



BASIC THEMES OF THIS RELEASE:

- News review
- Suggestions from businesses on improving taxation system in response to address by the Secretariat of the Council
- Implementation' summary on the Programme «Improving business environment – 200 days of reforms»

NEWS REVIEW

August 4, 2009

- Advisory Council of business associations and public unions under the Department on Investments and State Property Management of Sugd region conducted its regular session in Khujand.

The main agenda item was the implementation of the Law of RT «On moratorium on inspections of small and medium business entities in the Republic of Tajikistan». To provide explanation on this issue, the representatives of the working group from the Executive Office of the President of RT on evaluation of «moratorium» regime performance were invited for the meeting. In the course of the discussion, business association's representatives of the region gave several examples on the facts of illegal inspections; however, the implementation process of the declared moratorium, in general, was evaluated as positive.

The participants of the meeting also discussed the transparency matters with regard to public service supply, because businessmen lack the information on the list and costs of services provided by some state agencies, which leads to unjustified payments. As an example, the representatives of business structures mentioned the problem of obtaining certificates from Tajikstandart and Drug Inspection Center. The participants suggested for each agency, responsible for providing services, to put up detailed information on the stand so that everybody interested can learn.

By the end of the meeting, the representatives from business-structures presented some of their suggestions on improving taxation system (*the more detailed information is available on page 5*)

August 27, 2009

- Coordinating working group on business enabling environment (BEE WG) conducted its regular meeting, where issues related to the implementation of the Programme «On improving business environment – 200 days of reforms» were discussed, as well as the contribution of some donor's projects to the implementation of some of the Programme's items particularly. Thus, IFC project on corporate governance presented its involvement in implementation of items 11 and 15 of the Programme. It was noted that developed suggestions to the Law «On Joint-stock companies» (item 11, Programme) were sent to all involved ministries and agencies and adequate recommendations already have been

August, 2009



received from them. The Project is currently conducting analysis to summarize the submitted suggestions, and carries out the monitoring of the formerly received amendments to the law in the part of improving legal protection of minority shareholders.

In addition, during the meeting the information was presented on the participation of the National Association of small and medium enterprises of Tajikistan (NASMET) in various working groups, and it's representatives emphasized the complexity of Programme items' implementation with regard to «One-stop shop» introduction mechanism (items 1 and 3 of the Programme), and expressed the general wish of the business representatives for the improved interaction with ministries.

Deputy Chairman of the SCISPM of RT informed the participants on achieved results and invited donor organizations to be actively involved in the implementation process of the Programme and in providing assistance by technical expertise to sectorial ministries and agencies.

*Suggestions from businesses on improving taxation system
in response to Secretariat address*

Item 5 of the Programme «On improving business environment – 200 days of reforms» foresees the development and approval of «Action Plan on improving indicators of Republic of Tajikistan» in «Doing Business» international rating in the area of taxation.

«Taxation» Indicator

According to this indicator in «Doing Business» report for 2009, Tajikistan ranked 159 among 181 countries covered by the review, which is by **4 positions lower** compared to 2008 rating (155).

This report analyzes all taxes and contributions to (government) budget paid by a private company, and it also assesses the administrative burden imposed on the company. Doing Business uses a case scenario to measure the taxes and contributions paid by a standardized business and the complexity of an economy's tax compliance system. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Tax experts in each economy compute the taxes and mandatory contributions due in their jurisdiction based on the standardized case study facts. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws in an economy.

Reforms on «Doing Business» include 4 key directions. These are:

- Introduction of implementation procedures for tax obligations in «On-line» mode;
- Introduction of a unified tax;
- Simplifying tax administration;
- Reducing tax rates

Aimed to implementation of the mentioned above Programme item, SCISPM of RT has created inter-agency working group out of specialists of Ministry of Finance, Tax



Committee, SCISPM of RT and representatives from business-structures – NASMET, AMFOT, Association of Banks of Tajikistan.

In order to support this working group activity, Secretariat has addressed to business society with the request to submit suggestions on improving taxation system in the country. In response to this address the recommendations from Association of Constructors, Association of Banks of Tajikistan, NASMET, entrepreneurs from Sugd region and Khorog city as well as from some donor' projects oriented to development of small and medium enterprises have been received.

Secretariat expresses its gratitude to these associations and projects for their active and fruitful cooperation, and hopes that our other partners will continue to be pro-active in order to protect business interests and to establish a better private-public partnership.

Below, please see the summarized information on submitted proposals for improving taxation system.

