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Kazajstán



Eurasian Economic Union enters into force

The Eurasian Economic Union has officially come into force on January 1, 2015, Tengrinews reports.

Yesterday, on January 2, Armenia joined Belarus, Kazakhstan, and Russia in the new Union, which provides for four key economic freedoms: freedom of movement of goods, services, capitals and labor. In addition, the member states have pledged to implement a coherent policy in energy, industry, agriculture and transport.

In 2016, a single pharmaceutical market is going to be created, in 2019 – a single electricity market, and in 2025 – a single market for oil, gas and petroleum products.

State-guaranteed free medical and social services will operate on the entire territory of the Eurasian Economic Union, meaning that citizens of a EEU member state will receive the same amount of medical care as local nationals in each of the member-states. Equal rights for all residents of the Eurasian Union also apply to receiving places in public kindergartens, studying at schools, universities and so on.

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There is no agreement on a unified amount of pensions at this point, but worker seniority earned in any of the member states counts in all other countries of the Union. This will help address the problem of labor movement in the Union.

The EEC is now the largest single market in the CIS comprising 170 million people and 15% of world's firm land. The Eurasian Economic Commission is located in Moscow, the Union's financial regulator is in Almaty, and the court is in Minsk. Belarus is chairing the organization in 2015.

Armenia is entering the Union but enjoys transitional periods ranging between one year and eight years in several areas. This is done to give it time to harmonize rates of import duties, technical regulations, rules of movement of goods, as well as phytosanitary and veterinary standards.

President of Kyrgyzstan Almazbek Atambayev signed the Treaty of Accession to the Eurasian Economic Union at the end of December. The country is planning to finally join the Union and open its borders in May 2015.

The Eurasian Economic Union membership is open to other countries that share its aims and principles.

The idea of the Eurasian was put forward by President of Kazakhstan Nursultan Nazarbayev in 1994. Now, twenty years later this idea is being realized.

The organization is beginning its work in extremely difficult political, economic and financial conditions. Its success now largely depends on Russia, which accounts for about 80 percent of the economic potential of the Union. But Western sanctions have led to a serious crisis in Russia and the ruble has significantly depreciated. The world oil prices are not helping the situation.

Fuente: Tengri News

For more information:

<http://www.eurasianet.org/node/71511> - What's the EEU and What Are Its Chances?

http://www.ecfr.eu/article/commentary_kazakhstan_and_the_urasian_economic_union_view_from_astana_395 - Kazakhstan and the Eurasian Economic Union: The view from Astana

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Kazakhstan's Economic Outreach

As the Eurasian Economic Union takes effect, Kazakhstan maintains its ambitious economic diplomacy. Kazakhstan has unveiled a new investment campaign and commercial, “Invest in Kazakhstan” aimed at attracting foreign investment. The commercial highlights the benefits for foreign investors: Exemption from corporate income tax, land tax, property tax, and customs duties for 10 years, “state-in-kind grants, stability of investment legislation, strong protection of investor’s rights, no work permits for foreign labor, visa-free entry for citizens of many countries,” and “still not good enough? Thirty percent cash back on your investments.” With these economic lures, Kazakhstan seems to offer a lot to foreign investors, but how stable is the investment climate in Kazakhstan?

Kazakhstan, often self-referred to as the “Eurasian bridge,” saw its GDP growth rate spike in 2006, only to drop in 2009, then climb back up to 6.0 percent in 2013. According to available figures, the country has a foreign direct investment (FDI) inflow of 14.0 billion and 5.4 percent unemployment.

Kazakhstan experienced the effects of the global economic downturn, but averted economic disaster with the policy of “Nurly Zhol,” designed to protect the country and its people from the economic crisis. Money (savings) from the National Oil Fund – “a nest egg established by the government in 2001 to save oil income for future generations” mitigated budgetary-related shocks which “[stabilized] banks with a large-scale policy package.” Kazakhstan’s low public debt, less than 20 percent, helped ameliorate larger economic shocks. Nurly Zhol was announced as the new economic policy of Kazakhstan in late-November 2014. The policy is aimed at stimulating the economy through infrastructure investment and the Kazakhstan-2050 Strategy development plan. China has already contributed construction materials. Indeed, China and Kazakhstan have many partnerships, most which are oil, gas, and infrastructure centric.

