



BASIC THEMES OF THIS RELEASE:

- **Business news**
- **News on «Doing Business»**
- **New business proposals on improvement of taxation system of RT**
- **Thought-provoking information: Summary to WB report on «Global investment motivations»**

BUSINESS NEWS

September 16, 2009

- The presentation of the new report by the World Bank on «Doing Business» for 2010 took place in Dushanbe. This event was distinguished by the new organizational format, according to which the exhibition of reforms implemented by various projects on private sector support was held right after the official part.

Particularly, there were achievements in seven areas presented at the exhibition which were displayed in so called «corners». In each corner the representatives of the projects presented their activities' outcomes and introduced their new plans on improvement of business environment to the participants of the event.

Thus, "the corners" represented the following themes: Program on «Improvement of business environment – 200 days of reforms»; «One-stop shop» when registering business"- with participation of Tax Committee, European Commission and NASME RT; «Credit bureau» - with participation of IFC project on leasing; «Review of permit system» - with participation of IFC and SCI of RT; «One-stop shop» for export-import operations with participation of USAID and GTZ; «Tax administration reform» with participation of Tax committee and «Bearing Point»; USAID project on business environment improvement – BEI.

The Senior Advisor to the President of RT on Economic policy, Mr. Buriev, and the Head of the Country Manager of the World Bank in Tajikistan, Mrs. Ch. Bronchi, had the floor during the official part, and they congratulated the participants with the achievements of Republic of Tajikistan in improving its ratings on «Doing Business» report.

Mrs. Ch. Bronchi highly valued the performance of the Government of the country on conducting reforms and emphasized that donor community plans to continue providing support in the future for implementation of plans on reforms in the public sector.



Mr. Buriev in his address specifically mentioned the contribution of the Consultative Council on improvement of investment climate under the President of Republic of Tajikistan in establishing of the efficient private-public dialogue on the matters of development and implementation of reforms necessary for business development in the country.

September 18, 2009

- A regular discussion of the project «Program on introducing «One-stop shop» on export-import and transit procedures» was held at the Ministry of economic development and trade of Republic of Tajikistan. The representatives from relevant ministries and agencies, executive heads of leading associations (members of the Consultative Council), representatives of public unions as well as international organizations took part in the discussion.

The document, introduced for the discussion, envisages creation of unified automatic information- communicational channel. The main idea of introducing of «One-stop shop» is that the entities of foreign economic activity (FEA) having registered in the system will be able to get an access to its informational system. The electronic documents received by the system will be checked and passed on to various agencies for further review and adoption of respective decisions. Under this approach, the system by itself will electronically inform the entities of FEA on the outcomes of the taken decisions.

In case if physical inspection of commodities for the purpose of taking samples and testing was carried out, entrepreneurs will be automatically informed by the system and provided with the date, time and place of conducted specified operations. This assumes that introduction of this mechanism will lead to simplification and optimization of passing through administrative procedures in public agencies.

The similar system is applied in many countries including Singapore, Senegal and Mauritius. In Singapore system, the collections, taxes and fees are calculated automatically and charged from the bank accounts of commercial enterprises. The chosen model of “One-stop shop” assumes that informational systems of involved agencies will be integrated into “One-stop shop” system by way of information exchange.

The Program designers intend establishing a public unitary enterprise (PUE) as «One-stop shop» Center. At the same time it is planned to establish a Steering Council, which will be responsible for determining the main directions of PUE activities. The Steering Council will involve not only the representatives of interested agencies but also the representatives of business associations and large companies.

According to the Program, at the initial stage (a year or two) the entities of FEA will be provided with the right of choice, i.e. the entrepreneurs will decide themselves whether they execute export-import operations through «One-stop shop» system or they themselves



apply to relevant agencies as they normally did. It is intended that gradually in the future all actions related to export-import and transit operations will be implemented through «One-stop shop» electronic system.

This Program found support among entrepreneurs in the country and agencies involved in regulating foreign trade, except for some comments made by the representative of Customs service and Tajikstandart on the matter of distribution of functions and powers.