"Entrepreneurs' attitude towards the taxes"

Business-structures fully support the idea of tax system reformation. The basic incentive for conducting these reforms was the Message from the President of Republic of Tajikistan to Majlisi Oli of Republic of Tajikistan (dated April 15, 2009), where the Head of State noted expediency of providing additional privileges in taxation to domestic producers and small and medium enterprises.

Entrepreneurs acknowledge the tax payment as their primary civil duty, yet they think that in a situation of financial-economic crisis it is necessary to reduce tax burden, because the entrepreneurial activities remain to be the basic survival means for many people of Tajikistan, especially for those living in the mountain regions.

All business-structures, who applied to Secretariat with their suggestions, think that in the view of the present situation it is not an easy task to create such a tax system that can fully meet the interests both of individual taxpayers and interests of the society and the state as a whole. Nevertheless, it is possible to reach the relative balance of these interests.

Businesses do not agree with the point of view, existing among the state structures, that it is not reasonable to conduct tax reforms under conditions of current state budget revenues' downturn.

According to the opinion of entrepreneurs, the existing taxation system in the country is similar to situation with a diamond seller, who is sitting vain all year around waiting for the customer (for the huge income), whereas the bread seller has his regular buyers every day, herewith his income substantially exceeds the income of the first one.



The application of the approach based on the increase of taxpayers number and reduction of tax rates will facilitate substantial replenishment of State budget revenues and slow down growth of shadow economy.

In order to create the optimal tax system and to ensure relative balance between the interests of the state and private businesses, it is necessary to proceed starting from the following thoughts:

- a) tax system should contribute to stabilization, recovering and progressive growth of the economy;
- b) tax system should be understandable for taxpayers and should not allow controversial interpretation;
- c) administration system should be cut down to minimum and focused on providing efficient control over timely and full tax payments;
- d) taxes should not negatively effect the ability for independent decision making by taxpayers on the issues of entrepreneurial activities;
- e) taxes should be used for creation of maximum favorable environment for entrepreneurship.

Specific business suggestions

Public Union «CURB» presented the summarized suggestions of entrepreneurs on improving taxation system, based on the results from discussion seminar on legal aspects of entrepreneurship in Republic of Tajikistan, conducted in Khorog. In particular, entrepreneurs suggested eliminating the principle of high tax rates, which often lack scientific-economic justification, when adopting a new Tax Code.

Correct wording in the Code's articles is not the less important aspect. Many articles of Tax Code are not clear to taxpayers and often are interpreted by tax agencies differently. The existing reference rules make the tax system unclear and confusing.

Entrepreneurs propose to lower a social tax rate, which is important from motivation point of view both for employers, for the sake of production growth, and for the workers themselves.

Land tax also requires alleviation and explanation in many aspects, especially in its application to mountain regions. For example, in GBAO, there is almost no vegetation on uplands, but the tax rates are almost the same as in RRS.

In general, touching the issue of mountain regions, the entrepreneurs think that there is a need of introducing a system with regional-territorial division among taxpaying entities. This is a very important principle inherent to any state.

Entrepreneurs justify their arguments concerning the simplified taxation for mountain regions by hard natural-climatic conditions, access difficulties, poor road conditions, etc.



Under such conditions, for example, the value of any imported commodity will be 5 times higher than in another region.

With regard to GBAO, which is considered as high-mountain region (80% of its budget is formed at the account of central budget funds), the entrepreneurs suggest to exempt the region from central taxes comprising only 14% of region's total budget, and to reduce by this amount subsidies received from the central level.

It is suggested to introduce this step for a certain time period, with the purpose of building the resource base, whereupon it will be possible to return to a normal taxation regime.

Entrepreneurs from Sugd region (through CCBAU of Sugd region) suggest reducing social tax (FSZN 25%) and to fix the percentage ranging between 20% and 8%, depending on wages size.

That is to say, it is suggested to introduce various norms (scale) for calculation of social tax depending on the wages. The size of the social tax will be reduced when payroll bill increases, otherwise it will remain unchanging. This measure will allow increasing revenues from social tax and also will lead to increasing of employees' wages.

Moreover, the entrepreneurs think that it is necessary to reduce or cancel VAT (18%) on import of agricultural inputs, for example such as: mineral fertilizers, seeds and veterinary drugs. This can impact the efficiency of agriculture. It is suggested to execute calculation of VAT, in this case, only on the basis of added value (businessmen expenses, transportation costs etc.) but not on the overall value of imported products, which are not sold yet.

