



KEY TOPICS OF THIS RELEASE:

- **Third meeting of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan**
- **Brief Summary of the Council's decisions**
- **Private sector's comments to the Programme "Improving Business Environment – 200 Days of Reforms"**
- **Announcements: other events during the month**

MEETING OF THE CONSULTATIVE COUNCIL



- Third meeting of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan was held on June 18, 2009.

This working session was attended by the President of the Republic of Tajikistan, Chairman of the Consultative Council, Emomali Rakhmon; the Prime-Minister of the Republic of Tajikistan, A. Akilov; the State Advisor to the President of the

Republic of Tajikistan on Economic Policy, M. Davlatov; The Chairman of the State Committee on Investments and State Property Management, Executive Secretary of the Council, F. Khamraliev; EBRD Director in Central Asia, M. Khonma; Acting Director of USAID in Tajikistan, K. Din; the Chairman of the Board of the National Association of Small and Medium Enterprises, M. Uljabaeva; The President of the Company «Tethys Tajikistan Limited», D. Robson; Head of the Council's Secretariat, Sh. Zardov; as well as three new members of the Council, representing business structures of the Republic – the Chairman of the Association of Producers and Entrepreneurs, Z. Saidov, the Chairman of the Union of Entrepreneurs and Exporters of Tajikistan, N. Zabiroy, and the Chairman of the Association of Banks of Tajikistan, I. Lalbekov.

Special guests of the third Council meeting were Mr. Jiji Takeshi, ADB Deputy Country Director; Mrs. Chiara Bronchi, World Bank's Country Manager; as well as heads of ministries and agencies of the Republic of Tajikistan.

The following items were included into the Agenda:



1. Report on the implementation status of the decisions taken by the second meeting of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan, held on December 18, 2008.
2. Approval of "Improving Business Environment - 200 days of Reforms" Draft Programme
3. Issues related to improvement of investment climate within the country.

The meeting was opened by the Chairman of the Council – the President of the Republic of Tajikistan, Emomali Rakhmon, who addressed all of the participants with the welcome message and introduced special guests and new members of the Council representing the non-government sector (please, see Table on page 12).

Heads of responsible ministries and agencies (such as SCISPM RT, Tax Committee, Agency on Construction and Architecture) spoke on the first item of the agenda, and indicated that all of the decisions made during the previous meeting have been implemented, that is:

- adoption of the Presidential Decree of the Republic of Tajikistan "On reforming permit system in the Republic of Tajikistan" and "On measures to improve administrative procedures to carry out construction activities in the Republic of Tajikistan".
- Adoption of the Law of the Republic of Tajikistan "On state registration of legal persons and individual entrepreneurs", introduction of amendments to the Laws of the Republic of Tajikistan "On Insolvency (Bankruptcy)" and "On Joint Stock Companies".
- regarding the implementation of the Presidential Decree of the Republic of Tajikistan "On measures to improve administrative procedures to carry out construction activities in the Republic of Tajikistan", the Government has established new and simplified "Order of following administrative procedures to carry out construction activities" (Resolution of the Government of RT, dated May 6, 2009, N#282) and "Plan to improve normative legal acts in the construction sector" (Resolution of the Government of RT, dated June 11, 2009, N#338).
- regarding the implementation of the Presidential Decree of the Republic of Tajikistan "On reforming permit system in the Republic of Tajikistan", the Government has established the commission to work on the improvement of normative legal acts regulating issuance of permit documents to business entities, and its Regulations and Guidelines on improvement of normative legal acts have been approved.
- regarding the implementation of the adopted Law of the Republic of Tajikistan "On state registration of legal entities and individual entrepreneurs", the Tax Committee has completed some preparatory activities (trainings for the specialists of the Committee,



purchase of equipment for the registration offices with the EC funds). The Committee also has plans to conduct a series of workshops for the entrepreneurs.

The speakers emphasized that despite the positive progress of the implementation of the Council's decisions, the Decisions taken by the Council have not been always supported by the sectoral agencies.

According to the agenda, the second and the major item was the approval of *"Improving Business Environment - 200 days of Reforms"* Draft Programme". In general, the Programme provides for the improvement and simplification of administrative procedures based on the "One Stop Shop" principle to register businesses, to obtain licenses, to issue permits and to carry out foreign trade operations.

