

BASIC THEMES OF THIS RELEASE:

- Monitoring of the implementation of the fifth, sixth and seventh sessions of the Consultative Council on improvement of investment climate.
- Joint work of the Secretariat of the Consultative Council and the World Bank Mission of the Project Dialogue for Private Sector Development.
- Interaction of the Secretariat of the Consultative Council on improvement of investment climate with the Private Sector.
- Round Table under the auspices the Consultative Council on improvement of investment climate under the Chairman of Khatlon oblast. Establishment of Consultative Council on improvement of investment climate under the Chairman of Badakhshan oblast.
- Activities of the Association of Builders of Tajikistan on implementation of the recommendations and decisions of the Consultative Council.

MONITORING OF THE IMPLEMENTATION OF THE FIFTH, SIXTH AND SEVENTH SESSIONS OF THE CONSULTATIVE COUNCIL...

Secretariat of the Consultative Council and the State Committee on Investments and State Property Management of the Republic of Tajikistan for the timely and proper execution of the minutes of the past sessions of the Consultative Council …the President of the Republic of Tajikistan, monitoring of the implementation of the fifth, sixth and seventh meetings of the Board was conducted, including Implementation Plan for future activities of the Government of the Republic of Tajikistan to improve the investment climate and the international rating of the Republic of Tajikistan in the World Bank report "Doing Business", approved by the Government of the Republic of Tajikistan on May 29, 2010, № 276.

In addition, specific instructions were given, according to the minutes of the seventh session of the Consultative Council on the adoption of necessary measures for the development of the Tax Code, the new edition, the analysis of regulations on public-private partnership, and a draft decree of the Government of the Republic of Tajikistan to strengthen reforms to improve the investment climate in the Republic of Tajikistan."

As a proceeding of the fifth session of the Consultative Council the Decree of the Government of the Republic of Tajikistan "On approval of the Plan for future activities of the Government of the Republic of Tajikistan to further improve the investment climate and the indicators of the international rating of the Republic of Tajikistan." was adopted. The plan consists of 9 points, which contribute to realization of a simplification of administrative procedures for starting a business, reducing time and cost in doing

1



business and investment, as well as supporting local producers.

Monitoring of implementation of the plan was carried out by the Secretariat of the Consultative Council and the State Committee on Investments and State Property Management of the Republic of Tajikistan in 2010-2011 in several stages. The monitoring results showed that the measures of the Plan are partially implemented.

In particular, the Ministry of Economic Development and Trade of the Republic of Tajikistan has established an interdepartmental working group, whose task was to evaluate the list of obligatory documents required for the implementation of foreign economic activity. Evaluation of the documents reviewed calls for a significant reduction of the documents, as well as the need for imposing a ban on the requirement of additional documents confirming the quality of goods, not included in the list of obligatory certification of export-import operations (point 2). However, despite this, draft law on changes and amendments to the Customs Code of the Republic of Tajikistan stipulated in the Plan was not prepared, which was one of the reasons for underperformance of the ranking of the Republic of Tajikistan in an international study "Doing Business".

According to item 2 of the Plan regarding the development and submission to the Government of the Republic of Tajikistan the draft amendments to the Law of the Republic of Tajikistan "On the pledge of movable property" in the regulation of credit issues and access to them, as well as the possibility of practical realization of a pledge of movable property by the State Committee on Investments and State Property Management of the Republic of Tajikistan a request was addressed to the National Bank of Tajikistan. According to information received from them, the issue is currently under consideration by the working group established under the National Bank of Tajikistan.

Agency for Construction and Architecture under the Government of the Republic of Tajikistan drafted amendments to the laws of the Republic of Tajikistan "On Fire", "On architecture, urban planning and construction activity", "On ensuring sanitary and epidemiological safety of population" and the Land Code of the Republic of Tajikistan. All prepared projects were coordinated with the ministries and departments, and then were sent to the Government of the Republic of Tajikistan for consideration.

