



SECRETARIAT OF THE CONSULTATIVE COUNCIL FOR IMPROVEMENT OF THE INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN

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XX SESSION OF THE CONSULTATIVE COUNCIL ON IMPROVEMENT OF INVESTMENT CLIMATE UNDER THE PRESIDENT OF THE REPUBLIC OF TAJIKISTAN

DUSHANBE, February 12, 2020 – The 20-th Session of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan was conducted under chairmanship of the President of the country, Chairman of the Consultative Council on Improvement of Investment Climate, His Excellency Emomali Rahmon.

During the Session there were discussed issues related to the implementation of decisions of 19-th Consultative Council's session, results of analysis of cluster development in the agro-industrial complex and issues of draft agenda for the next Session of the Consultative Council.

Leader of the Nation, Esteemed Emomali Rahmon raised issues related to activities for improvement of the country's position in the Doing Business report, modernization of public services for businesses with utilization of electronic documentation, simplification of business activities and provision of favorable investment climate in the country and other issues.

In regard with the first issue the report of Farrukh Hamralizoda - the Council's Executive Secretary and Chairman of the State Committee on Investment and State Property Management of the Republic of Tajikistan was heard on the results of monitoring of implementation of decisions of 19-th Consultative Council's sessions.

Particularly it has been informed that the Republic of Tajikistan became one of top

ten reformer countries in the world, increased its position by 20 points and moved to 106th place out of 190 countries in the World Bank Doing Business Report 2020, extension of the period of simplified taxation - 5% VAT for private educational facilities and 7% VAT for constructional activity until December 2023, exemption from VAT, road users tax, real estate tax and land tax for poultry, fishery and mixed poultry and livestock production facilities as well as exemption from VAT on import of technology, equipment and raw materials for poultry farming, fishery and import of goods used for direct activity for facilities in these sectors, exemption of import the breeding and meat livestock, as well as all types of feed stock from VAT and customs duties, adoption of the "Procedure for exemption from VAT and customs duties import of raw materials for processing and production of final products", exemption of state fee for registration for business entities starting from January, 2020 and abolishment of all taxes and registration fees for entrepreneurs manufacturing



common consumption goods according to the list in the law amendment, abolishment of 1% income tax for enterprises, launch of the "Single Window, Monitoring and City Planning Cadaster" in Dushanbe, introduction of online application submission for getting technical conditions on connection to power supply network starting from starting from March 1, 2019 and consideration of these applications within 10 days.

Concerning to the second issue of the Session the Minister of Agriculture of the Republic of Tajikistan - Salimzoda Amonullo delivered speech and presented results of analysis of cluster development in agro-industry sector, in particular draft Concept and Action Plan of the Government on development of agro-industrial clusters and inclusion of Global GAP standards

On the last issue of the Session agenda the Minister of Industry and New Technologies Faizullozoda Zarobiddin Qudrat proposed issue of analysis of the conditions of country's industry and discovering new opportunities to enhance the sector capacity for consideration in subsequent sessions of the Council, that was supported by Council members.

At the end of the Session, the President of the Republic of Tajikistan

delivered final speech and gave relevant instructions to the responsible ministries and agencies on issues considered in the Session.



THE WORLD BANK “DOING BUSINESS” REPORT

In a framework of implementation of the Action Plan of the Government of the Republic of Tajikistan for improvement of country's position in the World Bank Doing Business report 2019-2022 a number of working subgroups meetings were conducted on respective indicators of the World Bank Doing Business report

On March 18, 2020 there was conducted a regular meeting of the working subgroup on "Starting a Business", "Paying Taxes", "Registering Property" indicators of the World Bank Doing Business report.

The presented information was about reforms for simplification of registration process for business entities under the "Single Window" system, abolition of state registration fee in order to reduce cost of this procedure from January 8, 2020 (currently there was completed 2600 registrations), introduction of electronic procedures for submission of registration documents through the portal of tax authorities and application of 14,530 citizens, taking extensive explanatory measures through workshops, meetings, and the use of mass media opportunities.

