



Basic themes of this release:

- **Implementation of the decisions by the second Consultative Council meeting**
- **Suggestions by business community on the Programme «200 days of reforms»**
- **Secretariat conclusions based on the put forward initiatives**

EVENTS



February 6, 2009

- Meeting of the Coordination Council of business-association and public organizations of Republic of Tajikistan on Programme "200 days of reforms" discussion

February 25, 2009

- Round Table on simplification of the custom procedures conducted by the Ministry of economic development and trade of RT supported by USAID Project on regional trade development.

February 26, 2009

- Meeting of the Coordination Council of business-association and public organizations of Republic of Tajikistan on discussion of the candidatures to be included to the Consultative Council structure.

IMPLEMENTATION OF DECISIONS BY THE SECOND CONSULTATIVE COUNCIL MEETING

During the second Council meeting three packages of documents have been approved:

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- Draft Decree of President RT on reforming the permitting system;
- The action Plan on first-priority activities of the Government RT for improvement of the international rating indicators of Republic of Tajikistan;
- Draft Decree of President RT on improvement of the administrative procedures related with construction activity.

Draft Decrees of President RT on reforming the permitting system and on improvement of the administrative procedures related with construction activity are being under consideration by the President Apparatus.

Regarding Plan on first-priority activities of the Government RT for improvement of the international rating indicators of Republic of Tajikistan the following activities have been carried out:

The Government of RT has approved and submitted the draft Law on “Making amendments and modifications into the Law of RT on “Joint-Stock Companies” to Majlicy Namoyandagon of Majlicy Oli of RT.

The Government of RT is also considering:

- Draft Law of RT on “Bankruptcy”
- Draft Law of RT on “State registration of legal entities and individual entrepreneurs”»

Besides, the Majlicy Namoyandagon of Majlicy Oli as follows:

- has entered modifications and amendments into the Laws of RT on “Limited liability companies” and on “Joint stock companies” regarding reduction in the amount of nominal capital for JSC/LLC establishment;
- has passed the Law of RT on “Moratorium for inspections of small and medium-sized enterprises in RT”;
- has passed the Law of RT on “Credit histories”;

SUGGESTIONS /PROPOSALS BY BUSINESS COMMUNITY ON PROGRAMME “200 DAYS OF REFORMS”

During the second Consultative Council meeting the President of RT has obliged the State Committee on investment and state property management (SCISPM) jointly with Secretariat of the Council to develop and submit the Programme “200 days of

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reforms” aimed for carrying out quantitative and qualitative changes of parameters of improvement of business environment in the country.

In this regard Secretariat has conducted the series of meetings with entrepreneurs and also applied with request via mass-media to set forth problems/issues to be included into the Programme “200 days of reforms”.

Having summarized the submitted materials, Secretariat is bringing forward the standpoints expressed by business community:

«What does business think of this Programme ... »

Business structures took the new Government initiative with enthusiasm and expressed the hope that the Government will support businesses in reality via acceptance and implementation of the given Programme which, in turn, will give a powerful incentive to private sector development.

Business structures also want to know about interaction of the Programme “200 days of reforms” and the declared governmental Programme of anti-crisis measures. During the conducted meetings there was always asked a question: “Will the Programme 200 days of reforms include the anti-crisis measures?”

At the same time entrepreneurs stated their concern on qualitative implementation of the given Programme. Their motivation was a wide range of strategic and tactic Programmes which directly or indirectly related with the problems of private sector development. Actually, most of these Programmes are inactive and being poorly implemented not reaching the targeted goals.

When using the existing implementation and monitoring instruments which are not connected with decision making process - the Programme “200 days of reforms” will not achieve the general goal - **to improve business environment**.

With respect to the Programme’s “200 days of reforms” content the entrepreneurs put forward a number of ideas as follows:

National Association of small and medium sized enterprises – has offered to include into the Programme the issue of Tax and Customs legislations improvement which will provide protection for local manufacturers.

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According to their point of view, it is not profitable to be a manufacturer due to lack of laws stimulating local manufacturing development as Tax Code of RT does not promote any manufacturing or commodity production. Our manufacturer is not competitive both in internal and external markets.