Changes and additions to the Law of the Republic of Tajikistan "On Fire" and the Land Code of the Republic of Tajikistan were adopted by the Majlisi Namoyandagon Majlisi Oli. However, the draft amendments to the Law of the Republic of Tajikistan "On ensuring sanitary and epidemiological safety of population" is still on the coordination in the ministries and departments.



The items 5 and 6 of the Plan on the harmonization of legislative and other normative legal acts in accordance with the Law of the Republic of Tajikistan "On State Registration of Legal Entities and Individual Entrepreneurs" are fully implemented by the responsible ministries and agencies.

It should be noted that in accordance with the reported data of the Tax Committee under the Government of the Republic of Tajikistan, the issue of technical base of the Single State Register "to complete the exchange of information between government agencies that are involved in the process of registering on the principle of "Single Window" (item 7) at this time is still pending. The reason is the fact that for the functioning of a "single window" material-technical base and the software of social protection are not sufficient.

Under item 9 of the Plan, the Ministry of Finance of the Republic of Tajikistan made proposals for improving drafts of the Republic of Tajikistan "On Amendments and Additions to the Tax Code of the Republic of Tajikistan", "On Amendments and Addenda to the Customs Code of the Republic of Tajikistan" and "On Amendments to the Law of the Republic of Tajikistan "On Financial Rental (Leasing)" in respect of imported technologies for production, based on leasing transactions, which were sent to the Government of the Republic of Tajikistan.

On the preparation of short and long term action plans with specific and justified measures to support local producers and the attractiveness of local production (item 9 of the Plan) the committee under the Ministry of Economic Development and Trade of the Republic of Tajikistan, did not carry out any action.

Thus, the plan is implemented only partially, and the ministries of Justice, Finance, Economic Development and Trade, Labor and Social Welfare, Interior, Health, the National Bank of Tajikistan and the State Tax Committee of Tajikistan must take effective measures for the speedy and qualitative implementation of the remaining measures.

In order to implement the minutes of the sixth session of the Consultative Council decrees of the Government of the Republic of Tajikistan "On approval of the state target programs to strengthen export capacity in the processing of fruits and vegetables in 2010-2012" and "On Approval of the Plan for future activities of the Government of the Republic of Tajikistan for the development of information and communication technologies to improve governance in the Republic of Tajikistan "were adopted.

To implement the State Program to increase the export potential in processing of fruits and vegetables in 2010-2012 the Ministry of Economic Development and Trade of the Republic of Tajikistan established a working group from the representatives of ministries and departments, private sector and donor organizations. Meetings were held by the

Working Group, one of her item but none of the items was implemented because of lack of funding source.

In order to implement the Plan for the development of information and communication technologies to improve governance in the Republic of Tajikistan the interdepartmental working group should have been established.

The Seventh session of the Consultative Council, chaired by the President of the Republic of Tajikistan was conducted on March 15, 2011, which had set specific objectives to improve investment and business environment in the country.

Analysis indicates partial implementation of the decisions of Minutes of the seventh session by the ministries and departments.

For example, the State Committee on Investments and State Property Management of the Republic of Tajikistan together with the Secretariat of the Consultative Council has prepared a draft decree of the Government of the Republic of Tajikistan to strengthen reforms to improve the investment climate in the Republic of Tajikistan "(item 2), was submitted for the consideration of the Government of the Republic of Tajikistan after coordination with ministries and departments. Also, in participation with the private sector and development partners working sessions were held, and a list of questions for subsequent sessions of the Consultative Council were prepared on the basis of received proposals (item 5).

Agency for Construction and Architecture under the Government of the Republic of Tajikistan drafted decree of the Government of the Republic of Tajikistan "On Approval of the Program to support construction companies to improve the investment climate in the construction industry for 2011-2012" (item 3), which is currently being coordinated among concerned ministries and departments.

According to item 4 of the minutes the Seventh Session of the Consultative Council, permanent Regional Consultative Council under the Chairman of Khatlon region and Badakhshan have been created. The establishment of such Consultative Councils under the chairmen of the Sughd oblast and Dushanbe are under consideration.