The business community, in addition to the program, suggested reviewing the possibility of creating an integrated «One-stop shop» system when providing several types of public services. The Program designers gave a hope to assume that in the future the establishing of such system is quite possible, but that will require an additional time input.

Reference data: Introduction of automatic information-operational system requires \$2.5 ml. The designers plan to implement the Program within a period of 2009-2015.

September 18, 2009

- A regular meeting of coordinating working group on monitoring the Program on «Improvement of business environment – 200 days of reforms» took place at SCISPM of RT. During the meeting the relevant ministries and agencies presented their progress reports on implementation of program's items.

Generally it was emphasized that on some Program items there had been prepared draft amendments and changes to current legislation and that they were at various stages of agreement between state agencies. However, the majority of Program activities, as for September, are not implemented and the developed materials do not correspond to Program's objectives.

For example, the planned measures on reforms in the area of land market and issuance of certificates for land use are not being carried out.

As for the item on simplifying reporting system for entrepreneurs – there has not been any significant proposals and recommendations received by State committee on statistics from both the entrepreneurs and state agencies, therefore this issue has not yet found a quality solution.

In regard to the item providing for Analysis of Labor Code on the matter of its conformity to market principles, the Ministry of Labor and Social Protection had not conducted the analysis which was intended to assess the labor market and employment procedures, as well as worker's rights in particular.

BULLETIN №9
SECRETARIAT OF THE CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE
UNDER THE PRESIDENT OF REPUBLIC OF TAJIKISTAN