In the part of banking sector development, it is suggested to cancel or reduce income tax rate (12%) when paying interest on deposit accounts. The reduction of 12% income tax rate on deposit accounts will facilitate attraction of population's resources and increase of attracted funds.

The Secretariat is informing that entrepreneurs have expressed special interest to taxation issues related to leasing operations.

Chief expert of GTZ project, Nozim Rahimov, suggests optimizing payment of VAT in leasing operations with the purpose of more fruitful development of micro leasing, in particular, removing VAT on leasing transactions and creating the list of equipment of especial importance, subject to tax exemption.

As it turned out, as a result of interviewing entrepreneurs by GTZ Project in the southern and northern part of the country on the matters of micro-leasing relevance, 93% of



respondents from various business sectors expressed their desire to obtain equipment through leasing upon acceptable price.

The expert gives the following prerequisites on the need of undertaking this step:

- Firstly, this will positively impact the production of demanded products by local producers, and that in turn will positively effect the stabilizing of national currency rate;
- Secondly, this will facilitate creation of jobs (small production enterprise can create from 3 to 50 working places)
- Thirdly, this measure will positively impact commodity turnover and will lead to increase in State budget revenues.

The Secretariat reminds that the issue on optimizing taxation for leasing operations was also repeatedly raised by IFC Project which has developed «Action Plan on introducing amendments to Tax Code of Republic of Tajikistan on optimizing taxation for leasing operations», which has not found its support with some of the agencies.

Leasing is the major tool used in world practices, with the help of which the long term financing is available for the purpose to renew an industrial-productive sector of economy.

Adequate regulatory and legal framework for development of leasing was designed in Tajikistan in 2003. However, application and implementation of leasing operations in the Republic presently happens slowly.

Less than \$40,000,000 was spent during all the years of leasing operations development, at that the major share of transactions falls to 2008. The banks in the Republic are not interested in financing leasing operations due to unfavorable tax regime applied towards leasing operations. Legal regime for leasing is less attractive and requires more funds from borrowers and creditors compared to regular loans.

The need for development of leasing financing mechanism is urgent in the view of global financial crisis and limited access to financial resources by local producers on international and local financial markets. Being aware of it, the Government of Republic of Tajikistan included the issue of providing tax incentives for leasing operation as a separate item into Action plan of the Programme on «Improving business environment – 200 days of reforms».

Constructors Association of Tajikistan – proposes to introduce VAT exemption for equipment, machinery and mechanisms of technological motor transport (only new and modern ones) used in construction over the period of 10 years. This measure should lead to increase in balance value of companies' main assets and facilitate import of equipment at lower prices at the same time. Besides, the Association suggests:



- introduce regressive scale of social tax, because with income growth tax burden increases and companies try not to raise salaries officially, which leads to the prevalence of non-transparent payment schemes and thereby to reduced allocations for the benefit of social and pension funds;
- resolve the issue of double taxation when calculating turnover tax under mutual transactions between prime- and sub-contracting organizations
- solve the issue of social protection of constructors, i.e., to supply them with personal safety equipment, special nutrition etc. Under current provisions of Tax Code, ensuring such social protection is impossible, because it is prohibited to attribute such costs to expenses items;
- change taxation scale for immovable property, to make it the same for all buildings from 3 to 9m of height, and further to increase tax rates for buildings above 9m high.

Association of Banks of Tajikistan, within reforms of the tax system, considers it possible to suggest the following measures:

1) *Reduce profit tax rate for banks.* According to the Law of RT «On Introducing amendments and modifications to Tax Code of RT» dated May 19, 2009 №520, profit tax rate for companies was reduced to 15%, but for banks it was retained at the size of 25%. Such higher profit tax rate makes banks less attractive for investments of financial resources.

2) *Simplify administration procedures for tax reporting, and therefore to add to part 2 of article 198₁ TC of RT a paragraph 3 of the following content:* «Banks that have separate sub-divisions have to calculate and pay all current tax payments and taxes payable at the end of the year, except for income tax on physical persons and social tax, in a centralized way through the parent bank ».

3) *For banks, to set the payment of all current (advance) tax payments at the size of 1% from monthly gross income, actually received during the reporting month, releasing them from payment of difference between one twelfth of profit tax amount for the previous tax year, increased by ratio of 1,1 , and the amount of 1% of gross income for reporting month, paid to the budget.*

This recommendation of the Association is based on the fact that the existing mechanism of calculation and payment of current (advance) tax payments create serious impediments for increase of internal banking resources and their further investments to the real sector of the country's economy.