The entrepreneurs attribute developing a new Tax Code to major measures of the tax system reforming, and which should be understandable and accessible to both tax authorities and entrepreneurs. Incidents arising from time to time as a result of regular changes in the Tax Code of Tajikistan are illogical and directed only at deterioration of the tax climate.

Measures on improving the tax administration should be taken in view of division of powers and accountabilities between the tax structures and the Ministry of Economic Development.

An experience of the state working group on preparation of draft Law “On registration of legal entities and individual entrepreneurs” according to “One-stop shop” principle would be applicable for drafting a new Tax Code when a group of the government employees and representatives of business community with technical assistance of donors managed to prepare and submit a draft law to the Government of RT on tight timetable.

It is necessary to continue working on improving Tajikistan international rating indicators according to “Doing Business” WB report showing that investment climate in the country remains too much unattractive at present.

The Programme “200 days of reforms” should take into consideration the Action Plan of measures of first-priority actions for improvement of international rating indicators of the Republic of Tajikistan approved by the President of Republic of Tajikistan. This refers to conducting such important reforms as reforming the permitting system in general and simplification of the administrative procedures related with construction activity in Republic of Tajikistan.

Special attention should be paid to issues of job creation and local manufacturing development which are closely interrelated.

The Association of advertisers, having faced problems with discrepancies and gaps in the normative legal acts regulating the advertising activities – proposed to make amendments into the Law of the Republic of Tajikistan “On Advertising”, as the

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passed Law on advertising has started conflicting with the new Government resolutions.

Aimed to justify the put forward initiative, the example was given in the situation after practical application of the Government of RT Resolution № 546 dated of November 6, 2007 on fees approval for giving out the permits to using natural resources.

The Law “On other compulsory payments to the budget” dated of July 28, 2006 and effective from January 1, 2007 defines the individuals and legal entities that place external advertising items as state dues payers.

However, the Law of the Republic of Tajikistan “On Advertising” dated of August 1, 2003 does not provide definitions to “external advertising item” and “person who places an external advertising item”. Thereby the definition or the “person who places external an advertising item” can be referred both to advertisers and advertisement distributors.

The passed Resolution by the Government RT further specifies the matter and gives approval to rates for internal and external applicants whose legal status is not defined likewise. In such situation it is not clear who is local and who is foreign applicant. If the notion “applicant” implies ‘an advertisement distributor’, then s/he is always local as the advertisers including foreign companies that disseminate their advertisements through the local advertising agencies in the country.

The inconsistent government resolution has brought to the conflict situation when nobody knows who should pay and at what rate. Apart from the above stated this Resolution encloses some other provisions complicating activities of the advertising agencies.

Analysis of compulsory payment rates indicates that charge for one advertisement billboards (3x6m) is 28 800 Somoni a year while the registration of the biggest aircraft is 2000 Somoni a year. Under existing incomes (average 100-200 thousand Somoni a year), the advertising agencies are not able to pay for maintenance of ten similar advertisement billboards.

Undertaken measures are not promoting the development of advertising business in the external advertising area, and vice-versa can completely wind up this activity. There is no action logic in this as the world’s experience shows that advertising is a

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very good driving force for the economics and promotes attraction of the local and foreign investments.

In addition to the above mentioned the Association submitted to the Secretariat more detailed steps on improving situation in the sphere of the advertising business.

The Public Foundation “Civil Initiative of Internet Policy” - for the purpose of ensuring the accessibility and transparency in the Information and Technology markets - proposed to include measures on activating work of the Council on Information and Communications Technology (ICT) into the Programme.

In 2006 the Decree of the President of RT (№ 1707 dated of 27.02.2006) “On creating the Council on Information and Technology under the President of the Republic of Tajikistan” was adopted. The ICT Council is the high governing and coordinating body in the area of the state information policy.

No one initiative can be effectively performed without use of modern Information Technology facilities. As an example one can refer to the initiative on establishing “One-stop shop” system aimed to simplify the registration of permitting documents for the entrepreneurs.

Moreover, incorporation of the Information Technology in the custom and tax agencies will allow increasing their efficiency, and also to save time and reduce expenses both for these government structures and entrepreneurs.

In general, incorporation of the Information Technologies and their efficient use will ensure transparency of state bodies’ work resulting in improving the quality of provided services and raising the population confidence.