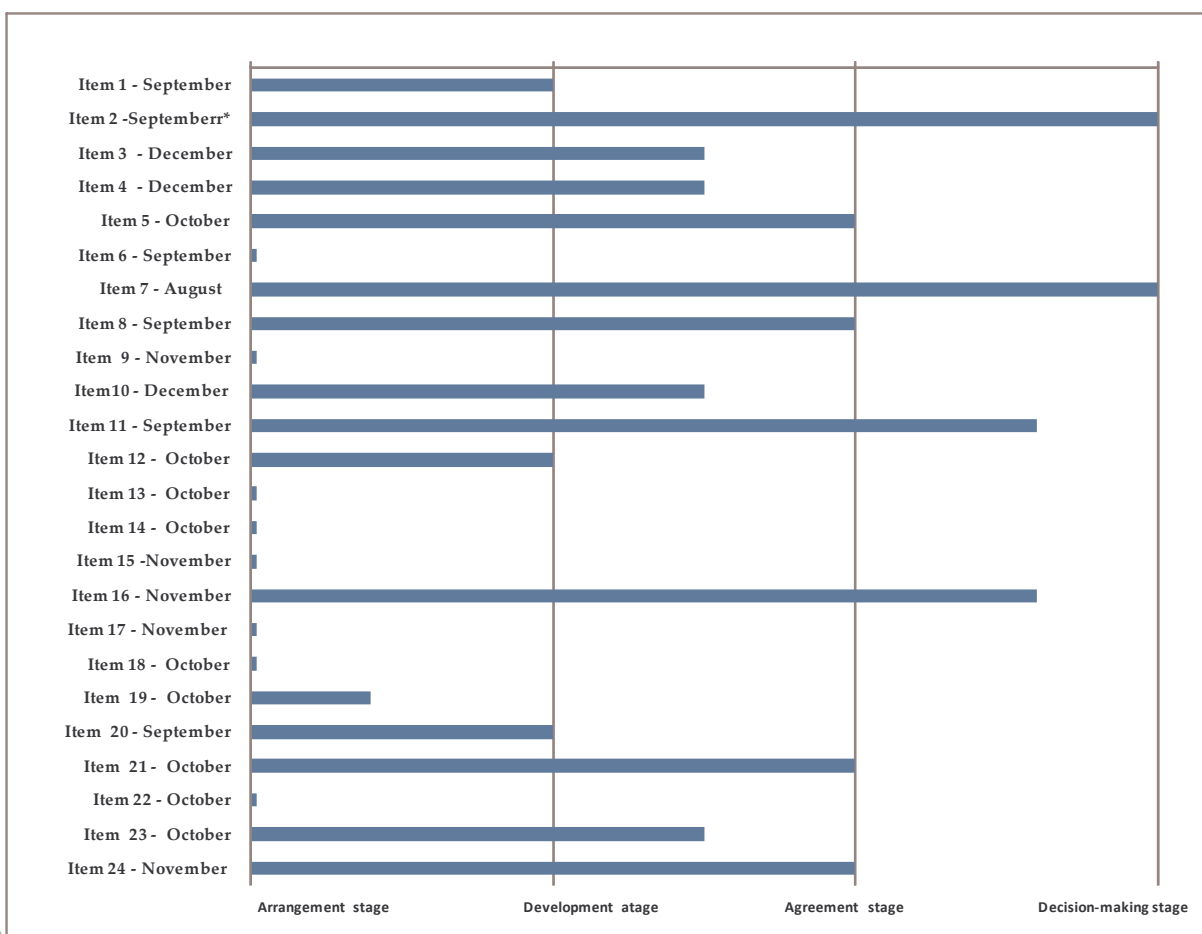


At the meeting, the representative from the Ministry of Labor informed the participants on preparation of a new draft law providing for introducing amendments to Labor Code in the part of regulations for hiring labor for household works.

The Secretariat reminds that Tajikistan holds 143 position among 181 countries on «Hiring labor» indicator in «Doing Business» report, therefore the World Bank expressed its readiness to provide qualified expert support to the country for carrying out such an analysis, upon the existence of interest from the Ministry of Labor and Social Protection of Population of RT.

Comments by the Secretariat:

The Secretariat, having analyzed the available information, informs that compared to the last month there has not been any significant changes in Program implementation process.





September 30, 2009

- There was a meeting of heads of country offices and international organizations, which carry out their projects in the Republic of Tajikistan, at the office of the Secretariat on the matter of election of a new candidate from bilateral donor organizations to membership of Consultative Council. Based on voting results, USAID became the representative on behalf of bilateral donor organizations in the Council, and its membership will be continue for three more meetings.

Besides, in the course of the meeting the Secretariat came up with the initiative on encouraging activities of Council members from donor community during the period before and after Council meeting, and also when formulating agendas for Consultative Council with the purpose of coordinating and integrating efforts of all donors on support of reforms in the area of business development in the country.

At the meeting the donors had a chance to meet the new head of the Secretariat, Mr. Z. Khotamov.

Reference data:

Zafarjon Khotamov – born in June 14, 1976. He holds the following degrees with distinction: 1) MA in Economics –California, 2005; 2) MBA, Finance Option – California, 2005; 3) Master of Public Policy (MPP) –Tokyo, 2001; and 4) Diploma in International Economics – Dushanbe, 1998. He also completed successfully the 4-months intensive Applied Economic Policy Course at Joint Vienna Institute.

- September, 2009 –Head of the Secretariat
- 2005-2009 – ADB, Economics Officer. At ADB he designed, processed and implemented projects for economic management and budget support, including private sector development; and produced and published analytical works;
- 2004-2005 - Merrill Lynch/Castro valley, California - Intern-Research Analyst. At Merrill he conducted studies of capital markets, structured products and identified investment opportunities; and built working relationships and networked with representatives of capital markets, investment banks and mutual funds;
- 2002-2003 – Barents Group of Bearing Point, inc., Tajikistan. As a member of Technical Advisory Team he prepared analyses and policy recommendations on development of banking system and banking supervision in Tajikistan;
- 1998-2003 – National Bank of Tajikistan - Economist, Banking Supervision Department. He provided inputs in drafting and discussions of regulations and policies related to financial sector and banking supervision;
- 1997-1998 – Tajikvnesheconombank, Tajikistan – Head of Credit and Planning Division and then Deputy Head, Accounting Division/Dushanbe Branch;



September 30 – October 2, 2009

- The training on PR basics (public relations) took place in the capital city of RT for the representatives of business associations in the country. The participants of the training had been given the opportunity to improve their level of communication skills and learn about more effective methods of image improvement and advancement of services by their organizations.

