



BASIC THEMES OF THIS RELEASE:

- The meeting of the President with entrepreneurs of the country
- Business news of the month
- Information about the world practice in development of state and private sector partnership

BUSINESS NEWS

January 15, 2010

- the meeting of the President of Republic of Tajikistan, Emomally Rakhmon with the entrepreneurs of the country was conducted where the various aspects of the activities, carried out by business structures of Tajikistan, were discussed, including their contribution to the construction of Rogun hydroelectric power station (HPS).

The President of the country, addressing the audience, emphasized from the beginning, that the meeting itself was a visible evidence of the fact, that the partnership between state and private sector has entered a qualitatively new development level, and in this connection he mentioned the activities of the Consultative Council which was established with a purpose of improving investment climate, as a guarantee of promoting ideas for the development of business and investment activities, as well as for taking respective measures to address the most urgent problems of the business in the country.

The President of Republic of Tajikistan informed the participants about *the results of the activities implemented by the Government on facilitating reforms in the private sector* for the period from the last meeting which took place in 2007. Particularly, it was mentioned that during that time the Government had worked out an action plan and the work had been done and still ongoing on improving access to small loans by entrepreneurs and businessmen, upgrading and simplifying certification procedures and regulating taxation.

With a view to implement anti-crisis measures a two year moratorium was announced for any type of inspections of small and medium enterprises, which runs out by the end of 2010. The important direction of the implemented reforms was the integration of a new mechanism for the state registration of business enterprises based on «One - Stop Shop» principle.

To prevent the negative impact of the global financial crisis to the economy of the country, the Government of Tajikistan had adopted the Plan of additional anti-crisis measures in 2009 with a short term perspective, and the Program on «Improving Business Environment – 200 days of reforms», as well as formed an Inter-ministerial Commission for supporting national producers and protecting the domestic market.

Focusing on the key directions of the Government's activities for the near future, the President of the country instructed the Government *to strengthen the work that had been initiated earlier on regulating and reducing the number of permitting documents, required*

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for carrying out entrepreneurial activities and introduce a draft law «On Permitting system» for consideration by the Parliament by the end of the first six months.

The National Bank was instructed to adopt measures *on improving normative-regulating acts on security deposit and developing a national loans register*, which will help the banks to receive additional information about loan recipients.

The President of the country also gave a number of instructions to the Ministry of Finance, the Tax Committee and SCI of RT on improving tax administration. Thus, the responsible ministries and agencies will have to review the possibilities on *reducing the number of payments and tax reporting without detriment to the state budget*, and submit proposals for the consideration by the Government on introducing the practice of electronic handling of tax reports, introducing a computer system for tax accounting and control, and creating data bases at tax agencies.

The responsible ministries and agencies are to present proposals *on abolishment of ineffective tax allowances which discourage a healthy competition among entrepreneurs, develop and approve a standard of providing services to taxpayers*.

The Ministry of Economic Development and Trade and the Tax Committee were given the specific tasks to simplify *export and import procedures*, particularly to submit the proposals on implementation of the adopted Concept of establishing «One- Stop Shop» system on export/import and transit procedures in the Republic for consideration by the Government by the end of the first six months.

In this aspect, in order to reduce the barriers in foreign trading, the Customs Committee has *to enhance its activities on implementing the Concept of developing customs agencies*, having ensured the implementation of the Program aiming at modernization of customs and its infrastructure within the shortest time possible. The Agency on Standardization was instructed *to enhance the activities on implementing the Law «On Technical Normalization»*, which is called to ensure the quality and safety of goods and products on the consumer market.

The President of Republic of Tajikistan spoke out for *simplifying the procedures of land allocation used for construction* of production facilities, the performance of which would be aiming at producing competitive products intended for export in particular.

In this regard, the President of the country emphasized the need for *speeding-up the processes for establishment of free economic zones, such as «Sugd», «Pyanj», «Dangara» and «Ishkashim»*.

The President of the country mentioned that the main purpose of establishing free economic zones and other similar centers is primarily to stimulate the foreign and national entrepreneurs, to develop exports and increase currency returns, to import advanced technologies and prepare specialists with high level of technical skills.

The Ministry of Economic Development and Trade and the State Committee on Investments and State Property Management were given the task to thoroughly study the



possibilities of arranging investment-industrial zones in the republic as well as innovative-technical and tourist centers.

Speaking about the *insurance, which is the important safety tool from risks and failures for commercial and investments activities*, the President of the country instructed the Ministry of Finance, the Ministry of Economic Development and Trade, the State Committee on Investments and State Property Management of RT to conduct a thorough analysis of the current legislation and present specific proposals for its improvement to the Government in the part of expending insurance activities.