The President of the Republic of Tajikistan was quite supportive towards the proposed Programme, and referred to its measures as timely, necessary and aimed to simplify the procedures for doing business; and has commissioned the Government to review it fully by the end of June and to adopt for implementation.

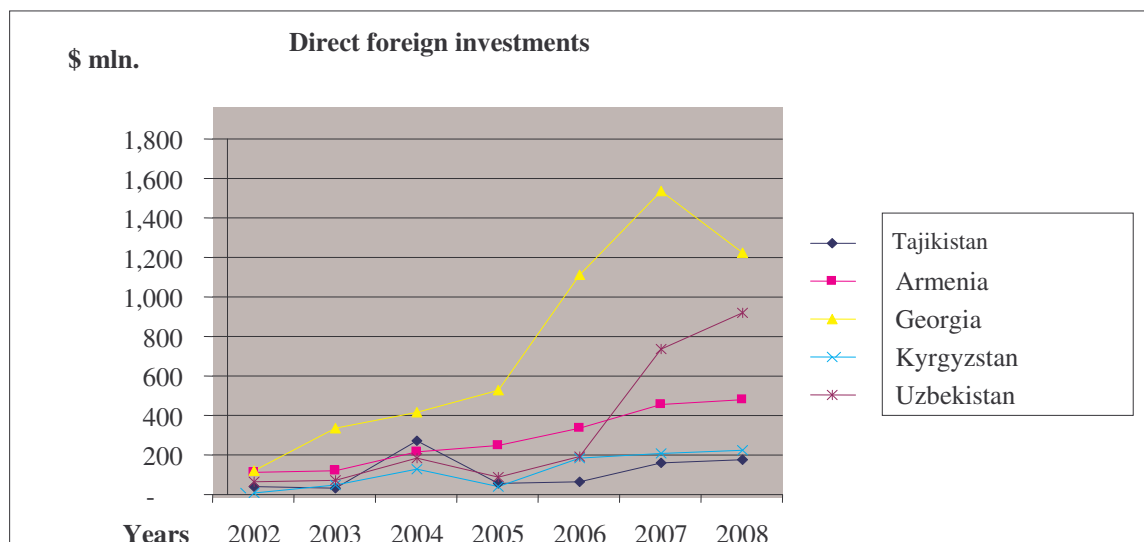
According to the opinion of the Council's members, if administrative procedures would be streamlined it will facilitate improvement of business climate, expansion of investments' volume and increase in the overall efficiency of economic activities throughout the Republic.

The EBRD Director on Central Asian countries, Mr. M. Khonma, and the President of the Company «Tethys Tajikistan Limited», Dr. Robson, shared their views on the third item of the agenda.

The speakers have expressed their satisfaction with the process of investment climate' improvement in Tajikistan, under personal supervision of the President of the country, Emomali Rahmon. In the same time, it was noted that the volume of foreign investments attracted to Tajikistan, is very small compared to other countries.

Mr. Khonma gave some data on five countries, such as Armenia, Georgia, Uzbekistan and Kyrgyzstan, just as an example.

For comparison sake, when \$180 mln. was attracted to Tajikistan in 2008, the same figure for Armenia amounted to \$500 mln. (see the table below)



In his speech, Mr. Khonma has recommended to the Government of the country to undertake additional measures on improvement of investment climate. To enhance the international ranking of the Republic and to create favorable investment environment, one of the major issues to be tackled here is elimination of all existing administrative barriers, including corruption in state agencies.

«Foreign investors are interested in such legal environment where all entrepreneurs with no exceptions possess equal rights, regardless of the intentions some officials might express» – indicated Mr. Khonma.

He also stressed the importance of building the investment policy upon mutually beneficial cooperation between an investor and a state. The speaker has directed the attention of the attendees to the need to settle matters related to the privatization of specially large-size state enterprises, including OJSC “Tajiktelecom”, SUE “Tajikcement” and “Tajikgaz”. Mr. Khonma believes that the privatization will result in the increased interest of foreign investors and will positively impact the investment climate in the country.

With regard to supporting and developing business environment, Mr. Khonma has informed the Council’s members on EBRD’ intention to increase funding for business projects by 2-3 times.