Thus, the article 198 of the Tax Code provides that all legal persons are obliged to make monthly current payments to the budget in the amount of 1% of gross income for the reporting month. In doing so, if one twelfth of the profit tax amount for the previous tax year, increased by coefficient of 1,1, is bigger than the above indicated one percent of gross income for the reporting month, the difference between the amount, increased by coefficient of 1,1, of one twelfth of profit tax for the previous year, and the amount of 1% of gross income for reporting year paid to the budget and registered as minimal income tax, should be paid at the same time on the account of current income tax payments.



The above mentioned provisions of article 198 of TC of RT require that banks have to allocate and pay current taxes not on the basis of the actually received gross income for the reporting month, but on the basis of one twelfth of total tax amount paid for the previous fiscal year. In that way, the total tax amount, payable for the current year in the amount equal to a sum of profit tax paid for the previous year, is set for the banks from the beginning.

Furthermore, the total amount of profit tax, in general, paid in the current year, will be higher than the amount paid in previous fiscal year, because the calculation of the current tax is done by using coefficient of 1,1 to tax amounts paid for the previous year.

Such calculations of current tax payments leads to long-term withdrawal of surplus cash from bank turnover, moreover that according to the article 199 of TC of RT, final settlement is to be done not later than April 10 of the year, following the reporting fiscal year. Therefore, even if in the future it will be determined that bank has performed extra tax payments, the funds will be withdrawn from the bank turnover during the reporting year, which will certainly and negatively effect it's financial status, especially in a time of global financial crisis.

4) With the purpose of minimizing possible risks for entrepreneurs, related to setting into effect of tax legislative acts which aim at increasing tax burden, *it is suggested to set a longer term for their entrance into force with differentiation depending on the time period of the company's' existence as business entity.*

We consider the most appropriate the following terms for setting into force of the tax legislative acts:
- not earlier than in a year time after their official publication;
- for newly established companies, within three years from their registration date, to apply the acts of tax legislation effective as of the date of registration.

5) It is impossible to ensure full revenues from taxes and their increase in the future, without maintaining sustainable operation of businesses for the longer period of time. In terms of taxation system, it can be achieved only with the condition of achieving stability in its nature in the issues related to determining tax rates, orders of their calculations and payments.

To resolve this problem, it is suggested to include the provision in the law stating that tax rates and their calculation and payment procedures are not subject to change at least during the financial year, regardless of their official publication date.

6) During the period of establishing market relations, it is important that the state can take fast decisions to support critical business fields of the country's economy, especially during their establishment. From taxation position, such support can be expressed in a form of providing temporary tax benefits.



The current tax legislation (article 145, part 1 of ph.6 of TC of RT) provides benefits on profit tax payments for newly created production companies. Not opposing the positiveness of providing such benefits, the Association thinks that it is necessary to pay attention to the unclearly stated conditions to receive the benefits. The current procedures violate one of the basic principles of tax system – equality of entities liable to taxation. To avoid confusion and misinterpretation, it would be reasonable *to establish the unified rules for providing benefits on tax payments.*

Particularly, the benefits could be set in the following order and under the following conditions:

- *newly created production are released from tax payments, except for the income tax, social tax, customs duties, within two years from the date of their state registration:*
- *state investment projects are released from tax payments, except for income tax, customs duties, during their whole implementation period. In the future, as fair and stable tax system will be developed, it might be possible to give up this practice of providing tax benefits.*

7) When reviewing tax rates, the special interest for the taxpayer is represented by the procedures of tax rate modifications depending on the income. In this aspect, the existing practice determines progressive and regressive tax rates.

For both cases, it is typical that up to a certain threshold,, there applies the same tax rate, the size of which changes up or down depending on income amount, exceeding the size of threshold amount. Adoption of a specific tax rate should depend on the economy's status, as of specific time period.

At the first stage, based on the suggestion of the Association, it would be the most acceptable to *establish proportional tax rates i.e. unified for all entrepreneurs regardless of their gross income.*

At the second stage, it will be reasonable to *introduce regressive tax rates in the tax system* considering the need for state support of the key production sectors accountable for economical sovereignty.

At the third stage, when entrepreneurship will be firmly established on the basis of market relationships, and becomes a foundation for the economic system, and will have relevant resources for the development, there will arise the possibility for introducing progressive tax rates.

