	Tariff rate set from 5 percent minimum to 30 percent maximum	Unification tariff – 5 percent	Tariff rate set from 2 percent minimum to 15 percent maximum
Reason	Market solution and Tajikistan accession to the Euro-Asian Economic Community	Unification tariff matched to WTO principles	Unification tariff did not match to politics between the Euro-Asian Economic Community countries (Russia, Kazakhstan, Kyrgyzstan and Byelorussia)
Import tariff rate is "0"	Aluminum oxide	Aluminum oxide, electricity, cyanide, machines in supposition 843041 or 843049, complexity for TV producing	Books and printed issues (newspapers, journals et cetera), bottles, ampoules
Conditions for companies with foreign investment	Export duty on goods produced by joint ventures, registered up to January 1, 1995	Export duty on goods produced by joint ventures registered up to April 30, 2002	Export duty abolished. Import duties is set 5 percent, registered up to January 1, 1995
Goods subject to specific import tariffs	None	Fruit and vegetable juices, mineral water, soda, beer, wine, spirits, tobacco products	Mineral water, soda, beer, wine, spirits, tobacco products
Export tax	Sales tax on exports of aluminum and cotton.	Sales tax on exports of aluminum and cotton.	Sales tax on exports of aluminum and cotton.
Quantitative restrictions: quotas	None	Quotas on exports and imports of ethyl alcohol	Quotas on imports of alcohol products and tobacco
State monopoly on external trade	None	None	None
Goods subject to licensing	Exports and imports of tobacco products, ethyl alcohol, and alcohol products	Exports and imports of tobacco products, ethyl alcohol, and alcohol products	Export and imports of tobacco products, ethyl alcohol, and alcohol products
Price controls	Floor on the price of vodka and arak	Control of tariffs set by natural monopolies	Control of tariffs set by natural monopolies
Prepayment requirements	Exports of cotton fiber, aluminum, precious metal products, tobacco, leather, fertilizers, and some other products are subject to 100 percent prepayment requirement	Exports of cotton fiber, aluminum, precious metal products, tobacco, leather, fertilizers, and some other products are subject to 100 percent prepayment requirement	Exports of cotton fiber, aluminum, precious metal products, tobacco, leather, fertilizers, and some other products are subject to 100 percent prepayment requirement

Characteristic of changes in the New Tax Code of Tajikistan, 2005

Changes in a New Tax Code				
#	Type of Tax	Was	Now	Other Changes and comments
	The number of taxes, including: Republic taxes Local taxes	18 14 4	17 14 3	1-abolished, 1-new 1-abolished
1.	Corporate Income Tax ("Profit Tax")	1) Tax rate of 30 percent. 2) Carry-over of losses: 5 years.	1) Tax rate of 25 percent. 2) Carry-over of losses: 3 years.	Accelerated depreciation allowed with a factor of 2. Deduction of repair costs increased twofold (from 5 percent to 10 percent of value). Deduction for charity increased from 2 percent to 5 percent.
2.	Value Added Tax	1) Tax rate of 20 percent.	1) Tax rate of 20 percent.	Registration threshold for VAT purposes was: annual turnover of SM 24,000. Now purposes are increased to SM 48,000 (approximately equivalent to \$16,000) per year.
3.	Personal Income Tax	Tax brackets: a. up to the current minimum wage: zero rated; b. between the minimum wage and SM 200 per month: 10 percent; c. between SM 200 to SM 300 per month: 15 percent; d. above SM 300 per month: 20 percent.	Tax brackets: a. up to the current minimum wage: zero rated; b. above minimum wage and up to SM 100 per month: 8 percent; c. above SM 100 per month: tax due between the minimum wage and SM 100 plus 13 percent of taxable income over SM 100.	Current minimum wage is SM 12 (\$4)
4.	Excises	1) Five groups of goods are subject to taxation (alcohol and tobacco, passenger cars, tires, refined petroleum products). 2) Rate determined by the government.	No changes in the number and in determination of rate.	Control mechanisms applicable to alcohol and tobacco to be strengthened including warehouses and excise posts planned. Loss of excise stamps shall be considered a taxable transaction (similarly to sale of goods).
5.	Subsoil Users Tax	Three levies established: bonuses, royalty, excess profit tax	Excess profit tax abolished.	
6.	Land Tax	Rate set for land register zones at a low level (SM 13-23 per hectare of arable plowed land).	Double the rates in rural areas and other towns (SM 150-300 per hectare) and an increase of 2.7 percent in Dushanbe (for land sizes up to SM 400 per hectare).	
7.	Tax on Owners of Means of	Rate set as percentage of the tax exempt minimum	Double the rate. Use the minimal wage as base.	Local tax