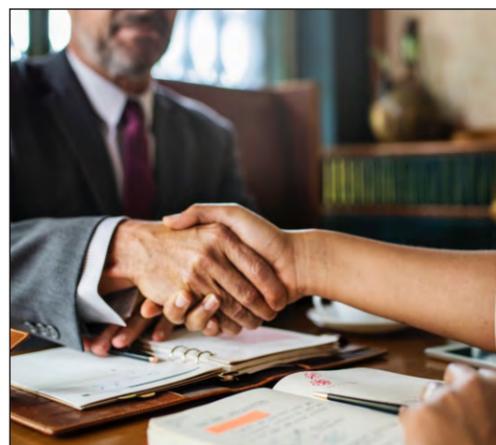
Deputy Director of SUE "Real Estate Registration", reported on simplification of real estate registration procedures, including implementation of simplified real estate registration procedures in accordance with the "Single Window" and "Complaints Guide" for services provision,

At the working subgroup meeting on "Dealing with Construction Permits", "Getting Electricity", "Getting Credit" on



March 19, 2020 main discussion subjects included the "Single Window" for construction permits in Dushanbe, representatives of SUE "Obukorezi Dushanbe", OJSC "Dushanbe Electric Networks", OJSC "Dushanbe Heating Networks" and the Communication Service presented the system for provision of technical specifications under the "Single Window" system for obtaining a construction permits.

On March 20, 2020, the State Committee on Investments and State Property Management of the Republic of Tajikistan conducted a meeting of the working subgroup on the "Protection of Minority Investors" related to the process of drafting amendments to laws "On Joint Stock Companies" and "On Limited Liability Companies", requirements of international standards to legislation managing activities of joint stock companies and limited liability companies and needs to improve



sectoral legislation in this area.

At the same time, the Secretariat is working with the respondents of the Doing Business report on behalf of the private and public sectors to complete and submit questionnaires on the respective indicators.

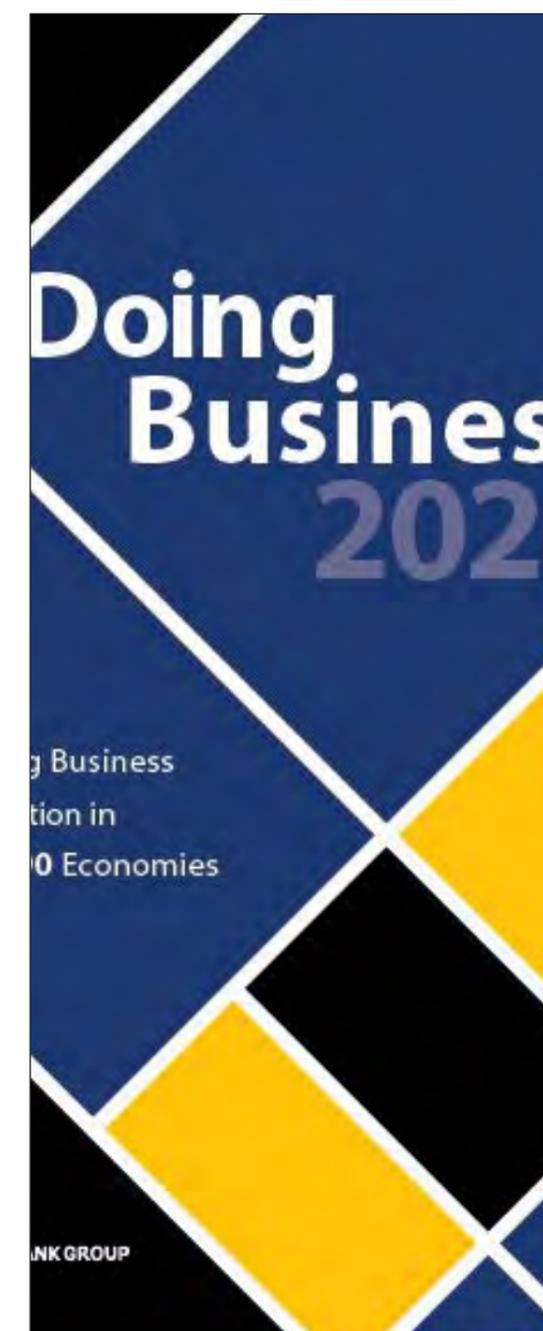
During the meeting of subgroups, a number of problems related to the coordination of activities between government business regulators and existence of artificial obstacles were identified and relevant instructions were given to promptly address these issues.