When speaking, Dr. Robson has touched upon issues of investors’ access to the country, where direct flights from the world’s economy centers would play an important role. He



expressed some kind of disappointment due to the existing visa regime which lately turned to be more burdensome and costly compared to other Central Asian countries. For instance, in order to obtain Tajik visa, foreign citizens pay 145 pounds and wait for 7-9 days; in the same time, visa to Kazakhstan only costs 40 pounds and can be obtained in just 2 days time.

Mr. Khonma supported Dr. Robson in this regard, and recommended to the Government to consider adoption of simplified visa regime for citizens of USA, Europe and Japan.

The President of the Republic of Tajikistan, Emomali Rakhmon, has informed the participants of the discussion on commencement of several direct flights from Dushanbe to Europe, and assured the investors that the work will continue in this direction. In this regard, the President of the country has instructed the responsible ministries (Ministry of economic development and trade and SCISPM RT), present at the meeting, to prepare their proposals on how to eliminate the barriers at the entry points, and on simplification of visa regime.

Having asked the Council's members to pay attention to the proposed measures under the "Improving Business Environment – 200 days of reforms" Programme, Dr. Robson has indicated his support to the intentions of the government of Tajikistan to join Hague and New-York Conventions. According to the words of Dr. Robson, joining these conventions will initiate positive response from the investors and will become an important step to improve the international image of the Republic.

On behalf of foreign investors, Mr. Robson positively evaluated the performance of the Council, and indicated that efficiency of the Council demonstrates to the investors the seriousness of Government's intentions regarding implementation of the reforms in coordination with representatives from business and donor community.

In response to the message conveyed by the representative of foreign investors, the President of the country has emphasized the need to concentrate upon the qualitative implementation of the elaborated reforms.

In particular, the Chairman of the Council said: "Today, unless specific administrative and regulatory reforms in the area of entrepreneurship are implemented, it will not be possible to create sustainable investment climate in the country". In this regard, the Government of the Republic of Tajikistan, and each of its structures individually, should aim their main efforts to reduce unnecessary administrative procedures which are withholding business development. Major objective of the state at the current new stage of development is to unite the society around undergoing reforms designed to further increase and improve living standards of the country's population".



The President of the Republic of Tajikistan was speaking about promotion of reforms and recognized the important role of the Council in it, which has more capacity to develop and to promote reforms for the improvement of business environment in coordination with all stakeholders.

During his speech, the President has directed the attention of the participants to a weak agribusiness development in the country and stated that international projects do not pay sufficient attention to this specific sector of the economy.

Touching upon international projects' activities in the area of business enabling environment, the President Emomali Rakhmon, suggested for the next meetings of the Council to listen to reports from the international projects about their activities on supporting the ongoing reforms, along with the reports from responsible ministries and agencies on progress of implementation of the Council's decisions. Responsible structures have been commissioned to notify the relevant organizations about this initiative.

Regarding organizational issues of the Council's activities, the President of the Republic of Tajikistan has supported the recommendation of some members of the Council to increase the number of participants for the Council's meetings, and to include representatives from business-structures.

In addition, the President of the Republic of Tajikistan has commissioned the responsible ministries and agencies to build active cooperation relationships with businesses.

In the end of the session, the President of the Republic of Tajikistan, Emomali Rakhmon, expressed his satisfaction with the outcomes of the meeting. In the President's opinion, there was a very useful exchange of views on issues relevant to entrepreneurs and investors today.

BRIEF SUMMARY OF THE COUNCIL'S DECISIONS

As the outcome of the meeting, the Council's members have:

1. Approved candidacies of new Council's members representing non-public sector – the Chairman of the Union of Entrepreneurs and Exporters of Tajikistan, N. Zabirov, the Chairman of the Association of Banks of Tajikistan, I. Lalbekov, and the Chairman of the Association of Producers and Entrepreneurs, Z. Saidov;
2. In general, positively evaluated the status of implementation of decisions made during the second meeting of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan ;
3. Approved "Improving Business Environment - 200 days of Reforms" Draft Programme;



