



BASIC THEMES OF THIS RELEASE:

- The 5th meeting of the Consultative Council
- Monitoring of the Plan of further measures of the Government of Tajikistan on improvement of the investment climate and the indicators of the Republic of Tajikistan in the Doing Business
- Reforms in the construction sector are ongoing

THE 5TH MEETING OF THE CONSULTATIVE COUNCIL

The fifth Meeting of the Consultative Council under the President of Republic of Tajikistan took place on April 28, 2010, chaired by the President of the country, Mr. Emomaly Rakhmon.

The meeting was attended by Mr. Akil Akilov – the Prime Minister of the Republic of Tajikistan, Mr. Matlubhon Davlatov – the Head of the Executive Office of the President, Mr. Davlataly Saidov – the Chairman of State Committee on Investments and State Property Management of the Republic of Tajikistan - the Executive Secretary of the Council (further referred to as State Committee On Investment And State Property Management of RT), Mr. Zafar Khotamov – the Head of the Secretariat of the Council, Mr. Farukh Hamraliev - Minister of Economic Development and Trade, Mr. Safarali Najmuddinov – Minister of Finance, Mr. Sharif Rahimzoda – Chairman of National Bank of Tajikistan, Mr. Olim Boboev – Minister of Transport and Communication, Mr. Mahmatali Zokirov – Chairman of State Geodesy and Land Reclamation, Mr. A. Komilov Chairman of Agency for Construction and Architecture under the Government of Tajikistan, Mr. Nematjon Buriev – Senior Economic Adviser to the President of RT, Mr. Dustmurod Murodov – Head of Legal Division of Executive Office of the President of RT, Mr. Khamdam Tagoimurodov - Head of Economic Reforms and Investments Division, Mr. Abdufattoh Sharifzoda - Head of Media-Services of The President of RT, Mr. Sh. Rahmatboev – Deputy Head of State Committee On Investment And State Property Management, and Mr. Rustami Emomali – Head of Department for Support of Private Sector of State Committee On Investment And State Property Management.

The participants from private sector were Mr. Mr. Zaid Saidov – the Chairman of Association of Producers and Entrepreneurs, Mr. Necrui Zabiroy – the Chairman of the Union of Entrepreneurs and Exporters of Tajikistan, Mr. Izatullo Lalbekov – the Chairman of Association of Banks of Tajikistan (ABT), Mr. Nazir Sharipov – the Head of American Chamber of Commerce and Industry in Tajikistan, Mr. G. Kayumov – General Director of “TT Mobile” and Mr. D. Robson – President of «Tethys Limited» (as the representative of foreign investors in the Council)

INFORMATION BULLETIN №14
SECRETARIAT OF CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE
UNDER THE PRESIDENT OF REPUBLIC OF TAJIKISTAN



The following participants from international donor community attended the meeting: Mr. Moto Konishi – Regional Director of the World Bank in Central Asia , Mr. Ulf Hindstrom – the Head of EBRD Country Office in Tajikistan, Mr. Makoto Ojira – Country Director of ADB in Tajikistan, Mr. Jeffrey Lehrer – the Director of the US Agency on International Development (USAID) in Tajikistan, Mr. Bob Leverington –Head of DFID Office in Tajikistan, Mrs. Wendy Werner – the Country Coordinator of International Financial Corporation (further referred to as IFC), and Ms. Zakhira Virani Deputy Head of UNDP Office in Tajikistan.

The first item of the agenda discussed in the meeting was consideration of the Operational Regulation of the Consultative Council on Improvement of the Investment Climate under the President of the Republic of Tajikistan. With this regard, Emomali Rahmon, President of the Republic of Tajikistan, Head of the Council, pointed out that adoption of the Operational Regulation would help ensure efficiency of the activity of the Council, and instructed the Executive Secretary and the Council Secretariat to run the activity of the Council in accordance with the Regulation with a view to ensuring constructive cooperation with state agencies and businesses, and to undertake necessary measures to involve a broad range of the private sector representatives into the Council’s activity.

The main theme of the 5th meeting was discussion of the draft Plan of Further Measures of the Government of the Republic of Tajikistan for improvement of the investment climate and indicators of the Republic of Tajikistan in international rating and mechanism of its implementation, which was developed jointly by State Committee On Investment And State Property Management and Secretariat of Consultative Council on Improvement of Investment Climate under the President of Republic of Tajikistan with support of number of donor projects.

