

# Tajikistan

In BEEPS V, the top three business environment obstacles faced by Tajik firms were electricity issues; access to finance; and competitors' practices in the informal sector (Chart 1). Large firms were more concerned about tax administration than access to finance. Young firms complained most about access to finance and political instability. In BEEPS IV workforce skills were in third place. Notably, tax administration was in the ninth place.

## Electricity supply and access to finance remain challenging

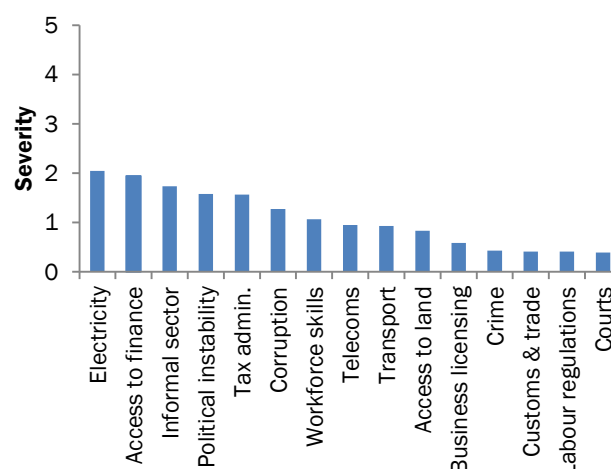
**Electricity issues** remained the top obstacle for Tajik firms. Although the wait for an electrical connection decreased from 28.3 to 19.2 days, the share of firms experiencing power outages remained close to 60%. The average duration of power outages decreased from almost 10 hours in BEEPS IV to 6.9 hours in BEEPS V, but they were more frequent: firms experienced on average 10.8 power outages in a typical month in 2011, compared with 8.6 in BEEPS IV and 6.5 for Central Asia as a whole. Although the losses of Tajik firms from power outages decreased from 18.8% to 14.4% of total annual revenue, they remained very high compared with the average of 5% of revenue across the covered countries (Chart 2).

Most of the firms in Tajikistan faced limited **access to finance**. Compared with BEEPS IV, they relied more on the internal funds and retained earnings to finance fixed assets purchases. Moreover, a comparatively large share of fixed assets was financed through owners' contributions (14.2%, the highest among the covered countries) and, in turn, a disproportionately small share through bank loans (5.1%, the second lowest after Albania). Overall, only 14.6% of firms had a loan or a credit line in BEEPS V, the lowest share among covered countries along with Azerbaijan. Almost 60% of all outstanding loans were denominated in US dollars, trailing only the Kyrgyz Republic (Chart 3). Real interest rates on loans were on average among the highest and maturities among the shortest in the covered countries.

**Competitors' practices in the informal sector** remained the third most severe obstacle. The share of firms facing competition from the informal sector remained almost unchanged at around 35%.

It is not surprising that **tax administration** emerged among the top five obstacles in BEEPS V. Compared with BEEPS IV, senior management spent more time dealing with government regulations. The share of firms visited by tax officials and the number of their visits increased and was among the highest in the countries covered. Corruption in tax matters has decreased, but was still much higher than the Central Asia average, trailing only the Kyrgyz Republic and Ukraine.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Losses due to power outages

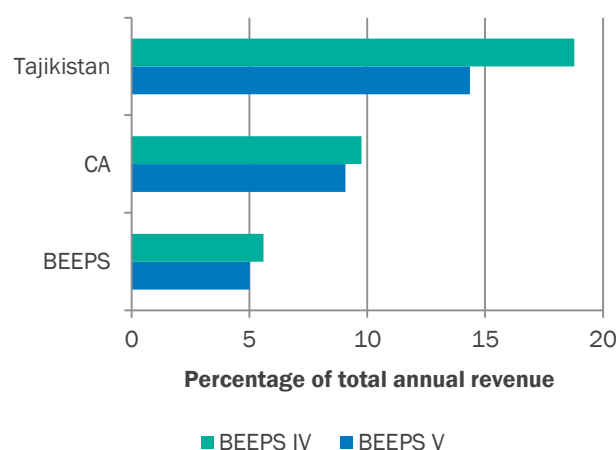


Chart 3. Loans by currency