	Transport	income per engine horse power. Tax for 100 h.p. vehicle is SM 4.		
8.	Taxes Payable by Small Businesses Under a Simplified Scheme	1) Payers are corporate entities which are not paying VAT, i.e. have a turnover of less than SM 24,000 per year. 2) The tax base is gross revenue. 3) The rate is 5 percent.	1) Payers include companies with a turnover of less than three VAT thresholds (i.e. SM 144,000). 2) Rate of the tax set at 12 percent.	Taxable income is calculated as the difference between gross revenue and operational costs, including labor costs. Will not pay corporate income tax and minimal income tax.
9.	Ginned Cotton and Aluminum	Tax rate of 10 percent on ginned cotton and 1 percent for primary aluminum. Imports of inputs for aluminum production were subject to customs duty.	The tax rate for ginned cotton is set at 10 percent; the tax rate on primary aluminum is raised to 3 percent; customs duty rates applicable to aluminum smelters are reduced.	Ginned Cotton and Aluminum are strategic goods in Tajikistan
10.	Minimum Corporate Income Tax	None.	1. The tax is based on gross income (excluding the assessed value-added tax and sale tax) for the reporting period. If the corporate income tax liability is higher than the minimum income tax, the corporate income tax is payable. The minimum income tax is paid in full. 2. The minimum business income tax rate is set at 1 percent of gross income.	The tax eliminates the incentives to undervalue corporate income for tax purposes; it is applicable to loss-making or marginal enterprises.
11.	Unified Tax on Agricultural Producers	Introduced on a pilot basis in four districts (rayons) as the "Unified Tax on Dehkan Farms". Payers do not pay: a. VAT, b. Road user tax, c. Corporate income tax ("Profit tax"), d. Land tax, e. Tax on owners of means of transport, f. Corporate property tax, g. Simplified tax on small businesses, h. Local taxes.	The unified tax is applied to all agricultural producers. Payers of this tax do not pay: a. Agricultural VAT, b. Road user tax, c. Agricultural corporate income tax ("Profit tax"), d. Minimal income tax, e. Land tax, f. Simplified tax, g. Personal income tax on agricultural workers, h. No exemption from tax on owners of means of transport provided because it is not an agricultural tax, i. No exemption from local taxes provided because they are under the authority of the local Majlises.	
12.	Local Tax on Immovable Property	Collected only from individuals.	Payable by individuals and corporate entities on the assessed value of immovable property (buildings and construction).	The tax liability depends on the living space and the land tax rate.
13.	Local Retail Tax	1) The tax rate – up to 5 percent.	1) The tax rate reduced to 3 percent.	Now clearly defines that the retail sales are cash-only sales. Encourages non-cash payments and eliminates grounds for debates related to wholesale and retail sales.

No changes		
14.	Motor Road Users Tax	1) The base of the tax is the same as for VAT. 2) The tax rate is 2 percent (0.5 percent for retail and supply organizations).
15.	Customs Duties	Charged in accordance with the customs legislation.
16.	State Duty	Charged in accordance with the Law on State Duty.
17.	Social Fund Contributions	The rate is 25 percent for corporate entities and 20 percent for individual entrepreneurs of payroll.
Abolished taxes		
1.	Corporate Property Taxes	The value of assets was taxed at a rate of 0.5 percent.
2.	Local Taxes for Maintenance of public Transport	1) Base: wage bill 2) Rate: 2 percent

Attachment 4. Information Data

Entrepreneurship Law of the republic of Tajikistan “On Government Support and Promotion of Entrepreneurship in the republic of Tajikistan”

Entrepreneurship can be carried out through the following:

Individual entrepreneurship – independent activity of individuals without establishing of judicial entity that aimed at achieving profit and responsible for property used for business.

Corporate entrepreneurship – independent activity of a company aimed at achieving profit and responsible for its own property and risk carried out under business activity.