The issues of social protection of entrepreneurs were not disregarded during the meeting either. Particularly, the President of Republic of Tajikistan reminded the attendees that the country has not yet determined the mechanism for maintaining the record of work of individual entrepreneurs and their social protection in case of unemployment. In this connection the President set specific tasks of developing the mechanism to the Ministry of Labor and Social Protection of Population, the Ministry of Finance and the Tax Committee.

The President of the country in his address paid a special attention to the subject of developing *transport and energy infrastructure, which plays a key role in development of entrepreneurship*. It was highlighted that it has been still very difficult to speak about the full development of business area and economic development, due to energy deficit, which led to industrial production decline, still exists.

Using the presence of business structures of the country at the meeting, the President of the country addressed to all participants with a call to actively participate in the construction of Rogun HPS.

The full text of the speech by the President of Republic of Tajikistan can be found on: http://www.president.tj/rus/novostee_150110.html

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- a round table meeting was conducted on discussing the ways of improving the foreign economic activities through simplifying export/import procedures, organized by the Ministry of Economic Development and Trade of RT with technical support of Project on «Trade Liberalization and Customs Reforms» by USAID and Project on «Promoting Regional Economic Cooperation in Central Asia» by GTZ.

The organizers of the event familiarized the participants of the round table with the practices of such countries as Kyrgyzstan, Kazakhstan and Lithuania on running reforms aimed at enhancing the environment for implementing trade activities and also elucidated the basic issues of foreign trade system in Tajikistan and justified the need for the Government to take immediate measures in this regard.

The organizers of the round table paid a special attention to the matters of reducing the number of documents required for regulating export/import operations. The world practice shows that three documents only are needed for implementing export/import

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operations (transport documents, invoice and freight customs declaration), while in Tajikistan the number of required documents accounts to ten.

The participants of the round table proposed to define a state body, which will be responsible for promoting reforms, and therefore recommended establishing an inter ministerial working group and a commission, which will be given to certain powers. This commission will carry out an evaluation of the existing procedures, documents on import/export, and will propose adequate recommendations on possible reducing of their number. A special place in the process was given to representatives of the private sector.

During the meeting the participants raised the issues, related to inter ministerial coordination and interaction in the process of establishing «One-Stop Shop» on export/import and transit procedures. The participants of the discussion also mentioned the issue of access to information by entrepreneurs, needed for carrying out export/import transactions.

The note by the Secretariat:

It's worth reminding that Tajikistan ranked 179 among 183 countries in the area of foreign trade according to «Doing Business report» by WB for 2010.

A detailed information on the administrative procedures for export/import in Tajikistan and in Central Asia as a whole is available on the website of the Project on «Support to Regional Economic Cooperation in Central Asia» by GTZ: www.trade-ca.org

January 26, 2010

- the whole world was celebrating the International Day of Customs Officer. This year Tajikistan celebrated the holiday under the motto «Customs and Business: improving the interaction through partnership».

In this connection the important event of the month was the signing of the Memorandum on mutual cooperation between the National Association of Small and Medium Enterprises of Tajikistan (NASMET) and the Customs Service under the Government of Tajikistan, with a plan to implement joint activities on protection of consumer market of the country from illegally imported consumer goods.

The Secretariat reminds, that the Social Council on cooperation with the parties, involved in foreign trade activities. was established at Customs Service under the Government of Republic of Tajikistan and it's task is to ensure facilitation in improving Customs Code of RT and well as other laws of the country, regulating customs activities.

The Council is comprised of the representatives from the Chamber of Commerce and Industry of Tajikistan, NASMET, the Association of mobile phones operators, JV «Obi Zulol», Union of entrepreneurs and exporters, including the representatives from State Unitary Stock Company «Tajik Air», «TALCO», OJSHC «Barki Tojik».

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It is planned that the most important subject of foreign economic activity in 2010 will be the implementation of the Concept of establishing «One-Stop Shop» system for export/import and transit procedures in Republic of Tajikistan.

January 29, 2010

- A regular meeting of the Coordination Council of Business Associations and Public Unions of Tajikistan (CCBAPUT) was held and the agenda included such items as the discussion of the outcomes of the Presidents' meeting with entrepreneurs of the country, the progress discussion of the Programs on «Improving Business Environment – 200 days of reforms», as well as the matters of CCBAPUT cooperation with the Secretariat of Consultative Council on improving business environment under the President of RT.

Having resumed the Presidents' meeting with entrepreneurs of the country, which took place on January 15 of 2010, the participants of the meeting proposed to carry out a large-scale informative activity among CCBAPUT and other business structures with the purpose of facilitating and strengthening their contribution to Rogun HPP building activities. The Chairman of CCBAPUT, Mr. N. Zabiroy, suggested awarding the most active participants of this historical event in Tajikistan based on the results of 2010 as one of the ways of stimulating businesses.