The economy of Tajikistan is going through the first stage of market economy' development and, therefore, the most acceptable option is *establishment of unified tax rates for all entrepreneurs regardless their end incomes*

8) Due to absence of clear mechanisms for market price' determination in the tax legislation, which should serve as foundation for determining tax base, *it is necessary to work out clearly regulated procedures of its determining.*



Not regulated tax calculation procedures lead to the situations when local tax agencies often quarrel with taxpayers particularly on the issue of correctness of market price calculations, and on correctness of tax amounts payable, accordingly.

For the purpose of avoiding such gaps, it is suggested *to introduce market price determination mechanism, based on the principle of price elasticity under the conditions of market relations. This principle means that in order to determine average weighted market price, all the prices on the market for identical goods are taken into account and average market price is determined by way of dividing the sum on the quantity of their varieties.*

9) The matter of regulating functional activities of tax agencies requires revision, too. The currently effective tax legislation provides tax agencies with the possibilities of unrestricted control over the businesses.

Such situation is costly for entrepreneurs, both in terms of time and of money. The Association assumes *that ensuring efficient control by tax agencies without lowering their effectiveness level is possible through structural reorganization of tax agencies.*

In particular, it is suggested to create two discontinuous functional divisions within the structure of tax agency:

- *one division, based on «one-stop shop» principle, will be handling tax reports received from taxpayers;*
- *another division will be analyzing the received reports, with the purpose of control*

Meanwhile, in general, control should be implemented by way of desk audit and, in exceptional cases, by means of field inspections. The modernization of tax control procedures is the critical aspect of tax system reformation. The most optimal solution for this problem is the maximal synchronization of tax accounting with the elements of book keeping.

10) The current tax legislation provides such mechanism for resolution of conflicts in the area of tax relations, which puts the parties to unequal positions from the beginning

In particular, dishonesty of a taxpayer is determined based on the conclusions made by tax agency, thus ignoring the principle of presumption of innocence, in respect that the state, in the person of tax agencies, as well as taxpayers, are the parties of equal rights in tax relations.

The Association suggests *passing all conflicts arising in the area of tax relations to be resolved by judiciary.*

Association of micro financial organizations of Tajikistan (AMFOT) expressed its support to suggestions made by Association of Banks of Tajikistan. In particular, the Association supported suggestions from banks on exemption from taxes on interest from dividends, and suggested to direct thus released resources for their capitalization increase.



AMFOT thinks that the interest rate should be reduced from 12% to 9%. The reducing of this tax rate will stimulate growth for lending base on the account of larger deposits attraction. The population will be more interested to deposit their savings in the financial organizations, thus reducing money turnover in black economy. As a result, this will serve to the inflation decline in the country. AMFOT agrees with Association of Banks on the matters of simplifying administration of tax reporting procedures.

For the purpose of simplifying tax administration in the area of microfinance, particularly for Customer Service Centers under the subsidiaries of microfinance organizations, Association suggests to clearly determine the term of «a separate division», considering the requirements on quantity composition of its staff.

Association suggests adding an item to part 41 of the article 34 of Tax Code, with the following content:

«The divisions of a legal entity are considered as separate, if the number of staff in this division comprises at the most 10 people or 10% of a total number of employees of this legal entity»

According to the Association, local tax agencies require to apply the tax legislation requirements to the Centers as to separate divisions, which they are not. This measure creates additional difficulties and leads to excessive administration, which eventually can result in closing down the centers.

Besides, the Association suggests:

- introduce amendments to article 150 of Tax Code, which limits the right of micro loan funds and micro loan organizations on deductions from gross income when calculating income tax;
- Exclude from the tax base, when calculating the amount of tax for motor way maintenance, the social tax costs, because the existing computation procedures lead to double taxation, according to article 300 of the Tax code.

National association of small and medium enterprises of Tajikistan (NASMET) is one of a few associations seriously dealing with matters of improving tax system. With the support of BEI Project (USAID), the Association conducted «financial-economic analysis of the Tax Code» (www.bei-ca.net) where it presented its own suggestions on improving tax system.

