



BASIC THEMES OF THIS RELEASE:

- **Business news**
- **News on «One -stop shop»**
- **Program on «Improving business environment - 200 days of reforms». The comments of the Secretariat to the Program. Explanation of certain decisions of the 3-rd Consultative Council meeting.**
- **Aspects on improving the work of the Consultative Council and its Secretariat**

BUSINESS NEWS

(Information about the new institute for business support)

July 4, 2009

- the Chairman of Khatlon region has conducted the meeting with entrepreneurs resulted in taking decision on establishment of a public association - **Center for business support and development** which activities will be aimed at development of entrepreneurship in the region.

There were around 200 entrepreneurs attending the meeting. Davlat Nozilov, the businessman, was elected to be the leader of the center. The new association is currently undergoing an official process of legal registration.

In this region which is one of the major administrative areas with 36% of total country's population, one can observe a weak development of infrastructure for support of small and medium businesses which is to be able to ensure an efficient self-organization and self-improvement of the business. Actually, there is no real partnership between the state and the business within the region.

There is only a limited number of associations currently functioning in Khatlon which represent the interests of the region's business community. The Association of dehkan farms is one of the most active.

For comparison's sake, in Sugd region with 30% of total country's population, there are 13 functioning business associations and a substantial number of public unions which activities are focused upon business development in the region.

July, 2009

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The active dialogue between the state and the business in Sugd region is being conducted on the basis of the established *Consultative Council of business associations and public unions under the Investments and State Property Management Department of Sugd region*, with technical assistance provided by BEI USAID project.

The most acute problems the entrepreneurs are facing, the ways of their elimination are usually discussed at the Council's sessions in Sugd region, and then specific recommendations for decision taking are worked out, both on local and republican levels. The meetings are held regularly twice a month. The Consultative Council of business-associations comprises 15 members.

The outcomes of this work prove that many issues related to development and support of small and medium businesses in this region were resolved due to activities of the Council over the period of one and a half year. The following was achieved:

- The requirement was removed of notarial offices on presenting documents to prove absence of debts on the part of the seller when notarizing property sales contracts;
- The requirement was removed of notarial offices on presenting documents to prove absence of debts for public utilities when notarizing property assets sales contracts;
- The requirement of tax inspections of RT was removed on annual re-registration of individual entrepreneurs, carrying out their activities based on the certificate;
- The procedures were simplified for obtaining a certificate for facilities to carry out pharmaceutical activities;

Besides:

- The members of the Council presented their recommendations to the draft Programme «200 days of reforms», and at the present time are actively promoting its implementation;
- The discussion process for the existing issues with the tax and customs agencies in Sugd region was initiated by way of conducting round tables;
- The independent evaluation of the implementation of the President's Decree of RT «On moratorium on all types of inspections of small and medium business entities» was completed;
- The members of the council took an active part in discussions over the draft Law of RT «On state registration of legal entities and individual entrepreneurs», resulting in the preparation of specific recommendations;



The comments of the Secretariat:

The Secretariat welcomes the efforts taken by the Investment and State property management Department and by business structures of Sugd region for the development of the private-public partnership, and suggests to the Consultative Council of business associations and public unions of Sugd region to initiate a dialogue and interaction with their colleagues from Khatlon region. Such step will facilitate the exchange of experience in order to promote coordinated approaches to develop entrepreneurship and to resolve common tasks and problems faced by the business community.

The Secretariat, in its turn, plans to activate the involvement of regional business structures in activities of the Council, to strengthen cooperation between the state and businesses, within capacities available.

The Secretariat also invites the partners to render an adequate help to the Center on business support and to other business unions which are in the process of establishment in Khatlon region, possibly by way of organizing series of trainings, seminars and round tables. Such initiative will allow to increase the capacity of established organizations and to improve existing complex relationships of entrepreneurs with local authorities.

July 31, 2009

- There was a meeting of the Coordination Council of business associations and public unions of Tajikistan (CCBAPUT). The agenda of the meeting was mainly focused on organizational issues.