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As a continuation of the theme of Information Technology development, the recent appeal by the non-state electric communication operators to the President RT should be noted. In the given appeal they made a request for revising the project on establishing “single switching center”. The appeal also pointed incompetence and groundless of the project that was submitted to the Government.

Electric communication operators draw President’s attention to the point that during the formation of the market relations – the government of the country was following

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the course on abandonment of state's monopoly in the information sector what ensured provision of equal conditions in the market, absence of discrimination and free competition in the market of electric services to benefit of the customers.

This course was specified by the Decree of the President of RT, Emomali Rahmon "On State Strategy on Information and Communications Technology development of the Republic of Tajikistan" dated of November 5, 2003, when a dynamic growth and well-directed development of the sector was initiated.

As a result of the above-mentioned strategy, Tajikistan has become one of the leading CIS countries on development of Information and Communications Technology.

The appeal states that implementation of the proposed project on establishing "single switching center of electric communication" can lead to detrimental consequences, and whittle away all development achievements and market relations in telecommunication sector for the last twenty years.

The Association of Pharmacists - proposed to review issue on simplifying licensing procedures for pharmaceutical activities, as currently the licensing procedures are quite complicated, especially under the given situation of diarchy. Recently in the regions the licenses have been issued by the inspections agencies, and in Dushanbe – the Ministry of Health itself was dealing with licenses' issue. But not a single license has been issued for the last five months.

The Association considers that necessity of creating the private laboratories for examination of quality standard compliance of medical products in the country has approached.

According to the Government decision the majority of medical products are freed from VAT payment. In order to support the local manufacturers it is proposed to free the importing pharmaceutical substance from VAT payment.

The Association proposes:

- to work out measures on motivating entrepreneurs to pharmaceutical production of medical products according to doctor's order; as this area is not sufficiently developed in the country;
- to initiate development of manufacturing pharmacy network;
- with the purpose of regulating issue on receiving the permission for importing medical products, to establish the Marketing of drug market Unit under the Department of the State Control over the pharmaceutical activities;
- to introduce the permanent license for running the pharmaceutical activity.

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The entrepreneurs suggested organizing a TV Programme “Entrepreneur”, on a continuing basis, where discussion on various business fields with the focus on issues of self-appraisal by entrepreneurs of their own business activity could take place.

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The representative of the **Limited Liability Company “Babilon”** – proposed some measures on simplifying the taxation system. One of these measures is redistribution of authority between the Tax Committee and the Ministry of Economic Development and Trade.

Another proposed measure refers to motivating big companies, for instance, in case if company’s turnover runs to 10 million Somoni, then tax remissions should be granted to this company. This measure will stimulate the merging of small-sized companies and thereby the tax proceeds will increase, and at the same time the corruption will decrease drastically.

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The Association of Banks – raised a question on improving the quality of rendering bank services. In this respect the Association proposed to review the issue on freeing all types of equipment that destined for development of service sector from a VAT.

The Association also proposed to review the issue on freeing the equipment from VAT not only in bank sector, but also in all other spheres of rendering services to the population what in turn will lead to lowering services costs and securing the access of population to the services of high quality.

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The Association of Constructors – is concerned about the existing situation in the market of construction services. 90% of construction companies that capable to provide 10 thousands of builders with job are not functioning. The Association receives letters from the construction companies where the companies reflect the challenges and difficulties they encounter in their work.

Summarizing builders’ suggestions, the Association raised the issue of improving the legislation that regulates the construction business in the republic. The builders pointed at gaps and contradictions in the normative legal acts regulating the construction area.

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At present, the existing laws do not promote the construction sector development implying use of high technologies. Therefore the builders support the decision of the second Consultative Council meeting on improving the administrative procedures related with construction activity in the republic.

In this connection the builders are anticipating the great changes; however they realize that all problems in construction sector cannot be solved at once.

The builders suppose to consider the issue **on abolishment of fixed remuneration rates and introduction of rates for different kinds of construction works to be based on free construction labor market conditions.**

At the moment the construction cost is determined in terms of resource method worked out by the Agency on construction and architecture under the Government of the Republic of Tajikistan. In the judgment of the builders, the shortcomings and mistakes of this method do not allow them to work and succeed in the sector properly.

Although the resource methodology has a recommendation nature, but it is practiced by the parties of investment process as a mandatory for implementation. According to the builders, this methodology turned into punitive tool of the inspecting bodies.