For the development of the Tax Code, the new edition, a working group under the Ministry of Finance of the Republic of Tajikistan has been established (item 6). And also a working group under the State Committee on Investments and State Property Management of the Republic of Tajikistan was established (item 10) with the view to prepare an analysis of normative legal acts in order to further develop the draft of the law "On public-private partnership."



At the same time, to improve the legal awareness of entrepreneurs in the field, members of the Secretariat of the Consultative Council together with representatives of the private sector held workshops in various parts of Sughd oblast.

Full implementation and timely execution of the planned economic reforms would improve the investment climate in the country, as well as create favorable conditions for economic development of Tajikistan as a whole.

JOINT WORK OF THE SECRETARIAT OF CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN THE WORLD BANK MISION OF THE PROJECT DIALOGUE FOR PRIVATE SECTOR DEVELOPMENT/PROGRAM REFORMS OF DOING BUSINESS FOR 2009-2011

In 2011 Secretariat of Consul on improvement of investment climate under the President of the Republic of Tajikistan closely cooperated with Mission of World Bank on Project "Dialogue for the development of private sector/Program reform on Doing Business 2009-2011".

First mission visited Tajikistan in March 14-20, 2011. The main goal of the mission was focused to the following aspects: preparation and participation in seventh Session of the Consultative Council with the Presentation on Doing Business reforms and next steps and priorities; contribution to the implementation of the reform on Doing Business; and monitoring of conducted reforms in accordance with indicators of "Doing Business".

During the second mission visit from March 28, 2011 - April 9, 2011 Secretariat of Consultative Council in cooperation with Mr. Igor Artyomev - international expert of World Bank on reforming of permission system for construction have participated in discussion of developed information materials about amendments to the laws in order to decrease the numbers of permission procedures and registrations in "One Stop Shop" system in construction sphere, as well as reconsidering of conception of permissions to the construction in part of application to small construction and construction with small risks. The main goal of the mission was providing support to both Agency for construction and architecture under the Government of the Republic of Tajikistan and Association of builders of Tajikistan in achieving of two short-term goals, namely: promotion for conducting of information and explanation works on discussion of reform results, initiated in 2009 (Government decree from May 06, 2009, No.282) that created o one-stop shop for a more rapid and efficient processing of pre-approvals from public utilities and for the issuance of the "architectural planning assignments". Initiating the design of a fast-track system of construction permits and inspection mechanisms for low-risk building applications within the informal setting of a joint Agency for construction and architecture under the Government of the Republic of Tajikistan and Association of builders of Tajikistan working group.



During the mission the delegation meets with the representatives of private sector, including Chairman of Association of builders of Tajikistan – Mr. F.Rajabov, representatives of government authorities, Director of branch body of construction sphere – Agency for construction and architecture under the Government of the Republic of Tajikistan – Mr. A. Komilov., was developed had out information materials on permission system in the sphere of construction for joint information company.

The third mission of World Bank visited Tajikistan on April 18-27, 2011. Secretariat of Consultative Council closely cooperated with the mission of World bank as well as Ms. Rachel Shahidsalles.

The main directions and cooperation:

1) Permission system in the sphere of construction.

Result: conducted meeting with the representatives of private sector – Mr. Rajabov F., Bukhoriev J. (Association of builders of Tajikistan). Conducted meeting with Mr. Komilov A. During this meeting was decided on mutual cooperation on information company regarding the "One-stop-shop" system on construction, was presented developed draft of information hand out materials on permission system in construction sphere for mutual information company (Agency for construction and architecture under the Government of the Republic of Tajikistan, Association of builders of Tajikistan, World Bank) for their future printing and distribution, also was discussed the opportunity of technical assistance from World Bank to Agency.

2) Completion and coordination Plan of future measures for improvement of indicators in accordance with "Doing Business" report. Completion and coordination of the draft of Law "On amendment to the Law of the Republic of Tajikistan "On Joint Stock companies" regarding the protection of investor's rights.