Kazakhstan’s business environment has improved. The World Bank’s “Doing Business” report ranked Kazakhstan in 50th place. Kazakhstan has made major improvements in “dealing with construction permits, registering property” (reducing registration and property transfer times), “and resolving insolvency indicators.” Kazakhstan’s Country Credit Rating for 2012 was 58, enjoying an upward trend, and the country ranks 68th out of 177 on the Index of Economic Freedom. The country offers attractive tax exemptions for foreign companies. All of these indicators point towards a welcoming environment for foreign investors. The “Invest in Kazakhstan” campaign also reinforces the Kazakh 2003 Law on Investments, which grants “investment equality” to domestic



and foreign investors and offers “transparency of state investment policy, reimbursement of damages in the event of nationalization and requisition.”

Kazakhstan has also dropped visa requirements for many desirable trading partners such as the U.S., Germany, Italy and France. There are 10,000 foreign-owned businesses in Kazakhstan and many global investment firms have offices, highlighting the country’s FDI potential. Geographically, Kazakhstan is close to three of the BRICS countries. It has also established a number of special economic zones (SEZ) tailored to separate industries such as tourism, chemical and petrol production, and light industries, with special legal regulations. The SEZs will be governed by the Ministry of Industry and New Technologies.

Half of Kazakhstan’s “foreign trade and foreign direct investments belong to the EU” and Astana has also signed a “so-called agreement of the second generation” covering many issues that would have an impact on the Kazakh economy. Many Western (including U.S. and U.K.) gas and oil companies are active in Kazakhstan. Chevron has been in Kazakhstan for 20 years, and the company continues to have holdings in the Tengiz and Karachaganak oil fields. Long-term cooperation is something that Kazakhstan welcomes.

Still, there are many disadvantages to investing in Kazakhstan: a landlocked geographic location, “lack of experience and financial capabilities among representatives of the Kazakh business community” with a non-democratic government, corruption, lack of transparency, lack of civil rights/liberties, and an uneducated workforce. Kazakhstan’s political and diplomatic dealings could also have implications for investment. Foreign companies are reluctant to invest in state-owned enterprises or joint-stock companies given complications with government and state regulations, the possibility of re-nationalization, and disagreements with governments over the equal distribution of funds or the notion that a government might feel like it is being cheated (as seen in Kyrgyzstan’s Kumtor gold mine).

Kazakhstan’s human rights record and the squashing of opposition media could deter some foreign investors, although it doesn’t appear to have put off multinational oil companies. A controlled press and a lack of political party pluralism are other concerns within the international community and among Kazakhstan’s potential Western economic partners. Transparency International 2014 figures ranked Kazakhstan 127 with a number of 29 on the corruption scale (from 0, very corrupt, to 100, very clean). This is a slight improvement from previous years.



From a geopolitical perspective, Kazakhstan's multi-faceted and seemingly unshakeable ties (security, political and economic) with Russia could deter foreign investors such as the EU and the U.S. given Russia's current aggression in Crimea. Eurasian Economic Union (EEU) regulations might hurt Kazakhstan's ability to attract investors. The EEU, which took effect on January 1, brings Kazakhstan, Belarus, Russia (and now Armenia, with Kyrgyzstan to join in May) under one economic organization. Kazakhstan's economy is linked to Russia's and the sanctions placed on Russia have hurt Kazakhstan's economy. What is interesting about the core EEU members is that all three countries are authoritarian – Kazakhstan being the “softest” – but all have different styles of economies. Kazakhstan's economy – resource based and insufficiently diversified – is arguably not compatible with the EEU, but the EEU has been a vision of Nazarbayev's since the 1990s and adds to his regional vision of economic integration. The EEU has been described by opposition in Kazakhstan as a form of new Russian colonialism. Nazarbayev repeatedly has stated that Kazakhstan's membership in the EEU would not compromise its independence or sovereignty.