4. Recommended to governmental bodies to reinforce implementation, as well as supervision over implementation, of decisions taken by the Council on the basis of holding regular working meetings and discussions with the concerned ministries and agencies;
5. Recommended to the government to continue with reforms aimed to eliminate unnecessary administrative procedures, which are preventing the development of entrepreneurship activities;
6. Recommended to the government to simplify the existing visa regime;
7. Determined that during coming Council's meetings they will listen to the information presented by the international projects, which are providing technical assistance in the area of business enabling environment, along with reports from the ministries and agencies;
8. Recommended to the donor organizations to enhance the implementation of the investment projects;
9. Commissioned the Executive Secretary of the Council, jointly with the Secretariat of the Council, to:
 - discuss the list of items, scheduled for consideration by the next session of the Council, in a working format with the members of the Council;
 - hold consultations with the concerned ministries and agencies, as well as with the international projects and business entities, with the purpose to prepare materials on items from the list, with the establishment of working groups when needed.

The Secretariat would like to inform its partners on the fact that the Programme "Improving Business Environment - 200 days of Reforms" was approved by the Government of the Republic of Tajikistan on July 2, 2009 and sent to responsible ministries and agencies for implementation (The scanned copy of the approved Programme is in attachment of the Secretariat message).

Secretariat has started the monitoring of the Programme and in this regard would like to send the first results (see the Monitoring list in attachment)

Overall, all of the activities under the Programme are scheduled for the period of July-December 2009. Initial results of the Programme are expected by August-September, 2009.

PRIVATE SECTOR' COMMENTS TO THE PROGRAMME "IMPROVING BUSINESS ENVIRONMENT- 200 DAYS OF REFORMS"

After the Programme was agreed with the ministries and agencies of the Republic, the Secretariat received some proposals from the private sector to be included into that section of the program which is referring to the improvement of banking system.



The Secretariat believes that these proposals deserve the attention, but in the same time, thinks that if too many measures are included into the “200 days of reforms” Programme, it would reduce the guarantee and the efficiency of its completion.

It is clear to all that the adopted program cannot, and should not, cover the whole spectrum of the existing problems for the businesses. Reforms should not be limited by only this Programme adoption, they should be developed further and serve as the impulse to new initiatives. That is, upon completion of “200 days of reforms” Programme - a new program of reforms can and should be developed as its natural continuation.

So, according to one of the items under the Programme, a separate Plan on reforming tax system should be prepared.

In this regard, the Secretariat of the Council is delighted to present for your consideration the suggestions made by the Association of Banks of Tajikistan on improvement of business environment in the country through enhancement of taxation system in the area of banking services. The Association has proposed the following:

1. *To exempt banks from taxes on interests to deposits and dividends, and to allocate the consequently released resources for the purposes of their capitalization’ increase.*

Country’s banking system experiences serious difficulties with the resource securement of active banking operations. Currently, the most optimal sources to form recourses of the commercial banks in order to cover their active operations are the following: attraction of undistributed profits and attraction to the deposits of temporally free monetary funds of legal and physical persons.

On account of these funds, banks will be able to better meet the needs of the economy in the working and investment capital. Presently, when banks are carrying out their activities in this area, they face major hindrances due to the existing system of taxation on interests to deposits and dividends.

In particular, Articles 162 and 163 of the Tax Code of the Republic of Tajikistan impose the 12% tax on dividends and interests to deposits. As banks are paying those taxes, their capacity to form their resource basis declines.

2. *To create equal conditions for local and foreign leasing providers and to exempt them from custom duties and VAT, adding leasing to the finance services in its full meaning.*

One of the most efficient methods to support real sector of the economy by the banking system, according to what the Association thinks, is to activate banking activities in the market of providing financial lease (leasing) services.



Unfortunately, market of leasing services in Tajikistan is developing with the extremely slow pace. It can be explained by not just a lack of financial recourses in banks and leasing companies, but also by absence of tax privileges for them.

More over, domestic leasing companies are given worse treatment compared to their international colleagues. For instance, in accordance with Article 24 of the Law of the Republic of Tajikistan “On Financial Lease (Leasing)”, when an international leasing company carries out a leasing operation by importing an object of leasing to Tajikistan’s customs area, it is duty free, but a local leasing company is not granted such a privilege.