Result: conducted meetings with representatives of State Committee for investment and state property management of the Republic of Tajikistan to discuss the commentary of the ministries and agencies regarding the above mentioned draft of Plan and Law. Draft of Plan and Law was completed considering the suggestions of the public ministries and agencies, was agreed with relevant ministries and agencies and right now sent to the Government for considering and approving. The draft of Law after considering by the Government of the Republic of Tajikistan will be sent for the considering by the Parliament. Timely implementation of this process gives opportunity to improve the indicators in accordance with "Doing Business" report for this year.

3) Joint works with the Tax Committee under the Government of the Republic of Tajikistan, State Agency for social insurance and pension and Agency for statistics under the President of the Republic of Tajikistan for the implementation of "One-stop-shop" system for the registration of business.

Result: conducted meetings with deputy Chairman of Tax Committee - Mr. Jaborov R., deputy Chairman of State Agency for social insurance and pension – Ms. Odinaeva N., first deputy Minister of labor and social protection – Mr. Sanginov E., representative of the



Agency for statistics – Ms. Rajabova N. During the meetings were discussed coordination of these three bodies in implementation of "One-stop-shop" system for the registration of starting business in Tax Committee. Considering this issue the representatives of World Bank conducted seminar in Tax Committee for all the interested parties with the participation of Mr. Soliev A. – first deputy chairman of Tax Committee and Jaborov R. – deputy chairman of Tax Committee, as well as representatives of international organizations (IFC, DFID, WB) and Secretariat of Consultative Council.

4) Joint works on indicator of "Access to credits"

Result: In National Bank of Tajikistan was conducted seminar on "Increasing the access to the credits through reforming of the system of transaction provision" by the World Bank. Presented analysis of the World Bank for the credits was discussed and presented comments of the members of working group for the improvement of pledge legislation, established by the National Bank of Tajikistan and it was conducted two meetings with the members of working group on development of amendments to the existence legislation regarding the pledge, pledge of movement properties, and access to the credits. The representatives of World Bank mission met with first deputy chairman of National Bank of Tajikistan Mr. Yusufiyon J., other representatives of National Bank, ministries and agencies of the Republic of Tajikistan. It was decided to continue the activities of working group for the development of concrete recommendations to the existence legislation for this direction.

5) *Indicator of "Import-export"*. The representatives of World Bank met with representatives of Ministry of economic development and trade, Ministry of justice, director of the USAID Project on trade liberalization and customs reform – Mr. Kamolidinov P. for the discussing of the issues of development and lobby draft Law of Tajikistan "On amendments to the Custom Code of the republic of Tajikistan" regarding the decreasing of the documents requiring for the import and export transactions.

INTERACTION OF THE SECRETARIAT OF THE CNSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN WITH THE PRIVATE SECTOR

In the period of April-May 2011, the Secretariat of the Consultative Council has conducted a number of events (meetings and round tables) with the private sector. The purpose of these activities was to discuss proposals for inclusion in the agenda of the eighth and subsequent sessions of the Consultative Council, taking into account the importance of participation by all parties of public-private dialogue, including the donor community in shaping the directions of further activities of the Consultative Council and approval of its sessions agenda.



In addition, the Secretariat worked to inform the private sector about the ongoing work of the Secretariat of the Consultative Council, including on monitoring the implementation of decisions of the seventh session of the Consultative Council.

Proposal submission form for the entrepreneurs to submit their proposals and an explanation of the problems, which are by far the most acute and urgent, were distributed as a weekly newspaper Asia-Plus. The information was presented on how to submit proposals to the Secretariat of the Consultative Council and contact information.

As a result of the work conducted by the Secretariat of the Consultative Council the received information and proposals were consolidated from which was drawn up a list of proposals from the private sector. Given the fact that private sector representatives expressed the need for technical support from international organizations for the preparation of the proposed issues the compiled list was sent to international organizations – partners for consideration.

A number of joint meetings of the Secretariat of the Consultative Council with representatives of the private sector and international organizations were held with view to coordinate the efforts and strengthen partnership. At these meetings, all members of public-private dialogue have had the opportunity to discuss the proposals and determine which issues are currently the most pressing, resolution of which will have a beneficial impact on the development of entrepreneurship in general.