Among the obstacles there are ineffective implementation of e-services in the field of business registration, obtaining construction permits, registration of real estate, obtaining technical conditions for connection to the power grid and operation of high-quality electronic databases of government agencies and departments. Low speed of internet connection has a negative impact on the quality of the above-mentioned electronic services.

In the case of effective implementation of e-services and utilization by the private sector, there will be a significant increase of the country's position in the "Doing Business" 2021. This will be achieved mainly due to registration of businesses, obtaining construction permits, electricity connection, registration of property, taxation, international trade and enforcement of the agreements. There

is also possibility of re-inclusion of the Republic of Tajikistan into the list of top ten reforming countries.

In this regard, in order to increase entrepreneurs' awareness on detailed information on the achievements of the reform in the field of simplification of the "Doing Business" procedure the report was shared with domestic entrepreneurs and investors, as well as respondents of the "Doing Business".



ANALYSIS OF TAX AND CUSTOMS PERFORMANCE

The draft "Procedure for assessing the effectiveness of tax and customs incentives" was developed and submitted to the Government of the Republic of Tajikistan for coordination with the relevant ministries and agencies.

It is expected that after its adoption, the legal framework and a mechanism for assessing the effectiveness of incentives will be established to develop a modern system of incentives provision to priority sectors.

In order to create a system of investment incentives for education and construction sectors the period of simplified taxation (5% VAT) for private educational facilities and (7% VAT) for constructional activity was extended by the decree of President up to December 31, 2023.

The Ministry of Finance proposed to include the silk production and related operations to the list of activities that are free of any taxes. Currently the proposal is being reviewed by ministry and departments

DEVELOPMENT OF THE TAX CODE IN NEW EDITION

As the result of the meeting of the Founder of Peace and National Unity, Leader of the Nation, President of Tajikistan Emomali Rahmon with the economic block of the Government there was given an order to revise and publish the new Tax Code of

the Republic of Tajikistan by 2020. In this regard, the Government of the Republic of Tajikistan established the high-level Working Group is operating under the leadership of the First Deputy Prime Minister of the Republic of Tajikistan. Based on this the inter-ministerial Working Group under the Ministry of Finance of the Republic of Tajikistan was set up accordingly.

It should be mentioned that representatives of the State Committee on Investments and State Property Management and the Secretariat of the Consultative Council on Improvement of Investment Climate are active members of this Working Group.

Within the framework of the Working Group activity, a draft Tax Code Concept was developed considering experience of neighboring countries, key business partners, proposals of domestic and foreign experts, relevant ministries, agencies and business entities. The draft Concept was approved by the First Deputy Prime Minister on January 3, 2020.

On March 5, 2020, the presentation of the draft Tax Code in the new edition was conducted in the Hyatt Regency Hotel with participation of Interagency Working Group members.

To the moment, Working Group members participated at the training on macro-simulation model of tax analysis,



organized by the World Bank, and studied individual scenarios of the tax system with different tax rates.

Considering identified priorities of the Government of the country it is expected that the draft Tax Code of the Republic of Tajikistan in the new edition will be submitted to the Government in accordance with the established procedure.

REFORMS IN DEVELOPMENT AND ESTABLISHMENT OF CLUSTERS IN THE AGRO-INDUSTRIAL SECTOR

In accordance with paragraph 7 of the XIX meeting of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan protocol from February 20, 2019 it was instructed to comprehensively analyze development and establishment of clusters in the agro-industrial sector and provide specific recommendations in Draft Concept of development and establishment of agro-industrial clusters and draft Action Plan of the Government of the Republic of Tajikistan on organization of final products value chain.



According to the meeting protocol the Ministry of Agriculture together with the Ministry of Industry and New Technologies, relevant ministries and agencies drafted the Action Plan of the Government of the Republic of Tajikistan on development and establishment of value chain of final agro-industrial products.

Roundtable on "Increasing the competitiveness of agricultural products and export capacity of the agricultural sector"

On February 26, at Atlas Hotel in Dushanbe, in cooperation between the State Committee on Investment and State Property Management of the Republic of Tajikistan, the Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan and International Trade Center there was conducted a round table on "Increasing the competitiveness of agricultural products and export capacity of the agricultural sector".