In the process of discussing the matters of cooperation of CCBAPUT with the Consultative Council on improving investment climate under the President of RT, the participants were informed about the plans for concluding tripartite Memorandum on Cooperation between CCBAPUT, the Secretariat of Consultative Council and the Project on «Supporting Small and Medium Businesses in Tajikistan» by GTZ.

The Memorandum envisaged the forming of a special working group from among the CCBAPUT members, donor project's experts and the staff workers of the Secretariat, who would be engaged in developing qualitative and legally justified business proposals for consideration and taking respective decisions at the meetings of the Consultative Council on Improving Investment Climate under the President of Republic of Tajikistan.

Besides, the participants discussed a new order of attending the meetings of the Consultative Council by the candidates from the private sector, and as an outcome, the decision was taken on presenting a list of the most active members of CCBAPUT to the Council's Secretariat for the selection to the following meetings of the Consultative Council.

Information about the world practice in developing state-private partnership in joint projects' implementation process

The practice of many countries shows, that beginning from 1980 the role of joint partnership in implementing large investment projects had increased in infrastructural sectors involving national interests.

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The development of these projects was related to increased requirement to social services and infrastructure from one side, and from another side, the countries ran into budget limitations for their financing.

The mechanism of state/private partnership (SPP) allows for efficient resolution of one of the main issues of infrastructure development, which was the attracting of financial resources.

There is a number of partnership modules existing in the world practice. Five basic modules of cooperation of state and private sector are formed within the concept of state/private partnership, characterized by special forms of ownership, financing and management, such as:

- Operator module;
- Cooperation module;
- Concession module;
- Contract module;
- Leasing module;

The selection of the module in practice depends on the sector of infrastructure where the project is implemented.

Operator module is primarily used in wastes processing and characterized by a clear separation of responsibilities between private enterprise and control maintained on the part of the client (state).

Cooperation module is used in sectors where the services are not adequately formulated and therefore can not be the subject of amortization. In this case the project is implemented by a joint project company with involvement of state and private investors.

Concession module is basically applied in the sectors, characterized by a long term project implementation, and in those cases, when the transfer of rights is excluded due to political or legal reasons.

Contract module is applied in power industry where the investments are focused primarily on reducing of current costs. Ideally the economies, received at the cost of reducing current costs, exceed the investments costs.

Leasing module is applied when constructing public buildings. On practice the specified modules are rarely applied in their original form and often the combined forms are used.

The legislation strictly regulates the responsibility, powers and borders of activities among a great number of participants. Many countries adopt special laws regulating the relation of private sector and the state in the process of joint projects implementation.



For example, the Law «On private financial Initiative» was adopted in Great Britain at the beginning of nineties, which made easy for private entities entering the sector of social services due to clear definition of frame conditions.

For the purpose of activating state/private partnership in Russia a draft of Federal Law «On specifics of investing to infrastructure using infrastructural stocks» was prepared and currently is negotiated.

Along with legal regulating of state and business relations when implementing joint projects, the countries, which introduced state/private partnership, developed principals and mechanism of running this or another partnership module, determined a body, coordinating activities in the sector of state/private partnership and trained relevant staff.

As a rule, when implementing major projects, the private sector make the decision on making investments based on the number of factors among which the priority is given to *transparency and clarity* of the proposed partnership.

The basic principal of state/private partnership concept is that the state determines which services and infrastructure they need, and private investors submit proposals, which have to meet the requirements of the state at the highest extent possible.

The significant part of the deal within state/private partnership is the sharing of opportunities and possible risks among the parties.

The optimal structuring of state/private partnership under separate projects creates opportunities for faster implementation of the most urgent projects in the area of infrastructure.

The economic impact of state/private partnership is high if the state unambiguously declares about the intention of attracting the private sector. In order to be successful in project implementation, it is important determining a clear and detailed definition of frame conditions of negotiation with private investors, besides having a clear separation of powers.

The implementation of state/private partnership requires for stable legislation and interpretation of law, which not only «tolerably relate» to partnerships of the given type, but also create basic environment for their developing. Such conditions are ensured by constitutional, financial and civil legislation.

The world practice in implementing infrastructural projects shows that the state often bears a market risk within certain basic conditions. The functions of the state depend on the sharing of risks and opportunities. If the private sector bears the majority of risks under the project, then the state has a restricted right of involvement in project implementation, or generally controls it.

The more detailed information could be found via the link:
http://www.ruseconomy.ru/nomer18_200501/ec24.html