In the course of the meeting the progress report was presented by the Chairman of CCBAPUT. The participants of the meeting have reviewed the Memorandum on cooperation among organizations under CCBAPUT activities, approved the Regulation and elected the Chairman of CCBAPUT for the next 3 years, and Mr. N. Zabirov once again was assigned to this position.

Besides organizational issues reviewed, leaders of associations and public unions were asked to determine their working directions under the Programme «Improvement of business climate -200 days of reforms».

The comments of the Secretariat:

As of today, the system of business associations becomes more well-ordered and well-organized. One can state that along with deepening and diversification of their sectorial trend there is a searching of new forms, strategies and proportions of organizational development is going on. We can see CCBAPUT as a model of such activities.

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This organization has united on voluntary basis the most powerful and efficiently operating associations and unions that are supporting business initiatives, and performs as an effective form of self-organization of business community.

It is encouraging to see that many business associations got a clear idea on the need for agreed and coordinated business position to ensure a real and equal dialogue between the state and businesses.

However, international experience proves that this type of cooperation can become more efficient under the condition that this structure will not become an additional duplicating and burdensome entity, but will follow organizational principles of non-official coalition with rotation of management bodies.

The rotation will serve as a factor to increased interest of business unions to participate in the work of the Council. Besides, this measure will allow strengthening the management potential of associations, and improving organizational capabilities of associations' leaders.

NEWS ON «ONE STOP SHOP»

- **From July 1, 2009**, registration of enterprises is carried out according to the new rules – since new Law «On state registration of legal entities» came into force.

Adoption of this Law was a result of the joint activities of the Government of Republic of Tajikistan, USAID project on Business environment improvement (BEI), World Bank, European Commission, and other international donor organizations and representatives of the private sector.

The Secretariat provides the Memo to the entrepreneurs with the detailed description of main steps for registration of their business based on the new procedures. Upon the expression of interest by its main partners, the Secretariat plans to continue releasing the series of memos on other components of the new Law, in particular on:

- Registration procedures for a legal entity, created by way of reorganization;
- Registration of a legal entity's liquidation;
- Registration procedures for the branches and representations of a legal entity;
- Re-registration procedures for a legal entity;



MEMO FOR AN ENTREPRENEUR
HOW TO OFFICIALLY REGISTRATE ONES' BUSINESS?

STEP № 1

In order to register as an **individual entrepreneur**:

– The entrepreneur has to apply to tax agency at the location of residence or at the location of carrying out entrepreneurial activities, and to submit:

- **Application** in a format approved by the tax agency;
- **Copy of the personal ID**;
- **Receipt** on paid state duty.

In order to **register your company** – the entrepreneur should apply to tax agency at the location (address) of a legal entity, and to submit:

- **Application** in a format approved by the tax agency;
- **Minutes** of the meeting of founders on establishment of a legal entity, signed by the founders;
- **Copy of the personal ID**;
- **Copies of the personal IDs** of each founder of the company;
- **Receipt** on paid state duty.

Note:

1. In case if a founder is a foreign legal entity, then a copy of a document on registration of a legal entity or a statement from the register of legal entities of the foreign state (or any other valid legal document proving the legal status of the foreign legal entity) should be presented;
2. When mass media enterprise is registered, the letter from the relevant agency should be submitted.

STEP № 2

The entrepreneur waits for 3 working days (or 5 working days for the registration of a legal entity), starting from the date of submission, and at the end of this term contacts the tax agency to obtain «**Certificate on state registration**».

The data on the registered legal persons and individual entrepreneurs is entered into a **Single state register**. They are awarded single numeric codes for their identification.

The entrepreneur has to remember that

- There is no need to visit statistic and social insurance agencies when going through registration procedures. On-stop shop registration provides simultaneous registration at the specified agencies.
- The entrepreneur personally carries the whole responsibility for the credibility of submitted documents and completeness of information reflected in them.

STEP № 3

The entrepreneur on the basis of the «**Certificate**» received has a right to open a bank account, to manufacture a seal (stamp).