In particular, during the opening speech of Senior Economic Consultant of Secretariat of the Consultative Council, Manuchehra Madjonova mentioned that the Chairman of the Consultative Council, the Founder of Peace and National Unity, Leader of the Nation, President of Tajikistan Emomali Rahmon gave special attention to

inconsistent import and utilization of pesticides, chemicals and other biological tools in agricultural production at the last session of the Council, dated on February 12, 2020.

Therefore, adequate use of chemicals and biological tools in accordance with international standards will increase competitiveness of domestic products in the world markets and strengthen export potential of the country. In this context, it was advised to revise legal acts and sub-acts to regulate import, utilization, registration, protection, safety, storage of toxic chemicals and chemicals in general and develop recommendations for revisions and additions to the current legislation.

At the same time, establishment of laboratories for testing agricultural products for existence of chemicals and other recommendations were considered within cooperation between the public, private sectors and development partners at the group worksession.

In this regard, at the 20th Session of the Consultative Council the Chairman of the Consultative Council, the Founder of Peace and National Unity, Leader of the Nation, President of Tajikistan Emomali Rahmon instructed the Ministry of Agriculture, Committees for Environmental Protection, and Food Security to develop a framework for introduction of

international standards, including "GLOBAL GAP", revised "List of chemical substances permitted for use in the Republic of Tajikistan" and submit to the Government of the Republic of Tajikistan.

It was mentioned that the regulatory act controlling this area - "List of chemical substances and biological tools that are permitted in the Republic of Tajikistan" was approved on June 11, 2004. Considering current requirements, the Ministry of Agriculture and experts included 256 new types of pesticides and biological tools to the updated draft list of chemicals and biological tools permitted in the Republic of Tajikistan.

WOMEN IN BUSINESS

In order to mobilize staff and members of the Task Force on Support of Women's Entrepreneurship under the State Committee on Investments and State Property Management to participate in training and establish a mechanism for assessing the impact of legislation and public policy on gender, there was developed a draft Memorandum of Understanding between the Investment Committee, the National Legislation Center of the Republic of Tajikistan and EBRD.



Presentation of Tajikistan's experience in establishing a mechanism for regulative impact assessment considering gender aspects

On February 12-14, 2020 members of the Task Force on Support of Women's Entrepreneurship under the Investment Committee of the Republic of Tajikistan including 3 representatives of the Ministry of Finance, 1 representative of the Ministry of Energy and Water Resources, 1 representative of the State Committee on Investment and State Property Management and 1 representative of the Secretariat of the Consultative Council participated at the international workshop on "Gender Budgeting" in Vienna, Austria. At the workshop, the Tajik delegation was the first pilot country to present its experience in implementing investment climate reforms, taking into account gender aspects and regulatory impact assessment mechanisms.

In this regard, it should be mentioned that in the framework of the second phase of the Gender-Based Investment Climate Reform Project, the EBRD launched a training program to strengthen capacity of government ministries and agencies, members of the Task Force on women entrepreneurship. The program goal is to conduct a series of trainings for Task Force members from September 2019 to March 2020 and introduce a regulatory impact assessment mechanism for development of women's entrepreneurship in Tajikistan.

During the training program, the regulatory impact assessment mechanism for development of women's entrepreneurship in Tajikistan was mastered by government officials, and a number of positive results were achieved.

Including:

- exemption of women entrepreneurs from taxation during maternity leave from November 30, 2019, №605;

- The amendment to the "Regulation of entrepreneurs holding patent or tax certificate" was approved on November 30, 2019. Starting from January 1, 2020 the amendment abolishes all taxes and registration fees for entrepreneurs manufacturing goods listed in the amendment.

- The Tax Committee drafted amendments to the Law "On state registration of legal entities and individual entrepreneurs" and Law "On state duty" have been adopted dated January 2, 2020, #1680 and #1681. In accordance with amendment business entities register themselves with "Single Window" on state registration of business entities for free without payment of state fee for registration.