3. *To increase the amount of banks’ regular contributions to the Fund of guaranteed payments to depositors through reduction of contributions to the required reserves.*

To enhance the level of depositary resource basis on account of attracting temporally free monetary funds from physical persons - this is a primary objective of any bank. However, activities in this area can become efficient only if there will be partnerships backed by the customers’ trust. The association believes this can be achieved based solely upon the effective functioning of deposit protection scheme for the physical persons.

The current Law of the Republic of Tajikistan “On guarantees for deposits from physical persons” provides for guaranteed payments on deposits from physical persons. Nevertheless, such payments are very limited in their total amount, and cannot meet legal interests of the depositors. One of the factors which led to such situation is the mechanism to form resource basis of the Fund, provided by Article 8 of the Law and specifying the regular contributions by banks in the amount of 0.1%, which does not allow increasing the amounts of guaranteed payments.

In addition to the mentioned suggestions, in order to prepare agendas for the next meetings of the Consultative Council, the Secretariat encourages all of the stakeholders to think of the issues to be discussed by the Council.

The Secretariat has already sent the address to all business-community aimed to obtain all suggestions and recommendations further to be summarized and submitted to relevant state agencies and Secretariat partners from the donor community side. (Text of the Secretariat address to the business is in attachment).

OTHER EVENTS OF THIS MONTH

June 11, 2009

- The Government of the Republic of Tajikistan, in order to implement the Presidential Decree of the Republic of Tajikistan, dated May 18, 2009, N# 638 “On measures to improve administrative procedures to carry out construction activities in the Republic of



Tajikistan”, has approved “Plan on improvement of normative legal acts in the construction sector” (Resolution of the Government RT dated June 11, 2009, N# 338).

The Plan envisages development and introduction of the amendments to 11 normative legal acts. In particular, the plan is to introduce amendments to the Laws of the Republic of Tajikistan “On Environmental Assessment”, “On Preservation of Open Air”; to the Land Code and Code on Administrative Violations of the Republic of Tajikistan, in the area of construction in order to reduce time costs and costs of administrative procedures to follow.

Besides, according to the Plan, the Code of Urban Construction of the Republic will be developed. In order to implement all of the indicated activities, there will be inter-ministerial working group established under the SCISPM RT.

Another working group will be established under the Agency on Construction and Architecture under the Government of the Republic of Tajikistan, to introduce amendments and additions to the departmental normative legal acts.

- the Agency on Construction and Architecture under the Government of the Republic of Tajikistan together with the Association of Builders of the Republic of Tajikistan, with the technical support from USAID BEI (Business Environment Improvement) Project, have conducted the “Construction activities in the republic of Tajikistan: its present and future” workshop. This event was aimed to inform the private sector representatives on the progress of the ongoing reforms in the area of construction.

New business-association “*Association of Builders of Tajikistan*”, established in April, 2009, was introduced during the workshop. The association unites all of the builders, designers and producers of construction materials. The association’s activities are targeted to assist state entities in reforming construction activities in the Republic, creating transparent, predictable and investment-attractive market of construction works

June 16, 2009

- The seminar on issues of establishing the business registration system based on the “One stop shop” principle was conducted under the initiative of the Tax Committee of the Republic. Via telebridge, specialists from tax authorities in Khujand, Kurgan-Tube and Tursun-Zade participated in this seminar. The participants of the seminar were briefed on the “One Stop Shop” business registration procedures.

The “One Stop Shop” state registration implies that the state registrar enters data on a legal person or an individual entrepreneur into the Single state register, *without conducting legal review* of the submitted documents. The person who applied to obtain



state registration is responsible for the authenticity of submitted documents and data completeness.

The “One Stop Shop” system will enable the entrepreneurs to register their businesses with just one visit to one office. In the same time, it will be less costly and much easier, compared to now, to close a business (with a possibility to re-use the assets) as well as to notify on minor changes, such as the changed address of an enterprise.

New registration system in the Republic will come into effect from July 1, 2009. This registration system is aimed to simplify business registration procedures and to eliminate different barriers to creating favorable environment and to have local businesses developing

June 26, 2009

- “One Stop Shop” implementation program was presented with regard to export-import and transit procedures in the Republic of Tajikistan.