It is not a secret that presently the majority of business structures of the country lack such an experience, and as the result their activities do not have enough coverage by mass media, which is a very important aspect of business activities. The Secretariat expresses its gratitude to the initiators of these trainings (European Commission, NASME RT) and hopes that such events will be held on a regular basis and not only in the capital city, because businesses in the regions of the republic desperately need support.

NEWS ON «DOING BUSINESS»

According to the report by the World Bank for 2010, **Tajikistan has improved its indicators by 12 points and having moved from 164 to 152 position, it entered the list of 10 top countries-reformers, for the first time in a history** becoming one among such countries as Rwanda, Kyrgyzstan, Macedonia, Belarus, United Arab Emirates, Moldova, Columbia, Egypt and Liberia.

	Rating 2010 г.	Rating 2009 г.	Rating change
<i>Position of Republic of Tajikistan in a rating</i>	152	164	+12
Indicators:			
Registration of business enterprises	143	169	+26
Obtaining permit for construction	177	180	+3
Labor hiring	143	142	-1
Property registration	78	47	-31
Lending	167	165	-2
Protection of investors	73	151	+78
Taxation	162	161	-1
Foreign trade	179	179	0
Insuring contract performance	39	41	+2
Liquidation of enterprise	100	100	0

The Secretariat informs that the new report did not cover the reforms that the Government of Republic of Tajikistan had conducted within the period of March-June, 2009. We remind that during this period of time the following measures were undertaken:



- The Government of Republic of Tajikistan has approved a new order of administrative procedures based on the Decree of the President of Republic of Tajikistan, dated March 18 № 638, related to the implementation of construction works, that provides for reducing of time and costs for administrative procedures, required for implementation of construction activities;
- The Parliament of the country has approved the new Law «On state registration of legal entities and individual entrepreneurs», introduced amendments to the Law «On joint stock companies», which were aimed at improving legal protection of investors, the Law «On Insolvency (Bankruptcy)» in the part of simplifying procedures and terms for bankruptcy declaration.

The project team on «Doing business» plans to carry out performance monitoring of the adopted laws, and to reflect the received outcomes in the new report on «Doing Business» for 2011. That will allow Tajikistan to improve its indicators by several more points in the report.

However the achieved results can not fully satisfy the ambitions of the Government of the Republic as well as needs of business community, because Tajikistan is still holding only **152 position among 183 countries and it holds the last position among post Soviet countries.**

	Rating 2010	Rating 2009	Rating change
Georgia	11	15	+5
Azerbaijan	38	38	0
Kyrgyzstan	41	80	+39
Armenia	43	50	+7
Belarus	58	82	+24
Kazakhstan	63	64	+1
Moldova	94	108	+14
Russian Federation	120	118	-2
Ukraine	142	145	+3
Uzbekistan	150	146	-4
Tajikistan	152	164	+12

Inclusion of Tajikistan to the list of 10 top countries-reformers in the report «Doing Business» certainly is reviewed as a significant achievement of the country. On another hand, this imposes great responsibility on the Government for the reforms implemented in the country, because the status of «top reformer» means that international institutes will carefully trace the results of reforms implemented in the country.



Comments by the Secretariat:

The improvement of Tajikistan's rating in «Doing Business» report is a key factor, but not the only development factor of business environment in the country. It is important to acknowledge that this survey does not assess such aspects as security, macroeconomic stability, corruption prevalence, workers' qualification and stability of financial systems.

BUSINESS PROPOSALS ON IMPROVEMENT OF TAXATION SYSTEM

The Secretariat, in addition to the information published in the previous Bulletin, presents the proposals by Association of **Agro businesses in Tajikistan** on improvement of taxation system.

This Association suggests reviewing the issue of reducing or application of zero VAT rate for all imported agricultural inputs such as mineral fertilizers, chemicals for protection of plants and seeds.

The Association with the financial support provided by Project BEI (USAID) and ACTED, conducted the analysis of the situation with taxation in the area of import of agricultural inputs, and as a result it was clear that the existing tax rates cause deconstructive impact on agrarian sector.