Thus, according to the approved resource methodology – an average hourly remuneration rate of 3.83 Somoni per hour for any type of construction works (remedial, building, erections, including concrete and finishing works) doesn't meet the reality demands when actual costs for the salary are exceeding this rate four times.

In addition, average price for the construction materials according to the given methodology (every three month) does not meet the market prices, when some of costs for the construction materials rise every 10 days.

When paying a real not the fixed by the methodology wages to the workers, as well as being obliged to pay a lot of taxes and contractors' payoffs, the builders have no opportunity to renovate and conduct modernization of construction equipment and to strengthen the resource-and-technical base of building production, and most important, to raise the workers' wage.

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In addition to the quarterly Digest of Average Estimated Prices (AEP) for the main construction resources, the builders also suggest to release a monthly bulletin on prices for locally produced construction materials, and separately for the imported items. The bulletin should have a recommendation nature.

Abolishment of the fixed remuneration rates and introduction of market oriented rates for various kinds of construction works will promote increase of remuneration tax receipts/proceeds that will have a positive impact on the state budget.

The builders also raised the issue on improvement the procedures on land allotment for construction which is always a problem they face in local executive authorities. They propose to revise procedures on allotting lands for the construction.

The builders or common entrepreneurs in order to receive the permission to land allotment for construction have to pass through several duplicating each other endorsement steps what is very unreasonable.

Besides, the process of obtaining this permission is complicated by the current contradictions between the Land Code of the Republic of Tajikistan and the Law of the Republic of Tajikistan "On Architecture and city planning".

The builders mentioned that self-supporting activity of the ministerial structures also negatively affects the development of the construction sector. The Ministries often impede the development of the whole sectors while lobbying their corporative interests.

Another particular issue highlighted by the builders is the taxation for the construction companies. Specifically, the builders proposed instead of the existing tax package to introduce a simplified tax rate of 4 % out of value of performed works - with the annual amount (scope) of performed works of up to 1.5 million Somoni a year.

Another option for improving taxation is to free the private investment projects in area of the hydropower industry, agriculture, including fish industry, production of construction materials, including housing and communal sector (multistory buildings) at the initial construction phase, i.e. before selling/realization starts - from all forms of taxes with the exception of social taxes during ten years.

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Taking into consideration that the Programme “200 days of reforms” cannot cover all problems of the construction sector, the Association of Constructors proposes – to organize a separate Round Table with the participation of construction companies and officials of concerned ministries and agencies, where they will be able to discuss and argue the positions by both parties.

The Center for the Entrepreneurship Support and Development in Dushanbe city - proposed to include into the Programme measures on forming due ethic attitude to the businessmen among the state structures as many state agencies roughly handle the entrepreneurs.

A number of proposals came from entrepreneurs of Khatlon Oblast, including **Limited Liability Company “Farna”** – regarding issue of protection of internal market from the dominance of the imported products. The entrepreneurs propose to introduce the excises for some types of manufactured products.

For thorough analysis of this issue it is necessary to study feasibilities of domestic manufacturers and their manufacturing capabilities on production of qualitative and competitive products.

The Association of Enterprises and Cooperatives (AEC), being oriented on promoting the development of small-size enterprises, primarily in rural areas, has raised burning issue of the rural areas. The Association proposes to direct land reform’s institutional development to the generally accepted course in world experience, and for this purpose to reorganize all Dehkan Farms into Limited Liability Companies (LLC).

It is well-known that organizational-legal form of farms’ management is a local invention that is not pertinent to individual entrepreneurship or to legal entity, but possesses shortcomings of both. In addition to that, this form of management:

- Does not reflect existing internal property relations in the farm;
- Not attractive for the investing;
- Not self-reliant, and practically subordinated to the local executive authorities;
- Cannot ensure its employees’ social security
- Has a difficulty in fulfilling usual economic operations, for example, export-import operations, creating its branches, etc.

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At the suggested reform scheme – the property shares during the reorganization shall be declared equal with the possibility of revision by the general meeting at the first organization meeting. The Chapter shall be passed as standard reserving the opportunity for Limited Liabilities Companies (LLC) to carry out all types of legal activities (that is currently used by the dehkan farms).