TAJIKISTAN DEHKAN FARMS BASIC INDICATORS

	1998	1999	2000	2001	2002	2003
Number of registered Dehkan farms	10223	9293	12344	11939	14775	16433
Cultivating land sites, thousand hectares	45,6	71,6	129,9	179,7	189,9	240,1
Average size land sites, hectares	4,5	7,7	10,5	15,1	12,9	14,6

NUMBER OF PATENT (LICENSE)-BASED INDIVIDUAL ENTREPRENEURS

	1991	1998	1999	2000	2001	2002	2003
Total, thousands individuals	8,1	116,0	50,7	62,2	70,3	71,3	88,3
Of which employed, %	-	-	-	-	-	-	-
- in service sector	18,6	7,6	7,4	8,5	11,1	15,0	9,5
- in socio-cultural sphere	2,1	0,2	0,1	0,1	0,1	-	-
- in trade and food	...	84,1	75,0	77,0	69,1	64,2	58,7
- other activities sector	79,3	1,1	17,5	14,4	19,7	20,8	0,05

**BASIC INDICATORS OF CORPORATE ENTITIES ENGAGED IN
ENTREPRENEURSHIP AND POSSESSING ENTERPRISES ENTITY STATUS**

	1991	1998	1999	2000	2001	2002	2003
Number of companies engaged in entrepreneurship business, end of year	2573	1978	1575	1342	1181	1215	1322
Number of employees .	59,4	21,6	16,6	14,8	13,2	15,1	16,2
including :	-	-	-	-	-	-	-
- part-time workers.	7,5	2,1	1,8	2,3	1,5	1,4	1,7
wages fund (including part-time workers), thousands somoni.	248,8	2180,5	2803,7	2443,4	4523,5	6969,0	10663,6
Gross income derived from business activity , end of year, thousands somoni	803,8	12099,4	19973,0	25262,6	58516,6	95360,8	270525,0
business services sold to population, thousands somoni.	168,8	1520,3	1837,7	2482,8	4465,1	6653,8	5548,6

Source: Statistics Yearbook, Tajikistan, State Committee of Tajikistan, Dushanbe, 2004

**BASIC FEATURES OF ENTERPRISES AND ORGANIZATIONS
IN TAJIKISTAN AS OF JANUARY 1, 2004**

	total, including	operating	non-operating	closed
in Tajikistan	29795	24222	4636	937
Sougd oblast	7133	5355	1629	149
Khatlon oblast	7549	6555	798	196
Badakhshon	977	793	150	34
Autonomy Oblast				
Dushanbe	5510	3705	1397	408
Regions under	8626	7814	662	150
Republican				
Administration				

NUMBER OF OPERATING JUDICIAL ENTITIES BY PROPERTY AND INDUSTRY SECTOR IN 2003

	total, including	public	private	corporate	foreign- shared	foreign
IN TAJIKISTAN	24222	5052	12183	6641	281	65
up to 50 employees	21254	3689	11543	5708	251	63
from 51 to 200 employees	1872	939	387	527	17	2
more than 201 employees	1096	424	253	406	13	0
including the following industries						
INDUSTRY	1285	351	106	740	83	5
up to 50 employees	900	173	96	566	60	5
from 51 to 200 employees	245	109	9	116	11	0
more than 201 employees	140	69	1	58	12	0
AGRARIAN SECTOR	12375	427	11191	745	9	3
up to 50 employees	11248	269	10583	385	8	3
from 51 to 200 employees	543	69	375	98	1	0
more than 201 employees	584	89	233	262	0	0
TRANSPORT AND COMMUNICATION	472	226	8	222	16	0
up to 50 employees	266	129	8	113	16	0
from 51 to 200 employees	157	77	0	80	0	0
more than 201 employees	49	20	0	29	0	0
CONSTRUCTION	1301	395	143	750	8	5
up to 50 employees	1035	256	137	630	8	4
from 51 to 200 employees	233	123	2	107	0	1
more than 201 employees	33	16	4	13	0	0
TRADE AND FOOD	1309	208	148	891	55	7
up to 50 employees	1208	173	144	830	54	7
from 51 to 200 employees	83	31	1	51	0	0
more than 201 employees	18	4	3	10	0	0
MARKET INFRASTRUCTURE AND REAL ESTATE	1874	22	427	1334	83	8
up to 50 employees	1856	18	422	1327	81	8
from 51 to 200 employees	13	3	1	7	2	0
more than 201 employees	5	1	4	0	0	0
HEALTH CARE	558	417	28	108	2	3
up to 50 employees	412	276	27	104	2	3
from 51 to 200 employees	79	75	1	3	0	0
more than 201 employees	67	66	0	1	0	0
EDUCATION	363	297	26	31	6	3
up to 50 employees	225	164	23	29	6	3
from 51 to 200 employees	115	110	3	2	0	0
more than 201 employees	23	23	0	0	0	0
R&D	176	136	10	28	1	1
up to 50 employees	136	97	10	28	0	1
from 51 to 200 employees	38	37	0	0	1	0
more than 201 employees	2	2	0	0	0	0
FINANCES	424	236	10	178	0	0
up to 50 employees	403	226	10	167	0	0
from 51 to 200 employees	16	6	0	10	0	0
more than 201 employees	5	4	0	1	0	0