The program was prepared by the inter-ministerial working group established under supervision of the Ministry of economic development and trade of the Republic of Tajikistan. Technical support to the group’ activity is rendered by the GTZ and USAID.

The inter-ministerial working group has reviewed administrative procedures for export-import operations and confirmed the need to streamline foreign trade regulation procedures.

The analysis has revealed that a complicated and partly duplicating permit system for export-import operations is the one existing in the Republic. Such system results in the increased costs of the entrepreneurs and higher prices on goods. Finally, this system restricts the foreign trade growth and is a serious barrier in attracting investments.

For instance, under the current system, to complete all export-import procedures one would need to obtain 44 to 50 documents, accordingly. It can take up to 14-20 days to have a full package of necessary certificates and permits, including custom clearance. Minimal expenses of an entrepreneur to formally document one export or import operation comprise 108-110 somoni, accordingly.

Often happens that entrepreneurs do not possess information on the procedural order to follow, timelines, locations and tariffs to pay for the services, especially in the remote districts.

There are definite administrative complications when various departments of the same entity or organization interact (remoteness, different working schedules and requirements to obtain several signatures).



There are some infrastructure challenges (service payment center is located far away from the service providing center).

According to the “Doing Business” Report, the Republic of Tajikistan is ranked 178 (as of 2008). On the Index of “Trade opportunities” of the International Economic Forum, Tajikistan is ranked 104 out of 118 countries.

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Secretariat would like to inform that more detailed information on this specific issue will be made available in next releases of the Bulletin.

BRIEF INFORMATION ON THE NEW COUNCIL’S MEMBERS

<p>Association of producers and entrepreneurs.</p> <p>Chairperson – Zayd Zaidov</p>	<p>The Association was established in 2007 and unites 9 enterprises including LLC “Tojik Turk Enshoot” (construction of multi-story buildings), LLC “Nojik Marmar”(marble slabs production), LLC “Evroplast” (plastic windows production), LLC “Obodkor” (furniture production), CJSC “MTI Zargari” (jewelry production), CJSC “Guliston” (clothing production), CJSC “Textilcity” (cotton fiber processing), CJSC “Ros-Asia Invest” (attracting construction investments), CJSC “Tabaruk” (fruit juice production).</p>	<p>734003, Republic of Tajikistan, Dushanbe city, Loik Sherali Str. 3 Tel.: (992-44) 6105501; fax: 6105502 E-mail: amet@mail.tj; saidiv-z@mail.ru</p>
<p>Union of Entrepreneurs and Exporters of Tajikistan (UEET)</p> <p>Chairperson – Nekrui Zabiorov</p>	<p>The Union was founded in 2005 and unites more than 10 associations and sectoral unions, including such as Association of Support and Development of Entrepreneurship of Tajikistan, Association of Business Women of Tajikistan, Association of Builders of Tajikistan “Sokhtmonchiyon”, Association of pharmacists of Tajikistan, and others. The Board members include managers of major economic, financial and commercial entities, statesmen and public figures, scientists, well-respected entrepreneurs.</p>	<p>734025, Republic of Tajikistan, Dushanbe city, Rudaki Ave. 40 tel.: (992 37) 227-54-77, (992) 90-776-66-66, Tel/fax : (992) 47-446-42-22 E-mail: nekruy@narod.ru; www.spet.tj</p>
<p>Association of Banks of Tajikistan</p> <p>Chairperson – Izatullo Lalbekov</p>	<p>The Association is a non-governmental non-commercial organization, uniting commercial banks and credit institutions. The Association has such members as OJSC “Orienbank”, OJSC “Agroinvestbank”, OJSC “Tojiksodirotbank”, CJSC “Tajprombank”, OJSC “Bank Eskhata”, OJSC “Sokhibkorbank”, CJSC “Bonki Rushdi Tojikiston”, SSB “Amonatbank”, CJSC “1st Microfinance Bank”, OJSC “Micro loan Organization “Imon International”.</p>	<p>734025, Republic of Tajikistan, Dushanbe city, Rudaki Ave.100 tel.: (992 44) 600 70 11, 600 70 12, 600 70 18, 600 70 20 E-mail: abt@abt.tj www.abt.tj</p>