After lengthy discussions, the participants had identified the following list of questions for consideration at sessions of the Consultative Council:

- 1. Creating the conditions for the industrial sector which produces construction materials from local raw materials and production companies in general.
- 2. On the additional inclusion on the list are exempt from VAT and customs duties of fertilizers and pesticides.
- 3. Development and implementation of the mechanism implementation of the Law on Inspections.
- 4. Analysis of the current Tax Code of the Republic of Tajikistan.
- 5. Development of the Concept of the new Tax Code of the Republic of Tajikistan.
- 6. Development of a new Tax Code of the Republic of Tajikistan. 7. Analysis of the credit union.
- 8. Changes and additions to the Law "On Microloan Organizations"
- 9. Develop a mechanism to implement the Law of the Republic of Tajikistan "On Mortgage" 10. Develop amendments to the Laws of the Republic of Tajikistan "On Advertising" and "On the pharmaceutical activity."

Private sector representatives appealed to international organizations to provide technical support in preparing the analysis and studies to develop materials and documents for



sessions of the Consultative Council. In turn, representatives of international organizations expressed their willingness to cooperate, noting that the private sector must begin to prepare an analysis of the situation, the expected benefits and rewards for entrepreneurship, develop specific recommendations for the feasibility study, after which provision of technical assistance for each individual issue will be considered on a case by case basis.

The Secretariat of the Consultative Council continues to work on the preparation of the eighth and ninth sessions of the Consultative Council with the active involvement of the private sector, public sector and international organizations, as well as constantly is informing the stakeholders about the results and status of work performed.

ROUND TABLE UNDER THE AUSPIECES THE CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN UNDER THE CHAIRMAN OF KHATLON REGION.

On April 18, 2011 the Secretariat of the Regional Consultative Council (RCC), supported by IFC and USAID project on land reform held a round table discussion on "The interaction of state structures and dehkan farms and other land users." The purpose of the Roundtable, held under the auspices of the RCC, was the interaction and identification of the problems of private and public sector in statistical and tax reporting issues. Roundtables held in the districts of Khatlon region, as local initiatives, public-private dialogue, are the mechanism of interaction of the private sector (including farmer households) with representatives of government and district in between the RCC meetings.

The meeting participants familiarized themselves with the rules and procedures of the tax and statistical accounting of farmer households. At the same time, proposed a number of mechanisms to improve reporting procedures for farmer households. This, above all, is the simplification of the tax and statistical reporting by having the members of these bodies to provide jamoats the authority to take statements from farmer households on their behalf. To avoid wasting time and long queues it was suggested to set a timetable for delivery of reports by groups of jamoats as well as to arrange visits of tax inspectors to remote private farms. Participants made recommendations on reducing the frequency of statistical reporting, reducing it to yield and crop varieties. Seasonal (salaried) workers perform work within 5-10 days, but, nevertheless, the collective private farms pay social tax at a rate of more than 30 Somoni per month per employee. Tax on agricultural products should be calculated per hectare, and the harvest of second crop taxes should not apply at all (this measure would improve the situation in the consumer market).

Also the issue of very low legal awareness of farmer households for tax and statistical reporting was discussed. The participants appealed to the representatives of international

organizations to increase their efforts to conduct training and workshops for farmer households. Referring to the working groups of RCC, roundtable participants discussed their proposals on issues related to water supply for farmer households. In order to provide farmer households with water, it is necessary to oblige the private farms to enter into agreements with the management of water resources of the local government body or water user associations, which should specify the type of agricultural products. It is proposed to revise the amount of payment and establish a fee for use of water from the calculation of crop varieties. Since in most cases, when the amount of water supplied declines, water charges stay the same, and the amount of water actually delivered is not checked and analyzed by dehkans and they sign pay without looking at numbers. Consideration of the organization of harvesting and procurement offices to receive perishable goods, especially fruits and vegetables, was thrown to the round table, as at present private farms loose part of crops, due to lack of storage capacity and marketing their products by themselves. Participants suggested that the interaction of farmer households and banks be based on the agreement of the parties without the middlemen.