July 6, 2009

- Coordination working group on business enabling environment (BEE WG) conducted its regular meeting where the implementation issues of the new state registration system based on «One-stop shop» principle were discussed. The official launch of “One-stop shop” was presented by European Commission on July 1, 2009.

During the meeting a matter was raised on the capacity of tax agencies to cover all regions by a new «One-stop shop» registration system. The representative of the Tax committee noted that there are already 50 «One-stop shop» registration centers functioning on the territory of the country, as of now.

BEE WG discussed a number of technical issues related to the new registration system's operation, in particular those of an access of entrepreneurs to a unified data base with the purpose of identifying identical titles of the companies already registered under new system. Therefore, the developers of the software have to consider this factor in the future, when improving the program. The participants also discussed the matter of re-registration of the companies registered under the old system.

In the process of the meeting, an issue was raised by the participants concerning the requirements of the new Law «On registration of legal entities and individual entrepreneurs» in the part of “submission of information to tax agencies on changes introduced to statutory documents of the company within 5 days”. It was noted that these requirements are impracticable for foreign companies because legal approval of documents for the companies with headquarters abroad requires approximately one month.

The representatives of the Tax committee considered the participants' of BEE WG comments and informed that all emerging difficulties and problems when registering businesses, including imperfection of the legislation, will be eliminated after monitoring the registration process of entrepreneurs under the new system.

The participants of the meeting emphasized the necessity of conducting monitoring over implementation of the approved Law.

Comments of the Secretariat:

It is significant that following the example of other countries with transit economy, Tajikistan chose «One-stop shop» system, which provides for simplification of procedures when registering entrepreneurs.

Nevertheless, it is important to understand that any new initiative will face subjective and objective difficulties. The implementation experiment of «One-stop shop» system in such



countries as Ukraine, Latvia, Azerbaijan and Uzbekistan, showed that *the integration process for this system's operation was far more difficult than the development process and adoption of the Law itself.*

Practice of entrepreneurs' registration in these countries at the initial stage was very different from the procedures provided for by the new Law. In most of the cases, there were observed violations of registration deadlines, and that was due to delays of entrepreneurs' registration by relevant agencies. *One of the constraining factors was assertion of interests by each involved ministry, trying to maintain their "own windows" in the registration process.*

Inter-agency approach negatively reverberated on the development of «One-stop shop» system' software supply, effected harmonization process of the current legislation and access to informational data bank on legal entities and individual entrepreneurs.

Serious problems arose when attempting to organize data exchange between the responsible authorities (tax agencies, pension fund, social insurance fund, statistic department). Inadequate technical equipment status of the pension fund, social insurance fund, statistics agencies for the fast processing of the information flow caused huge queues and created certain problems in terms of fast registration.

The introduction of «One-stop shop» registration procedures required at least a few months for the establishment of electronic network and other relevant infrastructure, to run the system in test mode, to have the personnel trained.

From another side, it is important to consider that introduction of «One-stop shop» by itself has not removed an issue of abuse of power by controlling agencies. There were observed gross violations in respect of entrepreneurs on the part of registering agencies.

Thus, for example, there were facts of forced allocation of entrepreneurs' finances to various funds and to other social needs, which should be done only on voluntary basis, especially when we speak of entrepreneurs who yet haven't started their own businesses.

The conducted surveys proved that introduction of «One-stop shop» without side-by-side implementation of a set of measures on liberalization of business activities is not sufficient to develop entrepreneurship.

Proposals of the Secretariat:

The Secretariat of the Council, with the purpose of lowering risks of non-fulfillment of the Law «On state registration of legal entities and individual entrepreneurs» *suggests forming of a group of experts for this Law's implementation evaluation out of members of the*



working group on implementation's monitoring of the Programme «Improvement of business environment -200 days of reforms» under SCISPM of RT.

Business associations have to play the key role in tracking and evaluation of the Law's implementation. Herewith, the monitoring results should be brought for discussion at the meeting of the Consultative Council on improving of investment climate and business environment under the President of the Republic of Tajikistan.