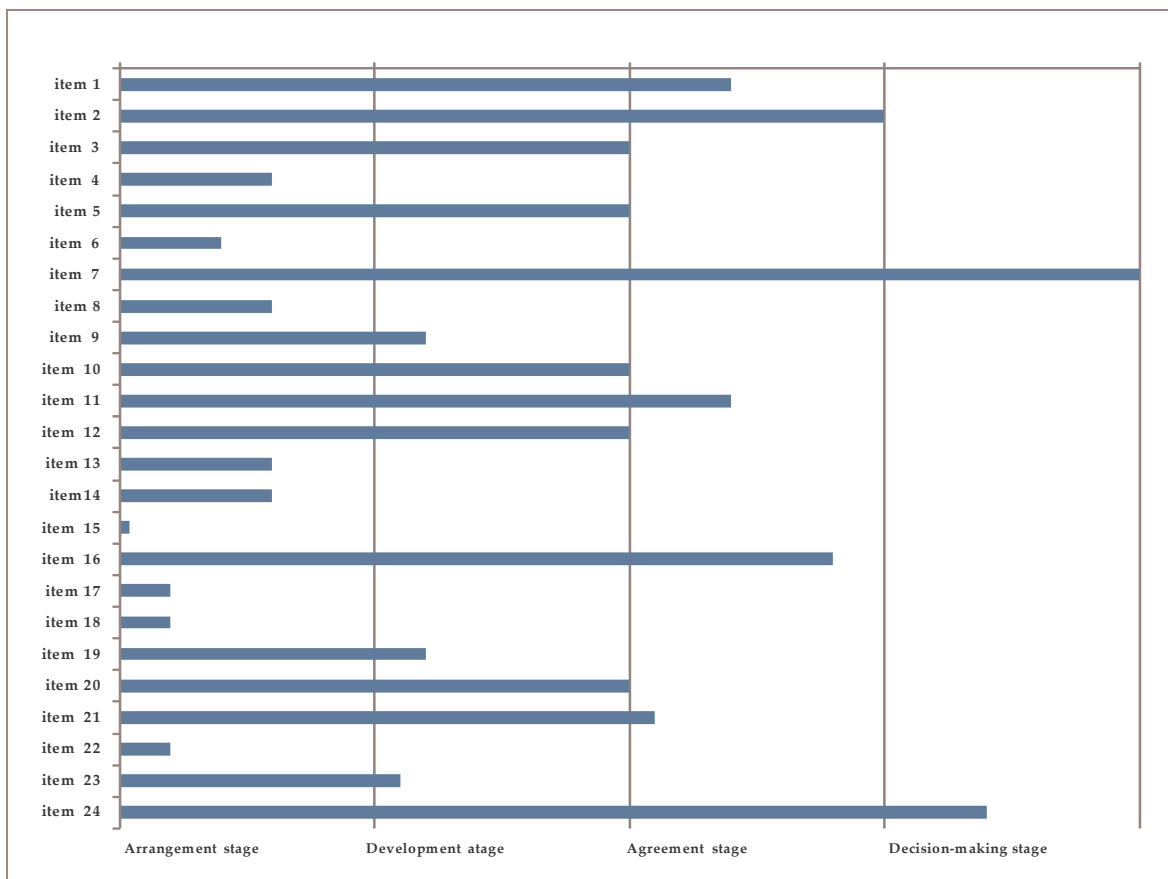
Brief Summary on implementation of the Programme «Improving business environment – 200 days of reforms »

The Secretariat, based on the decision of Consultative Council on conducting the ongoing monitoring of the Council's decisions implementation, hereby provides the summary on implementation of the Programme «Improving business environment – 200 days of reforms».

BULLETIN №8
SECRETARIAT OF CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE
UNDER THE PRESIDENT OF REPUBLIC OF TAJIKISTAN



Programme' implementation dynamics



Based on the data of the Secretariat

As the dynamic shows, the Programme implementation is gaining the momentum, compared to the last month.

Inter-agency working groups and commissions were established on many of the Programme' directions.

List of inter-agency working groups

№\ №	Working group	Resp. agency	Item	Contact person	Achievements
1.	On introducing «one-stop shop» registration system	Tax committee	1 and 3	Rustam Jabborov, Dep. Chairman of TC rjabborov@mail.ru	1 meeting conducted, where the issues and the ways of solution were identified
2.	On analysis of implementation status of the Law «On Bankruptcy»	SCISPM RT	4	Faruh Sadykov, Department on legal support of businesses, tel: 2217104, 935590044 200-days.reforms@mail.ru	-

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BULLETIN №8
SECRETARIAT OF CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE
UNDER THE PRESIDENT OF REPUBLIC OF TAJIKISTAN