Workshop on women's rights, economic and social empowerment in Tajikistan and women's forum

On March 6-7, 2020, at the Hayat Regency Hotel in Dushanbe, in cooperation between the Government of the Republic of Tajikistan and the Delegation of the European Union to the Republic of Tajikistan, there was organized a workshop on "Expansion of the rights and economic and social potential of women and girls in Tajikistan" and a women's forum.

The seminar highlighted the state policy in support of women's creative initiatives and the achievements of investment climate reform, considering gender aspects.

REGIONAL CONSULTATIVE COUNCILS ON IMPROVEMENT OF INVESTMENT AND BUSINESS CLIMATE UNDER CHAIRMAN OF REGIONS, DISTRICTS AND TOWNS

In order to strengthen the process of public-private dialogue in regions, the draft Regulation of the Consultative Council for Improvement of the investment and business climate under heads of region, district and towns was submitted to the Chairman of the State Committee on Investment and State Property Management.

The draft was presented at the 1st intersession meeting of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan on November 22 2019. Referring to paragraph 8 of the Protocol of the first intersession meeting the Secretariat of the Consultative Council together with the Ministry of Justice was instructed to provide consultations on development of Regulation of regional Consultative Councils and submit for approval.

The draft Regulation was submitted to the Ministry of Justice on March 5, 2020.



MEASURES OF THE GOVERNMENT OF THE REPUBLIC OF TAJIKISTAN TO SUPPORT BUSINESS AND INVESTMENT IN THE CONTEXT OF A PANDEMIC

The Government of the Republic of Tajikistan in the context of the spread of COVID-19 in all countries of the world and probability of its negative impact on the entrepreneurship development in our country gives particular attention to reform initiatives for simplification of business regulation procedures, which are becoming increasingly relevant.

Thereby, the Government is implementing a number of reforms aimed at improving the business climate through database digitalization of relevant ministries and agencies, modernization of public services and introduction of online procedures, and reduction of the time and money costs of doing business.



In particular, the implementation of following reforms should be emphasized:

1. According to the amended "Rules of Taxation of Individual Entrepreneurs" dated November 30, 2019 (#605) individual entrepreneurs who run their activities at home starting from January 1, 2020 pass state registration for free in the tax authorities, get a patent, and are tax-exempt. This allows artisans and other home-based entrepreneurs to determine their legal status and get an access to other opportunities to develop and expand their activities, such as obtaining preferential loans, grants, and other types of support.

Also, within these amendments all taxes exemptions are provided for women

entrepreneurs during maternity leave.

- In accordance with the amendments and additions to the Laws of the Republic of Tajikistan "On State Registration of Legal Entities and Individual Entrepreneurs" and "On State Duty" for exemption of state registration of business entities from state duty payment from 2.01.2020 #1680 and #1681, the state duty for state registration of a business entity and the fee for registration statement extract from the state register were abolished. Now the cost of state registration of business entities, which previously amounted to TJS 1485 = TJS 25*55 (state duty for the state. registration) + TJS 2*55 (fee for registration statement extract), reduced to zero.

- In order to reduce the tax burden of business entities, the 1% profit tax rate was abolished within the amendments and modifications to the Tax Code adopted by Government Resolution #1676 of 02.01.2020. According to the methodology of the "Doing Business" report this initiative will help to reduce the overall tax burden by 17.68%, i.e. from 67.3% to 49.62%.

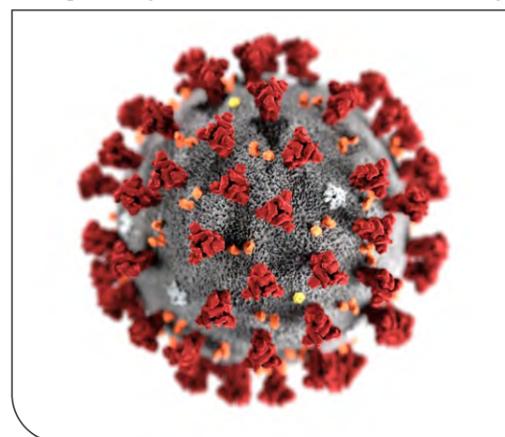
- Started from December 16, 2019 the "Single Window" Center on issuing permits for construction under the Main Department on architecture and urban planning in Dushanbe city has been introduced its activity in online regime. Single window system unites 12 different licensing authorities and operates online to obtain technical conditions for connecting to the electricity, water supply, sewerage, heating and other engineering systems within 10 days. Thus, business entities and commercial enterprises will be able to submit their online applications to the municipality of Dushanbe city to obtain a construction permit through the portal of the Main Department of Architecture and Urban Planning of the Dushanbe city via www.memori.tj. This site contains a list of

documents required for obtaining permits for construction and samples of documents, a platform for registering and opening an account and e-filing an application for obtaining technical conditions and construction permits.