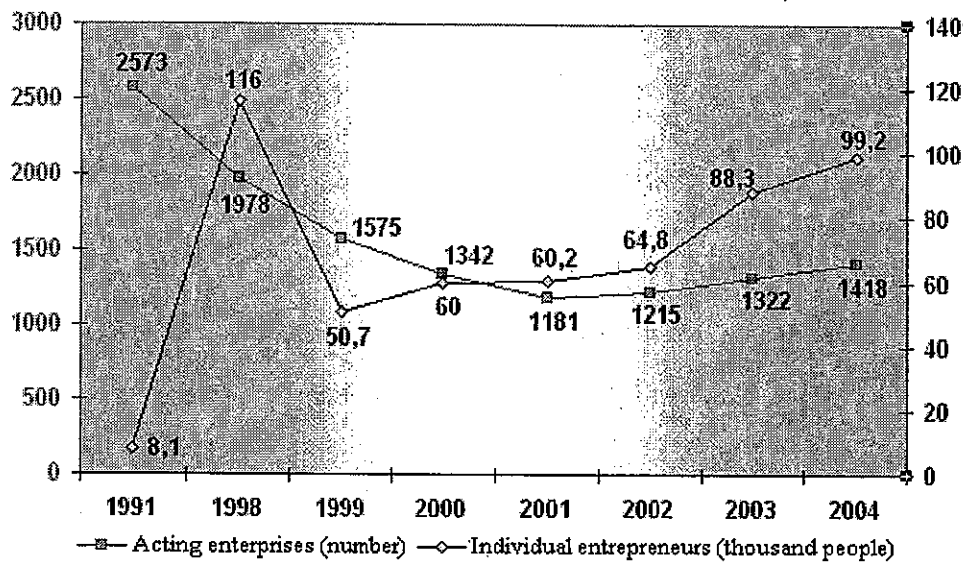
Source: Statistics Yearbook, Tajikistan, State Committee of Tajikistan, Dushanbe, 2004

**NUMBER OF OPERATING JUDICIAL ENTITIES BY PROPERTY AND
REGIONAL STRUCTURE IN 2003**

	total, including	public	private	corporate	foreign- shared	foreign
IN TAJIKISTAN	24222	5052	12183	6641	281	65
up to 50 employees	21254	3689	11543	5708	251	63
from 51 to 200 employees	1872	939	387	527	17	2
more than 201 employees	1096	424	253	406	13	0
Badakhshon Autonomy Oblast	793	465	127	198	2	1
up to 50 employees	655	390	106	156	2	1
from 51 to 200 employees	103	58	18	27	0	0
more than 201 employees	35	17	3	15	0	0
Sougd oblast	5355	1366	1426	2467	86	10
up to 50 employees	4300	934	1209	2075	72	10
from 51 to 200 employees	684	303	153	221	7	0
more than 201 employees	371	129	64	171	7	0
Khatlon oblast	6555	1277	4272	982	22	2
up to 50 employees	5680	954	3953	756	15	1
from 51 to 200 employees	490	215	170	100	4	1
more than 201 employees	386	108	149	126	3	0
Dushanbe	3705	1046	518	1938	152	51
up to 50 employees	3203	693	510	1806	144	50
from 51 to 200 employees	370	353	6	104	6	1
more than 201 employees	132	100	2	28	2	0
Regions under Republican Administration	7814	898	5840	1056	19	1
up to 50 employees	7418	718	5766	915	18	1
from 51 to 200 employees	265	129	46	90	0	0
more than 201 employees	131	51	28	51	1	0