3.	On development of Action plan on improving indicators of Republic of Tajikistan in international «Doing Business» rating in the area of taxation	SCISPM RT	5	Faruh Sadykov, Department on legal support of businesses, tel: 2217104, 935590044 200-days.reforms@mail.ru	The analysis of TC that was prepared by BEI Project was reviewed. The members of the working group were suggested to prepare their recommendations by the next meeting.
4.	Implementation of the Plan on improving construction legislation	SCISPM RT	7	Sarvar Halikov, Head of the Department on legal support of businesses, Tel: sarhotam.77@mail.ru	Draft laws on introducing amendments to the Law «On environmental assessment» were prepared and passed on for approval, amendments to AC, and also the draft resolution of the Government of RT on introducing amendments to «Regulations on unified procedures to connect to utility systems»
5.	<i>Separate working group on harmonization of construction legislation</i>	Construction agency		Mavjuda Yormatova, Dep. Chairman of Agency, tel: 2216143 gskomstroy@mail.ru	17 forms of documents developed and registered with the Ministry of Justice. SNiP are at approval stage. Town planning Code is under elaboration.
6.	On preparation of proposals on introducing changes to licensing procedures	SCISPM RT	8	Sarvar Halikov, Head of the Department on legal support to businesses, Тел: sarhotam.77@mail.ru	-
7.	On development of National Strategy for quality infrastructure development	Agency for Standardization	14	Saidova Karomat, 2331303	-
8.	On Programme development for introducing «one-stop shop» principle when carrying out procedures for export and import of goods.	Ministry of economic development and trade	16	Murodov Bahrom, Dep. Head of Department on marketing and regulation, tel: 2211178, 2213342	The draft Programme of feasibility study for «One stop shop» on export and import operations was developed and passed on for approval to the ministries.
9.	On development of simplified statistical reporting forms under State Statistical Committee	Statistical Committee	19	Nigina Rajabova, 95 1627774 nidinstat@list.ru	-
10.	On implementation of the Law «On credit history»	National Bank	21	Kibriyo Uroкова, Banking supervision Department, k_uroqova@nbt.tj	Proposals on introducing amendments to the «Regulation on specifics for licensing some types of activities» were developed and passed on for approval.
11.	On development of a new Law «On free economic zones»	Ministry of economic development and trade	24	Yakubov Anvar, Chief of Administration, SEZ «Sugd», fezsughd@gmail.com tel 992 92 7778572	A new draft law was developed and passed on for approval

Note: (-) The activities are at the organizational stage

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List of inter-agency commissions

№\ №	Inter-agency commission	Responsible agency	Item	Contact person	Achievements
1.	Inter-agency commission for support of domestic producers and internal market protection	Ministry of economic development and trade	6	-	-
2.	On review of normative legal acts regulating the issuance of permissions to business entities.	SCISPM RT	9-10	Sarvar Halikov Head of SCISPM RT Department on legal support of business	"Questionnaires" developed and sent to permitting agencies, 5 trainings were conducted in the Republic for 260 specialists.
3.	Working group on land reforms		12	Hursanmurod Murodov, Adviser to the President of Republic of Tajikistan on legal policy, tel: 2217713	A draft law on introducing amendments to the Land Code was developed.

Note: (-) The activities are at the organizational stage

In the future, the Secretariat is planning to inform the interested parties on activities of the mentioned working groups by means of circulating **«Monitoring Update»**.

Concerning the remaining items from the Programme, the Secretariat, based on the information received from the stakeholders, reports the following:

Item 2 «Adoption and implementation of a new Instruction «On opening, execution and closing bank accounts on the part of credit organizations in the Republic of Tajikistan» - Executor: NBT

According to the information available, the National Bank has developed and presented for registration to the Ministry of Justice the Instruction №171 «On opening, re-structuring and closing of bank accounts by credit organizations of Republic of Tajikistan».

! The Instruction was rejected by the Ministry of Justice because it contradicts to the norms of the adopted Law «On state registration of legal entities and individual entrepreneurs».

Item 11 «Analysis and, if required, introduction of proposals on amending and updating the Law of Republic of Tajikistan «On joint-stock companies » in the part of extending possibilities for JSC to attract foreign investments – Executor: SCISPM of RT

SCISPM of RT, with the support of BEI project (USAID) and IFC project on corporate governance in CAR, has developed the draft law on introducing amendments to the Law



«On joint-stock companies». The draft law was sent for review to the ministries and agencies, and the first comments have been already received.