This approach helps applicants to avoid the challenges they faced in submitting paper applications.

It is expected that the "Single window on issuing construction permits" in Dushanbe city, supported by the World Bank, will save at least 40 percent of the time required to obtain permits and 74 percent of associated costs, resulting in annual savings of at least \$700,000 in private sector compliance costs. Up today through the Single window 55 permits for construction have been issued and a number of applications are being considered.

-Started from January 1, 2020 in Dushanbe the obtaining of technical conditions for connecting to the electricity network is carried out either through the newly created "Single Window" Center for issuing construction permits (by the decision of the Mayor of the Dushanbe city, #212/1 dated April 11, 2019) online through the portal of the Main Department of Architecture and Urban Planning of the Dushanbe city www.memori.tj or through the direct application to the Dushanbe city Electricity Grids via the "Internet Reception" (in the section "to Consumers»)



by link <http://dges.tj/> , where you can get the final document (technical conditions) within 5 business days.

-A "Single window" system for real estate state registration has been launched, based on the integration of five government departments and the introduction of a national automatic system for real estate registration in Tajikistan. Also state unified electronic registries of real estate and database for checking encumbrances (bail, credit, restrictions) of real estate covering all regions of the country as well as geographic information system portal of the real estate in Dushanbe city which are available to the public online 24/7 via www.baqaydgi.tj and www.geoportal.tj.

- A pilot launch of the "Single window for registration of transit and export-import operations in the Republic of Tajikistan" was carried out, which united ten licensing authorities to issue permits and necessary documents to foreign trade participants;

- Adopted amendments to the Customs Code on the introduction of the concept of Authorized economic operator or trusted trader dated 02.01.2020, #1678, which aims to introduce risk based inspections (green, red and yellow lines) in the activity of customs and border authorities and considerably simplify the foreign trade procedures;

- The websites of the Economic Court of Dushanbe city www.si-dushanbe.tj the Supreme Economic Court www.soi.tj,

Khatlon Region Economic Court www.si-khatlon.tj as well as Sogd Region Economic Court www.si-sugd.tj were improved to ensure transparency, people trust and access to legislative, judicial and legal information, electronic charts for tracking the state of commercial cases, feedback platforms, e-mails of judges and helplines to receive citizens' requests;

- Amendments and modifications to the Law "On Mortgage" dated 2.01.20, #1685 were adopted in order to facilitate the debt recovery procedures from debtors of a credit organization from the sale of mortgaged property through the out-of-court settlement to ensure the transparency of the process.

It is expected that the implementation of the above-mentioned initiatives will significantly promote reforms to improve the investment and business climate in the country.

Since the main goal of our reforms is to effectively apply the achievements of the reforms to improve the business environment, we are looking forward to hear your feedback, comments and suggestions on the actual implementation of the new regulatory rules in order to address promptly the gaps and shortcomings.



Upcoming activities:

- 1. Analysis of IT and Telecommunication sector**
- 2. Development and establishment of clusters in the agro-industrial sector**
- 3. Support women entrepreneurship**
- 4. Implementation of the Government Action Plan for improvement of Tajikistan position in the international rating reports**
- 5. Analysis of the State of Country's Industry and Discovering New Opportunities to Enhance the Sector Capacity**
- 6. Conduction of the National Business Rating analysis**

Contacts:

Nisori Muhammad str. 5/5
734013 Republic of Tajikistan
Dushanbe
Tel: (+992 44) 601-00-27/28/29/30
Web: investmentcouncil.tj
Email: secretariat@investmentcouncil.tj

For more information please contact the Secretariat of the Consultative Council on Improvement of the Investment Climate under the President of the Republic of Tajikistan