While the producers of agricultural products feel a severe lack of mineral fertilizers due to high prices and existing administrative constraints, only 22% of needed mineral fertilizers and other inputs for agricultural production are imported into the country.

It's worth mentioning that the Republic itself does not produce inputs necessary for agricultural production except for a few kinds. Due to high tax rates the major share of fertilizers supply is being brought in illegally from the neighboring republics, but the materials normally are of poor quality but much cheaper than those that are imported legally.

In order to justify its proposals, the Association presented cases from other countries such as Uzbekistan and Kyrgyzstan, where VAT for all imported fertilizers was cancelled and the positive outcomes of it are obvious already.

The Association recognizes the great importance of VAT for replenishment of revenue part of state budget of the Republic, but at the same time suggests releasing imported agricultural inputs from VAT, which will allow reducing the costs and increase the profitability of agricultural production, as well as reduce importing of smuggled products. The proposed steps, according to association, should lead to extension of tax base and compensation of VAT shortfall.



Reference data:

Association of Agro businesses in Tajikistan (AAT) was founded in 2006 with the purpose of promoting agro businesses and creating connections between producers, suppliers and traders of agricultural inputs as well as protection of farms' rights. The Association facilitates supplying farms with quality, high-yielding agricultural inputs including services and information on modern technologies. The members of AAT are 120 legal entities that represent the interests of 12,000 people. Mainly, these are dehkan farms, large factories for processing of agricultural products, entrepreneurs and agricultural inputs suppliers.

In order to achieve its objectives the Association implements the following activities:

- Develops and implements programs aiming at development of businesses in the area of agro industrial complex;
- Carries out surveys to identify the priority needs and demands of Association members, lobbies their interests in the agencies of state authority and management as well as other organizations including international organizations as well;
- Promotes exchange of experience and ideas between the members of Association; organizes trips abroad for communication of experience and establishing direct supplies, and also for participation at international fairs; carries out market researches;
- Helps the members of Association to get access to global scientific-technical achievements in the area of agro industrial complex;
- Stimulates establishment of connections between the entrepreneurs- members of AAT of Sugd region and Hatlon region;
- Conducts agricultural exhibitions in Sugd region with participation of entrepreneurs and AAT members of Hatlon region;
- Opens and expands the net of agro shops both in Sugd and Hatlon regions;

SUMMARY OF THE WORLD BANK'S REPORT «GLOBAL INVESTMENT PROMOTION BENCHMARKING»

The World Bank published the results of the new international comparative study on investments attraction activities, which is called «Global investment promotion benchmarking, 2009 (GIPB) ».

This study evaluates the ability of **Investment Promotion Intermediary (IPI)** to impact investment decision-making. This means that under this survey the ability of IPI to satisfy informational demands of investors is assessed in two aspects:

1. The correct lay out and availability of information, required for potential foreign investors on web sites of IPI;
2. The capability of IPI to provide information requested by potential foreign companies.



Thus the assessment of websites of IPI is carried out based on **four key parameters**:

- How easy it is to find the information about the country and this sector of economy on the website (**availability of information**);
- To what extent the providing of information stimulates online advertisement of investment attraction of this area (**site design**);
- How important and reliable is the information about the country and the sector provided to the target audience of foreign investors (**site content**);
- To what extent of efficiency does the website promote this country and area of services provided by IPI (**efficiency of measures on promotion of services**);

The assessment of the work with requests was carried out by way of using the methodology of «ghost shopper», involving the following principles:

- **Availability and connectivity** (to what extent it is easy finding online the site of this IPI and to contact the officer possessing the required information);
- **Operability when answering questions, and their processing** (how professionally and how skillfully the workers of IPI are interacting with potential investors via phone and e mail);
- **The responses of IPI workers** (to what extent subject oriented, detailed and professional IPI worker's responses are for specific questions)
- **Clients servicing** (to what extent of efficiency does IPI undertake the following steps in order to kindle investor's interest for further contacts to encourage subsequent questions or even site/ country visits)

The survey evaluates IPI from 181 countries. The results of GIPB for the first time were published in 2005. The survey evaluates IPI activities and draws out index under which 100 valid points correspond to maximum value.