Kazakhstan's membership in the EEU may also have implications for Kazakhstan's accession into the WTO. Kazakhstan was hoping to join the trade body in 2013, but given the pace of agreements, 2014 became the new target year. Then, Astana's commitment to the Eurasian customs union caused a rise in tariffs, which prevented it from achieving that goal. Trade barriers will have to be reduced and discrepancies in tariffs “between Kazakhstan's bilateral market access agreements with WTO members; Russia's schedule of commitments; and the Customs Union's common external tariff.”

Even so, Nazarbayev's multi-vector foreign policy is giving Kazakhstan an expanded reach, political, military, diplomatic, and economic. The country continues to work on pipeline projects with China, and other projects with the European Union, the U.S., and other Central Asian countries. Clearly the establishment of the EEU does not mean that Kazakhstan is abandoning its carefully cultivated economic relationships with other countries. Its deep ties with Russia do not seem to have derailed Astana's relations with its European partners.

Take Poland, for example. “Trade turnover between the two countries has amounted to \$800 million,” as Poland delivers vehicles and equipment and Kazakhstan exports petroleum and chemical products. Economic relations continue to grow, as part of Poland's larger plan to promote Polish exports. Kazakhstan has also asked the Czech Republic to assist in the diversification of Kazakhstan's economy with the building of a non-resource-based economy. Nazarbayev has also encouraged the Czech President, Milos Zeman, to build Czech factories to export goods to Russia and to Belarus duty free. This would further integrate many Eastern European markets with



Kazakhstan. The relationship between Kazakhstan and Czech Republic will help the latter meet its energy needs, as Kazakhstan is a major producer of gas and oil. Like Kazakhstan, Czech Republic has been able to choose economic alliances that will ultimately strengthen the bond between the two countries.

How will the EEU affect Kazakhstan's partnerships with the West? By joining the EEU, Kazakhstan will further solidify its position in the region as a leading economic force, one that is party of many banking initiatives and organizations such as the China-led Shanghai Cooperation Organization. With this positioning, Kazakhstan is helping to offset any of the economic fallout from the collapsing Russian ruble, the effects of the Russia sanctions, and the EEU.

From a financial standpoint, Kazakhstan is an investment-friendly country, but Astana's political alliances may hold it back from reaching the status it desires. Ultimately, a more open civil society would boost Kazakhstan's standing not only in financial circles but in political circles as well.

Fuente: The Diplomat

National Entrepreneurs Chamber suggests introducing trade barriers in Kazakhstan amid Russian ruble crisis

Strengthening of Kazakhstan's tenge against Russian ruble has negative repercussions for producing enterprises in Kazakhstan, Tengrinews reports citing Kazakhstan's National Chamber of Entrepreneurs.

"Significant strengthening of tenge against Russia ruble negatively affects the industrial sectors of Kazakhstan's economy. The Kazakh government is now developing measures to prevent slowdown of the economy. To do this, Kazakhstan's National Chamber of Entrepreneurs considers it necessary to protect the domestic market by introducing temporary trade barriers that are permitted according to agreements of the Eurasian Economic Union. In addition to these measures, the National Chamber suggests subsidizing enterprises in the industrial sectors, mainly in agriculture and food processing," the press service of the National chamber said.

Besides, Kazakhstan's National Chamber commented on the recent joint statement of Kazakhstan's Government and National Bank about the priority directions in 2015 that was published on December 24.



The priority directions in 2015, as defined in the statement, will be “the enhancement of the role of the national currency (tenge) in the economy, stimulating the growth of tenge liquidity in banks for further increasing of lending of the economy, recovery of the banking sector”.