Item 13 of the Programme «Development of proposals on introduction of «One-stop shop» principle for allocation of land plots and issuance of certificates for land use rights» - Executor: Working group on land reform

! No information available on implementation of this item, because the working group has not yet addressed this issue

Item 15 of the Programme «Monitoring over the implementation of the Law of Republic of Tajikistan «On joint-stock companies» in the part of improving legal protection for minority shareholders» - Executor: SCI of RT

! There is a need of conducting a survey among Joint stock companies for the implementation of this item, and that requires certain financial contributions.

Item 17 of the Programme «To develop plan of reformation for technical regulation system» - Executor: Agency of standardization, metrology, certification and trade inspection under the Ministry of economic development and trade of RT

! According to the available information received from partners, this item is not currently addressed. *Explanation of essence of technical regulation reforms is presented further on the page 18 (Note by Secretariat)*

Item 18 of the Programme «Analysis of Labor Code of Republic of Tajikistan on the matter of compliance with market principles» - Executor: Ministry of labor and social protection of population of Republic of Tajikistan

! The Ministry of labor and social protection plans to form a working group to address this matter. However, it is worth noting, that there is little time left (less than a month) for conducting a holistic analysis.

Item 20 «Preparation of adequate proposals on introducing amendments to the Tax Code in the part of stimulating leasing operations» - Executor: Ministry of Finance of RT, Ministry of Economic Development and Trade of RT, Tax Committee

In the Ministry of Finance, the working group on optimizing leasing operations has completed its work. As the result, the working group has developed proposals on introducing amendments to Article 211 of the Tax Code.

Based on the information available to Secretariat, the specified proposals will be passed on for review by the working group on development of Action plan on improving indicators of Republic of Tajikistan in the international «Doing Business» rating in the area of taxation.



Item 22 of the Programme «Simplification of procedures for conducting tenders for procurement of goods, works and services for local companies at the cost of State budget and funding from international organizations» - Executors: Ministry of Economic Development and Trade of RT, SCISPM of RT.

! According to information available, the relevant ministry structures are not reviewing this issue in its outlined context. The ministry has developed and sent for approval the Rules and procedures of procurement according to the Law of RT «On state procurement of goods, works and services», adopted in 2006.

Item 23 of the Programme «Inventory of all normative legal acts regulating activities of foreign investors in Republic of Tajikistan» - Executors: SCISPM RT, Ministry of Justice.

SCISPM of RT intends to form a working group for conducting the inventory. Project BEI (USAID) has provided to SCI the expert to support the activity of the working group, who currently is engaged in preparation of investment legislation review.

Note by Secretariat on Item 17 of the Programme

Technical regulation –This is the main non-tariff regulatory tool of economic relations. The basis of technical regulation is formed of technical norms, international, national and regional standards, attestation procedures to ensure conformity to the set standards, accreditation of certifying agencies and testing centers, control and supervision over compliance with requirements of technical regulations.

Political decision on reformation of technical regulation system was stipulated by its inconsistency with demands of current market situation where there are operating companies with various forms of ownership, emerging new markets of goods and services, progressing process of upgrading and creation of new products, where there arises urgent need to involve domestic companies into international labor division. State standards and other normative technical documents (SNIp, SanPiN, and etc.) do not form a single system of technical requirements. The attempts to retain previously existing system of GOSTs, SNIps and SanPiNs are holding back the development of economy and produce ugly regulation mechanisms.

It's important to note that confusion, inconsistency and excessiveness of compulsory requirements lead to substantial non-productive costs by entrepreneurs due to searching and processing of information, ensuring compliance with mandatory requirements. Non-tariff regulation mechanism should be market-based and harmonized with recognized international norms and regulations.

The reforms should stimulate the state to impose compulsory requirements to food security and technological processes, and the rest of requirements and standards should be voluntarily and should aim at increase of competitiveness. Thereafter, each company will be able to use them, guided by their own economic interests. Under the conditions when the state loses its overall control, its main task will be focused on ensuring the efficient protection of consumer's market from hazardous products.

Reform of technical regulation has substantial administrative elements, because it will not only have to improve competitiveness and remove useless technical constraints in trading, but to remove unnecessary administrative pressure and excessive regulation which remained from planned economy.

According to generally accepted principles of technical regulation, it is forbidden to combine powers of state control (supervision) agency and certification agency, and also it is not allowed to combine accreditation and certification functions under one authorized body. It is clear that such type of reorganization can not be implemented over a night. The first step should be to prepare the reformation plan which is provided for by the Programme.