«IMPROVING BUSINESS ENVIRONMENT – 200 DAYS OF REFORMS» PROGRAMME

- **July 2, 2009.** The Chairman of the Government of Republic of Tajikistan, Emomali Rahmon, signed a resolution of the Government of Republic of Tajikistan «On approval of «Improvement of business environment – 200 days of reforms» Programme.
- **July 17, 2009.** SCISPM RT in partnership with representatives of responsible ministries and agencies, business associations and donor organizations conducted the meeting on implementation' monitoring of the «Improvement of business environment -200 days of reforms» Programme.

The implementation of the «Improvement of business environment -200 days of reforms» Programme was started from July 2009. Except for the implementation of the paragraph 7 of this Programme (i.e. adoption of the «Plan on enhancement of normative legal acts, regulating construction sector»), no other substantial progresses were observed in terms of Programme implementation.

SCISPM of RT, being a responsible body for coordination of Programme' implementation and it's monitoring, has proceeded to organizing this process. It was suggested to establishing coordination working group from representatives of responsible ministries and agencies, business associations' representatives, as well as representatives from donor projects, involved in the area of business development, as an organizational structure.

It was agreed that this coordination working group on Programme monitoring will meet on a weekly basis (each Friday) at the office of SCISPM of RT for tracking and discussing Programme implementation progress.

The working groups are being set up for the purpose of implementation of separate Programme measures under the responsible ministries and departments. It is planned that the outcomes of these groups' work will be discussed at the regular meetings held at SCISPM of RT.



The representatives of business associations expressed the desire to participate in the work of the working groups under formation for preparation of reasonable proposals on introducing amendments to normative legal acts regulating the activities of entrepreneurs.

The representatives of donor projects expressed their willingness to render technical assistance for the implementation of Programme's activities. Thus, USAID project on improvement of business environment is ready to participate in the implementation of 15 items under the Programme. US Chamber of Commerce - AmCham Tajikistan - have determined its specific work directions in it. DFID in partnership with ADB is reviewing the possibility of providing help to the Government in conducting Programme monitoring.

Comments of the Secretariat with regard to organizing Programme implementation process:

By end of July 2009, there were several weekly meetings held at SCI of RT, however, no particular actions on improving Programme's implementation process and tracking results were undertaken, except for discussions on the matters of working groups' formation.

It was provided in the Programme that technical assistance projects will be involved in development of normative legal acts with active participation of business associations. Based on the information available, the significant part of draft laws have already been developed and submitted for the review by relevant ministries and agencies. However, the situation's analysis showed that the implementation of the approved Programme is progressing with delays on ministerial level.

The Programme implementation progress is aggravated by the fact that ministries and agencies have a weak interaction and coordination system at a horizontal level (i.e. inter-agency coordination), which *requires more firm interference on the part of Executive Office of the President of RT.*

As we know, the Programme covers a wide spectrum of complex activities bound to strict time lines, therefore insufficient and untimely coordination of the process as a whole creates prerequisites for failure of Program's targets.

The Secretariat calls for all the partners to take more seriously and cooperatively the implementation of the Programme, which should become an impulse for improvement of the investment image of the country, because the importance and need for this Programme was emphasized by the President of the country in his Address to the Parliament of RT (dated April 15, 2009).



Comments of the Secretariat with regard to development of private-public partnership:

Though not all recommendations of the Consultative Council were incorporated by the Government of Republic of Tajikistan in the final version of the approved Programme, the Programme development process itself and its approval became a good starting point for the organizing of a joint dialogue between the state, businesses and their partners.

The Secretariat of the Council hereafter intends to maintain and develop such cooperation and therefore *suggests to all involved partners* to focus their joint efforts on implementation of the *paragraph 5* of the approved Programme, providing for the development of a separate «*Action plan on improvement of indicators of Republic of Tajikistan in international «Doing Business» rating in the area of taxation*».

According to the approved Programme, SCI of RT, Ministry of Finance and Tax Committee are the responsible agencies for the development of the Action Plan, mentioned above. Therefore, it is suggested to establish a working group.