The statement also said that sharp exchange rate fluctuations would not be allowed. Interest rates on deposits in dollars would be lowered. In addition, setting prices of goods and services in currencies other than tenge would be banned.

“The decision of the financial regulator to maintain the refinancing rate for commercial banks and to introduce a package of measures to increase access to liquidity - these measures will contribute to the implementation of the key tasks of the financial system to ensure the availability of credit at reasonable interest rates for businesses to hope them counter the negative trends,” the National Chamber of Entrepreneurs said.

It is time to prepare and implement a comprehensive import substitution plan within the current state-run industrialization programs in order to reduce the dependence of Kazakhstan’s economy on imports, the National Chamber said. The import substitution program should first focus on goods included into consumer basket, i.e. mainly food products.

Moreover, according to the National Chamber, this plan is complementary to the task set by President Nazarbayev in his recent State-of-the-Nation Address regarding de-dollarization of Kazakhstan’s economy.

“The range of countercyclical measures should include: an increase in orders of domestic producers and increase in the share of SMEs (small and medium-sized enterprises) in the purchases made by the government and quasi-public sectors, improving the efficiency of support of domestic producers by introducing the institute of industrial certificates, which will confirm the status of domestic producer capable of producing a certain amount of goods given its production capacity, expanding the investment subsidies program for all projects aimed at substitution of imported goods by domestic competitive products, the continuation and expansion of programs of concessional lending, including refinancing loans in tenge issued in foreign currency,” National Chamber concluded.

Fuente: Tengri News



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Kazakhstan bans fuel export

Kazakhstan has introduced a six months ban on export of certain types of fuel, Tengrinews reports citing the press service of the Kazakh Ministry of Energy.

"By the degree of the Minister of Energy of Kazakhstan approved by the Ministry of National Economy and the Ministry of Finance, a ban is being introduced for a period of 6 months on exports from Kazakhstan outside the territory of the Customs Union of light distillates and products (Customs Union Commodity Classification of Foreign Economic Activity (CU CC FEC) code 2710 12), middle distillates kerosene, gas oil, diesel oil (CU CC FEC code 19 110 0 - 2710 19 290 0, 2710 19 350 0 - 2710 19 480 0, 2710 20 110 0 - 2710 20 190 0) and other petroleum products (CU CC FEC code 2710 20 900 0), except for domestic heating oil," the statement said.

The decree came into force on 1 January 2015. According to Article 18 of the Law on Regulation of Commercial Activities and Section 10 of Annex 7 to the Treaty on the Eurasian Economic Union, it is called to prevent critical shortages and rise of prices of petroleum products at the domestic market of Kazakhstan.

On December 30, 2014, the Ministry of Energy set retail caps on petroleum products subject to state regulation of prices: diesel will be sold at 107 tenge per liter (\$0.59), AI-80 at 89 tenge per liter (\$0.49), and Ai-92/93 at 109 tenge per liter (\$0.6).



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Kirguistán



Kyrgyzstan to develop program to reduce the shadow economy

BISHKEK (TCA) — The Government of Kyrgyzstan has set up an ad hoc commission to draft a governmental program to reduce the shadow economy in the period between 2015 and 2017, First Deputy Prime Minister Taiyrbek Sarpashev said.

“We should develop a concrete and effective plan to achieve results in reducing the shadow economy,” the governmental press service quoted Sarpashev as saying. “There are big reserves [for reducing the shadow economy] in the spheres of trade, services, construction, and real estate. According to official statistics, the level of the shadow economy is 39 percent, but the real figure is higher. During the years since independence, according to preliminary estimates, the state budget in Kyrgyzstan has lost not less than 201 billion soms (around \$3.4 billion) as a result of the shadow economy.”

The program to combat the shadow economy should be developed in two months, the first deputy premier said.

Kyrgyzstan President Almazbek Atambayev declared the year 2015 the Year of Strengthening of National Economy in Kyrgyzstan.