The Decree of the President of RT “On reduction of initial capital rate” facilitates legitimacy of such reorganization. And what is most important, the established out of former dehkan farmers LLC-s will meet rating indicators, such as:

- Extremely simplicity of establishment
- Simple taxation

The Association has also initiated the issue on **improving the Super-patent**. In this connection the Association proposes, in the first place, to conduct survey on ways of improving Super-patent among the individual entrepreneurs.

In Association’s opinion, the survey results should answer the following questions:

- To what extent actual entrepreneurs’ income and turn-over meet the Super-patent requirements?
- What opportunities exist for the entrepreneurs, working under the Super-patent, to use means of the state social insurance?
- How far the dynamics of increase in number of entrepreneurs has changed as a result of the Super-patent introduction?
- What is the number of businessmen who have legalized their activity?

The Association proposed to improve the social insurance legislation in order to make it feasible for the practical use by the patentees. The core of this improvement should be indication of the amount of patentee’s income in the normative documents, which is to be the base for the tax charges and social taxes. The benefits under the medical certificate and retirement pension will be also calculated on basis of this amount.

Some private entrepreneurs have responded to the Secretariat’s appeal to all interested persons in order to receive their recommendations on improving terms and forms of conducting business, on perfection of normative legal acts regulating the entrepreneurship and on other topical for business issues.

Among them is **Mr. Ismailov Pulat** from Shaartuz district who proposed to activate Trade Union’s work in the sphere of small and medium-size business.

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According to the view of this entrepreneur, currently there is no an agency in the country which is capable to stand up for the entrepreneurs, especially in the regions.

In his letter, the entrepreneur admits that in spite of importance of the problems related to the imperfections of the legislation, the entrepreneurs should think on creation of the Trade Union in the sphere of small and medium-size business since this issue also requires its solution. Existence of the Trade Union organization in either company is an indication of the civilized way of business organization.

In the West Europe – trade unions together with the state strictly monitor the tax payment process by entrepreneurs and company owners, and also reveal the cases of income concealment and violation of employees’ right.

«But in our country - vice-versa the business is organized in the wrong way – writes the entrepreneur. He supposes that the entrepreneurs in close contact with his trade union should assert his rights under condition of continuous changes of “rules of play”. Today one need to solve many issues regarding trade union’s activity in new conditions, and specifically how labor relationships will be formed in the organizations and what kind of tasks will be performed by the trade unions, etc. These and many other issues are not clearly articulated in the laws yet.

The above-stated are entrepreneurs’ personal opinions, and the Secretariat is not responsible for the submitted materials and just sets forth the proposed initiatives.

SECRETARIAT’S CONCLUSIONS BASED ON THE PROPOSED INITIATIVES

Having reviewed and summarized all proposed initiatives, the Secretariat highlighted major directions of private sector development that have been stated by the businessmen.

Overwhelming majority of the entrepreneurs has raised issues on lowering of the administrative barriers. Many suggestion have been offered in favor of simplifying the taxation system, which is urgent problem in view of current world financial crisis, and accordingly, in view of unsupported enterprises.

The problems raised by the business sector are reflected in the international projects activities on private sector development.

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It appears that the pivot of the Programme “200 days of reforms” is the simplification of the administrative procedures **with the leading idea of introduction of “One-stop shop” in the following directions:**

- Simplification of the registration and re-registration procedures of legal entities;
- Simplification of the bankruptcy procedures;
- Simplification of the licensing procedures;
- Improving the construction legislation;
- Simplification of the procedures on issuing certificate for land-tenure;
- Simplification of the administrative barriers in the import-export operations;
- Simplifications of the system of issuing permits for business activities running;

The issues related to the taxation for small and medium-sized enterprises and supporting the local manufacturers require additional researches. These studies should provide feasibility of measures on stimulating the local manufacturers under the existing financial crisis.

It is also necessary to conduct a study in the field of labor relations occurring between employer and employee in context of market. Such study should address issues of labor legislation simplification that will enable to utilize all labor potential of every individual.

Achieving goals of elimination of administrative barriers is directly linked with the improvement of the public administration system and interest of the state structures in performing these reforms.

Effective use of the monitoring is a key tool for achieving final results that will effect on the decision making process.

In general, the Programme “200 days of reforms” should become a short term Programme of the administrative and regulating reforms aimed at achieving the fast positive results in the mentioned sectors.

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