For the purpose of organizing this process and to support SCI of RT, the Secretariat of the Council has contacted business structures with the invitation to submit their proposals on the matters of improvement of taxation system. The first proposals were received from the Association of Banks of Tajikistan, Association of Builders of Tajikistan, as well as from entrepreneurs from Sugd region and GBAO; besides, Mr. Rahimov who is an independent expert of GTZ project has also submitted his proposals.

More detailed information on the submitted proposals will be published in the next Bulletin release.

Explanation from the Secretariat with regard to the implementation of the Councils' decisions

(Information for the international technical assistance projects)

At the 3rd session of the Consultative Council, it was suggested to listen to the information from international projects on their activities on supporting reforms in the area of improving business environment, along with the reports presented by ministries and agencies on implementation of the Council's decisions.

The Secretariat informs that this measure was undertaken due to the reason that the Council needs a comprehensive review of the issue under consideration, to be able to make consolidated decision. Therefore, the Secretariat intends to develop a format for reports/statements at the Council's meetings jointly with international projects. In this connection,



the Secretariat suggests discussing this issue during one of the meetings of BEE working group.

In addition, the Secretariat addresses all international partners implementing projects in the area of business enabling environment with a request *for cooperation in the area of data exchange*.

With regard to organizational matters on the Consultative Council activities, the Secretariat informs that USAID membership in the Council on the part of bilateral donor organizations has ceased.

The Secretariat, on behalf of the Council's members, expresses its respect and appreciation to the management of USAID for the fruitful partnership and support rendered in the process of the Council's work.

According to the procedures for selection of new members of the Council, bilateral donor organizations should agree among themselves and propose a new candidate to the membership for future sessions, and therefore the *Secretariat offers USAID to arrange a discussion on this matter together with other bilateral donors*.

Issues on improving the work of the Consultative Council and its Secretariat

- in July 27, 2009 there was held a working meeting of the Secretariat with the Senior Advisor of EBRD on CIS countries, Mr. J. Otorbaev, where the parties discussed the status and measures on enhancement of Secretariat's work by arranging a continuous dialogue between the state and businesses, with the involvement of the Consultative Council on improving investment climate under the President of Republic of Tajikistan.

Mr. Otorbaev in general has positively spoken of the Council's work, having recognized the achievements in ensuring transparency in development and adoption of decisions in the area of business activity.

At the meeting, the role of Executive Secretary of the Council, Mr. Khamraliev, was specifically mentioned, as he was responsible for organizing and holding meetings of the Consultative Council. In the same time, there was a recommendation expressed to the Council to keep the established working format, thus ensuring its quarterly meetings.

The EBRD representative expressed a number of recommendations on improving the work of the Secretariat. The parties agreed that the work of the Secretariat should develop not only within the format of preparation and holding formal meetings (sessions), but to expand it to individual certain measures on activating business community, which is



capable of impacting the formation of administrative- legal environment for creation and doing business.

In particular, the Secretariat plans to expand its cooperation with individual state agencies (Ministry of economic development and trade, Tax and Customs Committees, etc.) and business structures, especially on the local level.

The activities of the Secretariat on a local level (provincial and district) will help to unite entrepreneurs to enable them to summarize their position, to formulate problematic issues and to present them for the review of the Council.

Special attention during the meeting was paid to the matters of informational coverage of the role and place of the Council in the management system of social-economic development in the country.

Mr. Otorbaev recommended to the Secretariat to work out a detailed action plan to work with mass media, with the focus to ensuring partnership with press-service of the President of Republic of Tajikistan on the matters of media coverage of Consultative Council's meetings.

It was also suggested to activate the work of the Council's members between its meetings in order to raise public awareness of the activities of the Council, and to be more prepared for the participation in the meetings.

Special interest was drawn to the issues of monitoring of not only the decisions taken by the Council, but also of performance evaluation of the Council's Secretariat. Therefore, the Secretariat plans to develop special evaluation questionnaire which will be circulated among the partners.