The relevant presidential decree said that formation of a modern competitive national economy should be a priority task of all government bodies in Kyrgyzstan.

The decree set the goals to improve the wellbeing of Kyrgyzstan's citizens, further strengthen the Kyrgyz statehood, support and develop domestic production and entrepreneurship, create new jobs, and increase the possibilities of the state and society for implementation of large-scale social programs in the country.

The decree also said that the current re-export-oriented economic model in Kyrgyzstan has proven contradictory to objective trends in the world economy and integration processes in the region. This requires taking urgent measures to transform the Kyrgyz economy from a dependent and surviving one into a strong, self-sufficient and dynamically developing economy.

Fuente: The Times of Central Asia

Plunging ruble negatively affects Kyrgyzstan

BISHKEK (TCA) — Plunging ruble will negatively affect the economy and trade of Kyrgyzstan, and reduce money remittances from Russia to Kyrgyzstan, Azattyk Radio (the Kyrgyz service of RFE/RL) reported citing Tolkunbek Abdygulov, chairman of the National Bank of the Kyrgyz Republic.

In his words, western sanctions on Russia will also affect the economy of Kyrgyzstan. Plunging ruble will result in decreasing income of the Kyrgyz population while increasing cost of imports will fuel inflation.

According to Abdygulov, 95 percent of remittances from Kyrgyz migrant workers abroad come from Russia. Decreasing remittances caused by the plunge of the ruble will immediately affect Kyrgyzstan, as many Kyrgyz families are entirely dependent on remittances from their relatives working in Russia.

Currently one ruble sells for one Kyrgyz som in Kyrgyzstan, compared to 1.5 soms per one ruble several months ago.

In general, remittances by Central Asian migrants working in Russia tend to decline as sanctions on Russia over Ukraine are negatively impacting their earnings in Russia.



Last September, the European Bank for Reconstruction and Development (EBRD) published a report highlighting the impact of the Russian-Ukrainian crisis on emerging economies, including in the post-Soviet states.

The apparent economic downturn in Russia, believe the EBRD experts, poses a particular economic threat to the countries of Central Asia, Eastern Europe, and the Caucasus.

Kyrgyzstan and Tajikistan are most vulnerable to declines in remittances, as financial transfers from Kyrgyz and Tajik migrant workers in Russia make up 29 percent and 49 percent respectively of the two countries' GDPs

Fuente: The Times of Central Asia

USAID helps improve tax collection at Kyrgyzstan's Dordoi market

BISHKEK (TCA) — Late in December, a Citizen Service Center was opened with the support from the United States Agency for International Development (USAID) at Bishkek's Dordoi Bazaar, the largest wholesale market in Central Asia. The newly-refurbished facility will help improve customer service for more than 7,000 businesses and traders working at the market.

USAID, through the Good Governance and Public Administration Support (GGPAS) program, supported the transformation of a set of metal shipping containers into a fully-operation Service Centers at Dordoi, the largest wholesale bazaar in Central Asia that has more than 30,000 retail and wholesale entrepreneurs, as well as in southern Kyrgyzstan at the Aravan Tax Office, which delivers services to nearly 25,000 customers in the Osh province, the US Embassy in Kyrgyzstan reported. The Citizen Service Centers are based on the "one-stop shop" model, which brings the State Tax Service (STS), Social Fund, National Statistics Committee, and a servicing bank together in a single location where entrepreneurs can more easily register businesses and pay taxes.

This joint project will help improve tax collection for entrepreneurs and tax officers at the level where "services meet citizens".



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The STS and USAID GGPAS also recently opened a refurbished and equipped Service Center at Aravan Tax Office, directly improving service delivery for nearly 25,000 customers of the Osh province. With support from the USAID GGPAS project, the training center is compiling a set of training materials and curriculum for its employees that will teach them how to establish, launch, and manage a new Service Center.