The role of IPI in attracting direct foreign investments to any country is impossible to be overestimated. In many cases a foreign company, which considers investment possibility to specific country, usually gets in touch with IPI for the first time. Therefore the foreign investors based on the experience of interacting with IPI can make the judgment on how easy it will be working in the future in this particular area.

A good IPI, that has attractive and informational website, workers, who quickly and effectively respond to questions, is able to increase overall investment attraction of the country in addition to its business characteristics.

And vice versa, if IPI is not properly operated, the investors can get a bad idea of the country, i.e. worse than it is in reality. IPI activities, allowing bureaucratic and procedural issues to hinder providing services to investors, also can negatively impact the initial opinion of investors about the investment attraction of the country they are interested in.



Some results of the new study

The report states that only IPI from 10 countries out of 181 know how to interact with potential investors. It turned up that over 70% of public agencies involved in attracting foreign investors miss out the possibility of attracting foreign investments due to the lack of skills in providing reliable and updated information to potential investors.

The best results under this survey were shown by OECD countries with high income level. The first place in the world belongs to Austrian agency on business promotion. Latvia and Costa-Rika are among the top ten IPI among the countries which are not the members of OECD.

Countries with average income level such as Turkey, Lithuania, Brazil, Columbia and Botswana demonstrate great successes in competition for foreign investments. The survey results in 2009 cause to assume that the center of advance experience on attracting investments will move from experienced IPI in Anglo-Saxon countries to newly established organizations in the countries which recently started receiving FDI (Foreign Direct Investments).

Among the countries with low income level the preference was given to Senegal and Ghana, who superseded some countries with high income level. The deficiencies of their IPI are explained by limited presence of foreign investors in these countries as well as the absence of specific powers given to IPI by the Government.

Among post soviet countries the IPI work in Lithuania was mentioned (80,4 valid points), Latvia (73,9), Moldova (66) and Armenia (63,3). IPI in Russia and Central Asian countries received a low value. Average value on CA countries is 38 valid points. SCISPM of Tajikistan is in the group of countries with poor indicator which vary from 21-40 valid points. The report particularly mentions that the access to IPI in these countries via e-mail and phone is problematic.

Since the study in 2006 (GIPB), the informational support of investment activities from IPI has improved by 22%.

The significant improvement (25%) is observed in the countries of East Asia, Pacific region and South Asia, then follow the countries of Middle East and Northern Africa (16%), and on the last positions - countries of Eastern Europe and Central Asia (13%)

In all the regions of the world the improvement of IPI activities was stimulated by improvement of their websites.

165 countries out of 181 (91%) have their websites, and Czech website is recognized as the best website in the world, with 97 points. IPI websites of Latvia (93) and Moldova (88) are among 25 top websites. Among the regions of South Asia, special credit was given to



Afghanistan where the status of its website was highly valued (72 points). The average value on the CA countries is 41 points.

The work with requests got lower estimates compared to websites estimates. Since 2006 the quality of the work with requests dropped by 2%.

The average indicator on OECD countries with high income level is 53 valid points, then follow the countries of Latin America and Caribbean Region (37 valid identities), and then follow the countries of Eastern Europe and Central Asia (31 valid identities). Austrian IPI is acknowledged as the best IPI on the work with requests. Latvian IPI is in the list of top-25.

Based on the conclusions of the report, the professional activities on providing services to investors are lacking in many countries. Majority of IPI do not understand what type of information can benefit the investors, including one on the website, because low personnel potential is observed in the agencies with low indicators, and therefore there is ignorance about internationally accepted principles of doing business. Besides, it was learned that when servicing the requests, responses of many IPI do not always correspond to the questions. Most IPI react to request without even trying to attract potential investors, which demonstrates poor communication skills of IPI workers. More detailed information on the Report is found on www.fias.net

Information for partners:

1. From the end of September, the website of the Secretariat became operational and access can be found on the link: www.investmentcouncil.tj.
2. The site of the Project on «Improvement of staff capacity on implementing the Law on state registration of immovable property and rights to it» became operational- www.irl.tj.