Following the meeting it was decided to submit all suggestions and recommendations made during the round table to the relevant working groups, for a deeper analysis.

ESTABLISHMENT OF CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN UNDER THE CHAIRMAN OF BADAKHSHAN.

On May 17, 2011 by a decision of the Chairman of the Badakhshan the Consultative Council to improve the investment climate under the Chairman of Badakhshan was established. The purpose of the Consultative Council is to contribute to attracting foreign investment, removal of existing obstacles to entrepreneurship in the region, the execution and implementation of government programs aimed at developing entrepreneurship and creating favorable conditions for investors and improve the business environment in the region as a whole.

According to the Regulation of the Consultative Council, its main goals and objectives are to conduct research and analysis of business environment and investment climate in the region, development of proposals and recommendations to Chairman of the region, the Government of Tajikistan and other government agencies to improve the business environment and investment climate, to develop proposals for improving the current legislation and regulatory functions of government in investment and entrepreneurial activity, creating an enabling environment for private sector development, and preparation of proposals and recommendations regarding development strategies and identify priority sectors for investment.

Currently, the Consultative Council consists of 21 members, 8 of which are representatives of the private sector. Also representatives of international organizations, academic institutions

10

and representative of the Secretariat of the Consultative Council to improve the investment climate under the President of the Republic of Tajikistan are included as Council members.

On May 25, 2011, the Consultative Council to improve the investment climate under the Chairman of Badakhshan oblast held its first meeting. The main issues of the first meeting were discussion of arrangements for the Council and to improve trade with China.

The minutes of the first meeting were prepared, which reflected the decisions and orders of the first session of the Consultative Council in Badakhshan oblast.

ACTIVITIES OF THE ASSOCIATION OF BUILDERS OF TAJIKISTAN ON IMPLEMENTATION OF THE RECOMMENDATIONS AND DECISIONS OF THE CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN.

On April 7, 2011 an extended Council of Builders Association of Tajikistan was held, which in addition to members of the Association of Dushanbe, Sughd and Khatlon, RRS and regional representatives, representatives of the Agency for Construction and Architecture under the Government of the Republic of Tajikistan and a number of ministries and departments have also attended.

The main topic of discussion of the Council was the implementation of the decisions of the minutes of the sixth and seventh sessions of the Consultative Council on improvement of the investment climate under the President of the Republic of Tajikistan on July 23, 2010 and March 15, 2011 on improving the investment climate in the construction industry.

In the course of the Council it was noted that, pursuant to the above-mentioned minutes, the Agency for Construction and Architecture under the Government of Tajikistan established a working group from representatives of state agencies, the private sector, academia, international organizations and the Secretariat of the Consultative Council.

As a result, the Working Group prepared a draft decree of the Government of the Republic of Tajikistan "On Approval of the Program to support construction companies to improve the investment climate in the construction industry for 2011-2012," which was presented at the seventh session of the Consultative Council.

This program has been widely discussed at the seventh session of the Consultative Council and during the discussion the participants made several recommendations on it improvement.

11



The Agency for Construction and Architecture under the Government of the Republic of Tajikistan was instructed to finalize the draft program, to coordinate with other concerned ministries and agencies and in accordance with the Rules to submit to the Government of the Republic of Tajikistan.

Board members and members of the Builders Association of Tajikistan with special thanks to the initiative and noting the support of the Government of the Republic of Tajikistan in reforming construction industry expressed readiness to participate actively in its implementation once the program is adopted by the Government of Tajikistan.

Dear Readers! If you have proposals for consideration at one of the next meetings of the Council, or comments and suggestions on improvement of the work of the Secretariat and/or Council you can always contact us at amavlonova@InvestmentCouncil.tj

You may also share with us your information, which might be of interest to private sector and investors. We may include it in one of the next bulletins.

The Secretariat of the Investment Council on Improvement of Business Climate under the President of Republic of Tajikistan id grateful for you interest in our bulletin and your general cooperation.

Sincerely,

The Team at Secretariat of the Consultative Council