Fuente: The Times of Central Asia



Tayikistán



Tajikistan's gold reserves estimated at nearly 500 tons, says Tajik official

DUSHANBE, January 6, 2015, Asia-Plus -- Tajikistan's gold reserves are estimated at nearly 500 tons, Murod Khol, the head of the main Geology Directorate under the Government of Tajikistan, announced at a news conference in Dushanbe on January 6.

According to him, they are currently developing ten gold deposits and the largest of them is located in the Panjakent district, Sughd province.

Tajik chief geologist stressed that one of conditions for getting license for exploration and development of gold deposits in Tajikistan is to secure the full processing of gold inside the country.

China's Zijin Mining, which owns 75 percent of the shares in Zeravshan Gold Company (ZGC), has built an affinage plant with annual capacity of 5,000 kilograms of gold, Khol noted.



Over the first eleven months of the last year, Tajikistan produced more than 3,000 kilograms of gold, which is more than 600 kilograms more than in the same period of 2013.

In 2013, gold producing companies operating in Tajikistan produced 2,674.4 kilograms of gold, which was 273.5 kilograms more than in 2012.

Tajikistan reportedly has 28 known gold deposits. Three large gold mining companies now operate in Tajikistan: Tilloi Tojik (Tajik Gold – state-owned gold mining company); Tajik-Chinese JV Zeravshan Gold Company (ZGC); and Tajik-Canadian JV Aprelevka. Most of gold comes from the Jilau deposit operated by Tajik-Chinese joint venture, Zeravshan Gold Company.

Fuente: Asia-Plus

Tajikistan to double domestic cotton processing in 2015

DUSHANBE (TCA) — In 2015 Tajikistan plans to double domestic processing of raw cotton due to commissioning of new processing facilities and modernization of existing factories, Avesta news agency reported citing the country's Ministry of Industry and New Technologies.

According to preliminary reports, in 2014 Tajikistan processed around 10 thousand tons of cotton. In 2015, domestic cotton processing is expected to reach 25 thousand tons.

“A significant increase in cotton processing is expected in 2016 due to commissioning of large processing facilities. Cotton processing in 2016 is forecast to reach around 40 thousand tons. By that time it is planned to commission a large textile complex in the Dangara district of the Khatlon province,” the ministry said.

According to the ministry, Tajikistan now has 20 cotton processing enterprises with a total processing capacity of up to 100 thousand tons per year.



According to the Agriculture Ministry, in 2014 Tajikistan harvested 387 thousand tons of raw cotton, compared to 395 thousand tons in 2013.

Construction of Central Asia's largest complex of textile plants was launched on December 19 in Tajikistan's Dangara district with the participation of Tajik President Emomali Rakhmon. It is a joint project of Tajikistan and China, and the new textile plants will use the latest technologies from the US, Italy, Switzerland, Germany, and China.

The first phase of this complex will set up industrial processing of more than 52,000 tons of raw cotton, the Tajik presidential press service reported. The project will build four new plants — textile, spinning, sewing plants, and a workshop for dyeing fabrics — which will employ over six thousand citizens of Tajikistan.

The entire complex will be completed and launched in two years.

The Dangara district was chosen as the venue for the new complex because it has a favorable climate for growing cotton and a vast arable land area.

Cotton accounts for 60 percent of Tajikistan's agricultural output, supports 75 percent of the rural population, and occupies 45 percent of irrigated arable land.

Cotton is an important source of export earnings and tax revenues for Tajikistan, which is the world's fourth largest cotton exporter.

Fuente: The Times of Central Asia

Tajikistan begins road to debut bond

Tajikistan has signed up Standard & Poor's to create the country's first credit rating — a likely prelude to issuing, in a year or two, its maiden sovereign bond.

The second smallest of the cluster of Central Asian states, squeezed politically and geographically between Russia, China and the West, Tajikistan is poor by any measure. Its economy is worth just shy of \$7 billion in 2013, according to data from the World Bank, slightly less than Haiti and Benin.