The Plan was prepared at the instruction of the President of RT – Emomali Rakhmon that was given during the 4th Council Meeting, where President instructed to prepare a plan for further reforms to improve the business climate in the country.

According to the preliminary projections, if the plan is implemented successfully, Tajikistan may improve its scores in five Doing Business Indicators, such as “Trading Across Borders”, “Getting Credit”, “Paying Taxes”, “Dealing with Construction Permits” and “Starting a Business”. Moreover, the plan envisages optimization of leasing procedures and development of short-term strategy for support of domestic producers that is expected to further improve business environment. It was informed that in one of the meetings of the Coordination Council of Business Associations of Tajikistan the participation of a broad range of the private sector representatives in implementation of the Plan was discussed.

Furthermore the representatives of the private sector made recommendations in the following areas during their speeches:

June, 2010.

2

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- **Improving effectiveness of the leasing operations** and long term sources for budget revenues as a result of import of technology through leasing. At the current stage during the import of technology and equipment through bank loan the equipment is exempted from VAT, while VAT is charged for the import of equipment under leasing. This situation creates barriers for the development of long-term leasing loans and import of modern equipment via leasing and establishment of production facilities.
- **Support of domestic producers.** It was suggested to include representatives from the Executive Office of the President of the Republic of Tajikistan, including specialists from the Legal Department, Economic Reforms and Investment Department, Finance Department and Industry and Energy Unit into the Permanent Commission for support of local producers under the Ministry of Economic Development and Trade of the Republic of Tajikistan with a view to ensuring efficiency of the operation of the above-mentioned Commission and agreeing draft legal and regulatory documents developed by this Commission with relevant government agencies in a timely manner.
- To arrange retraining courses for entrepreneurs, including entrepreneur surveyed by the World Bank.
- To develop and implement short-term and medium-term plans for the development of the domestic production reflecting specific reform measures without causing damage to the country's economy.
- To exempt import of modern technology via leasing from VAT.

The third point of the agenda was to approve the draft agenda of the Consultative Council's sixth meeting.

On this point, Mr Davlatali Saidov, the Council Executive Secretary, made a report, where he pointed out that since the President of the Republic of Tajikistan announced 2010 as the "Year of Education and Technology", it would be reasonable to discuss the issue of "Introduction of modern information and communications technology for the development of electronic trade", and importance and advantages of electronic governance at the next meeting of the Council.

The Council's Executive Secretary asked the Council Chairman to promote establishment of a working group for development of materials for the sixth meeting of the Consultative Council out of representatives from relevant ministries and agencies and the private sector with the support of donor organizations taking into account the above-mentioned points.



DECISIONS AND RECOMMENDATION OF THE COUNCIL MEETING
(According to the minutes from April 28, 2010.)

- To approve the Operational Regulation of the Consultative Council on improvement of the investment climate under the President of the Republic of Tajikistan, and the Council's Executive Secretary and its Secretariat should run the activity of the Council in accordance with the Regulation with a view to ensuring constructive cooperation with state agencies and businesses and should promote the involvement of a broad range of the private sector representatives in the activity of the Council and should ensure strict observation of the Operational Regulation.
- The Government of the Republic of Tajikistan should:
 - approve the Plan of further measures of the Government of Tajikistan on improvement of the investment climate and the indicators of the Republic of Tajikistan in the International rating within the determined procedures and take necessary measures jointly with relevant ministries and agencies and the private sector with the involvement of the donor organizations with a view to implementing the Plan's provisions;
 - establish a working group according to provisions of the Plan of measures, to develop draft legal and regulatory documents and to submit for the consideration and approval of the Government of the Republic of Tajikistan within the shortest period of time in accordance with the Operational Regulation of the Government.
 - to include representatives from the Executive Office of the President of the Republic of Tajikistan, including specialists from Legal Department, Economic Reforms and Investment Department, Finance Department and Industry and Energy Unit into the Permanent Commission for support of local producers under the Ministry of Economic Development and Trade of the Republic of Tajikistan with a view to ensuring efficiency of the operation of the above-mentioned Commission and agreeing draft legal and regulatory documents developed by this Commission with relevant government agencies in a timely manner.
- The State Committee for Investment and State Property Management of the Republic of Tajikistan jointly with the Secretariat of the Consultative Council should coordinate the activity of working groups and provide detailed information about the process of implementation of the Plan of measures to the Government of the Republic of Tajikistan on a regular basis.
- To identify priority indicators of the World Bank "Doing Business" International Rating and to assign relevant sectorial ministries and agencies responsible for their improvement with involvement of the private sector.
- Business Associations are recommended to undertake necessary measures with a view to enhancing the retraining of entrepreneurs with the financial support of international organizations.