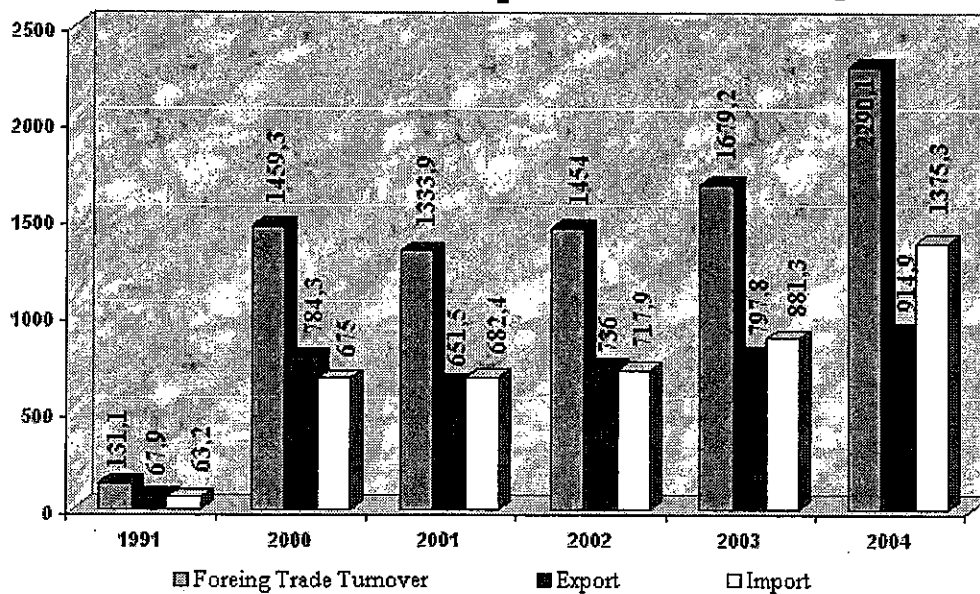
Source: Statistics Yearbook, Tajikistan, State Committee of Tajikistan, Dushanbe, 2004

Table 1. Development of Business in Tajikistan



Source: Ministry of Economy & Trade of Tajikistan, 2005.

Table 2. External Trade of Tajikistan since Independence



Source: Ministry of Economy & Trade of Tajikistan, 2005.

Box 1: Business Environment in Tajikistan

The business environment for private sector firms is still difficult. Registering a business is both time-consuming and expensive: fees amount to \$250 and the process takes 70 days, although this can be reduced to 21 days or less with the help of a bribe.

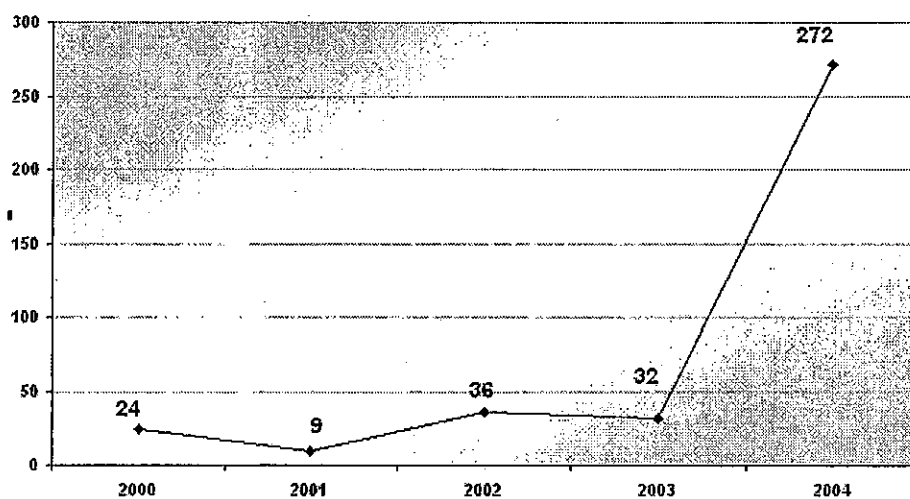
Once registered, small businesses face an array of audits and monitoring procedures by regulatory agencies such as tax, health, sanitation, police, and fire services. More than 60% of private businesses paid bribes, and for 75% of this total, bribes accounted for more than 10% of the business's annual income. Unnecessary or inappropriate standards are also a constraint.

A World Bank study in 2002 surveyed state bodies and found almost 700 types of licenses issued by 16 bodies, with 7 state bodies employing separate procedures for residents and non-residents. Licensing fees ranged from 6 somoni to \$5,000 for a license for travel and tourism services. The review to obtain a license takes 3 to 180 days, and the license can last from 6 months. Most licenses range from 6 months to 1 year.

Similar problems are arising in the judiciary, and a World Bank survey in 2001 found the court system poorly operated, mistrusted, expensive, and rarely used by the private sector. Court fees amounting to 10% of the claim were one of many reasons private enterprise preferred to avoid the courts. There is no nonjudicial third party arbitration system in place to address minor claims, nor is there an ombudsman for issues arising with the state.

Sources: ADB. 2003. *PSA. Manila*. World Bank. 2002. *Privatization and Private Sector Development Component of the Second Institution Building Technical Assistance Loan*. Carana.

Table 3. Volume of FDI in Tajikistan (in million US Dollars)



Source: Republic of Tajikistan: *Selected Issues and Statistical Appendix*. April 2005
IMF Country Report No. 05/131. P.93

**Table 4. Changes in the Structure of Tajikistan GDP
since the years of Independence**