While investment has started to flood into the rest of the region – notably to resource-rich Kazakhstan, Uzbekistan and Turkmenistan – foreign capital has given Tajikistan a wide berth, concerned by poor energy and transport infrastructure, an uncertain business climate and corruption.

That, the country's leaders hope, may soon change. CC Yu, country director for Tajikistan at the Asian Development Bank (ADB), says the S&P rating, set to be completed in the first half of 2015, is a "positive development" for the country. The National Bank of Tajikistan has also said that it is in talks with Moody's Investors Service over the signing of a cooperation agreement.

"The country remains too dependent, in development terms, on multilateral and bilateral donor funds," says the ADB's Yu. "Having a sovereign bond in place would provide alternative financing. A credit rating is crucial in terms of setting interest rates and would also be a driver for conducting more reforms.

Some reforms are already being put in place. Tajikistan joined the World Trade Organization in 2014, and slashed the amount of time required to set up a new company. In the final three months of the year, Dushanbe, the capital, hosted a pair of international investment conferences, aimed at drawing in more foreign capital. At one of them, co-organised by German state investment institutions German Development Bank KfW and GIZ, Tajikistan's strongman president, Emomali Rahmon, told delegates that attracting private investment capital was "one of the country's top priorities".

So far, it has worked. The French supermarket chain Auchan has since announced plans to open several new stores in the capital, while France's Total and Beijing-based CNPC are tying up a deal to pipe gas into China. This project would be a "game-changer" for the host nation, says Richard Jones, head of resident office in Tajikistan at the European Bank for Reconstruction and Development (EBRD). Local aluminium firm Talco is pushing to complete a stock listing in the coming years.

Then there is the banking sector. For years, it has been dominated by four large joint-stock lenders, controlling more than three-quarters of industry assets. Agroinvestbank leads the pack in terms of size and reach, with 61 domestic branches, followed by Orionbank, Amonatbank, and Tojiksodirobank. Yet all four, the ADB noted in a December report, have been "undermined by their targeting of state owned enterprises and implementing government-induced credit programmes, resulting in low asset quality".



Change is in the air, with the industry enjoying a welcome injection of fresh competition. Central bank chairman Abdujabbor Shirinov has pledged to boost the number of foreign lenders operating in the country.

Two microfinance institutions (MFIs), Imon International and Arvand, are also making their presence felt, securing multilateral investment and pushing into new areas including deposit-taking.

Imon, with 83,000 customers served by 127 branches and service outlets, is the bigger of the two, offering loan and deposit products to mid-sized private businesses down to sole traders and farmers. In November 2014, the Dushanbe-based institution secured a \$5 million loan from the EBRD with the aim of meeting rising domestic demand for local-currency funding.

"Imon is a real success story," says the EBRD's Jones. "They started at grass-roots level, boasting a very dynamic management team and filling a gap in the market. They are now moving upscale, making bigger loans in small towns and villages, where most banks would never dream of opening a kiosk or a branch." Insiders say the next step for Imon is to secure a full banking licence, expected in 2015.

Both Imon and Arvand, which has 36 branches and service centres, secured just shy of \$1 million in funding from the Asian Development Bank (ADB) in December, part of a \$10 million grant provided to the Ministry of Finance by the Manila-based multilateral.

The ADB also in December approved its first private investment package in the country, injecting \$11 million worth of capital, including equity investment and loans, into AccessBank, a small Tajik lender whose shareholders include KfW, UK development institution CDC Group, and the European Investment Bank. The ADB's Yu described the MFIs as "one of the brightest spots in the financial services industry".

The downsides to investing in Tajikistan remain abundant. Transport and energy infrastructure remain a standout concern for investors, blackouts being both regular and lengthy. Banks are riddled with non-performing loans, while taxation rates and standards can change at a moment's notice.



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"A lot of business people here are very concerned about hidden costs, notably hidden taxes and unpredictable costs imposed arbitrarily," notes the ADB's Yu. "It's a particular problem for SMEs."

Fuente: Elliot Wilson. Euromoney