- To approve the Consultative Council sixth meeting's agenda on the issue of "Development of information and communications technology for the development of electronic trade".
- With this regard, the State Committee for Investment and State Property Management of the Republic of Tajikistan should establish a specific working group out of representatives from relevant ministries and agencies, the private sector, including information and communications companies and the Consultative Council Secretariat, with a view to developing thorough analytic papers for the consideration at the Council's sixth meeting.
- The membership of Matluba Uljabaeva, Head of National Association of Small and Medium Enterprise, should be terminated due to the end of her membership term and Gulmahmad Kayumov, Director general of the Company of "TT Mobile" should be selected as a Council member as a replacement.
- The Council Executive Secretary and the Secretariat should reconsider the issue of membership of Council members, whose term has finished and should undertake necessary measures to propose candidates for the Consultative Council membership in accordance with determined procedures.

MONITORING OF THE PLAN OF FURTHER MEASURES OF THE GOVERNMENT OF TAJIKISTAN ON IMPROVEMENT OF INVESTMENT CLIMATE AND THE INDICATORS OF THE REPUBLIC OF TAJIKISTAN IN THE INTERNATIONAL RATING

According to the decision and recommendations of the 5th Council meeting from 28 April 2010, the Plan of further measures of the Government of Tajikistan on improvement of the investment climate and the indicators of the Republic of Tajikistan in the International rating was approved and appropriate measures were taken with ministries and agencies, private sector and donors on its implementation.

State Committee On Investment And State Property Management was tasked to coordinate the work of working groups and monitoring of the implementation of the plan. State Committee On Investment And State Property Management is regularly conducting meetings with representatives of the ministries and agencies during which the implementation of the items of the Plan are discussed. The last meeting was on June 30 2010, where representatives of working groups have participated. Detailed report of the status of implementation of each item of the plan was followed by questions and answers. It was decided that written reports will be submitted to the State Committee On Investment And State Property Management for further consolidation. The meeting at State Committee On Investment And State Property Management will be held at least twice a month where representatives of all working groups will participate, including from government, private sector and donors.



REFORMS OF THE CONTRSUTION SECTOR ARE ONGOING

During the last several years Tajikistan has achieved significant progress in improving Doing Business indicators, including in the indicator “Dealing with Construction Permits”. According to the latest DB 2010 report, Tajikistan was among top ten reformers. The results were achieved thanks to political support for the reforms by the President of the country, hard work of state bodies, participation of the private sector and donor assistance. An example is the joint work and effective collaboration of Agency for Construction and Architecture, Association of Builders of Tajikistan, and USAID project on improving business climate that contributed to development of construction sector of the country.

Despite the reforms, some important impediments on the way to the growth of the sector and investments still need to be tackled.

An example would be issues related to the construction process, i.e.:

1. Bidding procedures for projects with the smallest budget.
2. Inspection of the works completed by construction companies that won the bidding.
3. Double taxation of works, services and goods.

At the moment inspection of the works completed by construction companies that won the bidding is the most pressing one.

According to the Inspection Law of the Republic of Tajikistan, State Finance Control will inspect only specific operations of the construction company in relation to the main inspection, with the aim to verify the accuracy of the information in the books. However, in practice inspection authority inspects in details all information in relation to the construction object. This is made possible due to the misalignment of legislation. There are also a number of issues related to the practice which also need to be addressed.

Association of Builders of Tajikistan, an active and relatively young representative of private sector continues to work on preparation of recommendations and proposals for elimination of barriers on the way of sector growth, as well as simplification administrative procedures to reduce financial and time burdens.

The Association contacted the Secretariat of Consultative Council on Improvement of Investment Climate under the President of Republic of Tajikistan with the request to consider the price list setting and inspections issues in the upcoming Council meeting. At the moment Secretariat of Consultative Council on Improvement of Investment Climate under the President of Republic of Tajikistan is collaborating with the Agency, the Association and USAID project on preparation of rationale and specific recommendations for improvement of legislation that will be proposed in one of the next Council meetings.

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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 Secretariat@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 is grateful for your interest in our bulletin and your general cooperation.

Sincerely,

*The team of Secretariat
of the Consultative Council under
the President of Republic of Tajikistan*

June, 2010.

7

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