



BASIC THEMES OF THIS RELEASE:

- **Business News**
- **Implementation of the «Improving business environment - 200 days of reforms» Programme**
- **Indicators of State budget' participation in the development of private sector**
- **Georgia's experience in implementing reforms – thought-provoking information**

BUSINESS NEWS

November 9-10, 2009

- In continuation to awareness rising campaign, organized by the Tax Committee and National Association of Small and Medium Enterprises of Tajikistan (further referred to as NASMET) with support of USAID project on improving business-environment (BEI) and «One-stop shop» Project by European Commission, the workshops were organized in Kurgan-Tube and Kulyab cities. The participants of the workshops identified the same problems which were faced by entrepreneurs in other regions of the country. More detailed information on these issues was presented earlier in October in the Bulletin release by the Secretariat.

As the practice shows, the problems arise due to inconsistency of regulatory legal acts. However, in most of the cases the problems, arising among authorized agencies and business structures are caused by the ignorance of business structures on their rights to receive corresponding state services, and on duties of state agencies to provide these services, as well as on the ignorance regarding specific rules of the current legislation.

November 16-21, 2009

- In Dushanbe city, under implementation of the Project by European Commission on «Improving professionalism and public impact of business-associations of intermediaries», implemented by INGO «Internews-Europe», the training on the principles of marketing management and branding in non commercial organization was conducted for the specialists of business associations and employers' unions of the republic. The participants of the workshop got acquainted with Russian experience on creating brands on marketing promotion of services by associations. This workshop was organized by NASMET.

November 20, 2009

- The Coordinating working group on improving business-environment (BEE WG) conducted its regular meeting, where the issues related to implementation of the Program on «Improving Business Environment - 200 Days of Reforms» were reviewed, specifically - the



report of the State Committee on Investments and State Property Management of the Republic of Tajikistan was presented, as well as individual reports by the leaders of thematic working groups. Besides, the participants of the working group were suggested to discuss and determine the Action plan for the Coordination working group for 2010.

November 23, 2009

- A regular joint meeting of the Consultative Council of business-associations of Sugd region and Department on Investments and State Property Management of executive government authority of Sugd region was conducted in Khujand.

The basic topic of the meeting was to discuss the idea on developing «Entrepreneurship development program for 2010-2012». The participants of the meeting expressed their common opinion on the need for development and adoption of such Program, which would have a positive impact, if the parties would be able to organize a productive cooperation between public and private sector. The representatives from USAID Project on improving business-environment expressed their readiness to provide an adequate support to the preparation of this Program.

Besides, the participants of the meeting discussed the implementation progress regarding the Law of Republic of Tajikistan «On state registration of legal entities and individual entrepreneurs» in Sugd region. The representatives from the Department on Investments and State Property Management of Sugd region provided the information on the activities of the working group on simplification of the permitting documents.

November 23, 2009

- A meeting between business structures and the World Bank representatives took place at SCI of RT. World Bank launched a short term Project on providing technical support for the development of Strategy on improving tax administration. The representatives of the Bank informed the participants of the meeting on the plans of the Project to conduct a survey among entrepreneurs on the most urgent problems in the area of taxation, and therefore suggested to the participants of the meeting to fill out specific questionnaires.

In continuation to the topic under discussion, the representatives of business structures expressed their concerns regarding recently approved amendments to the Tax Code of Republic, which have only worsened the situation for the entrepreneurs.

November 24, 2009

- NASMET together with International Labor Organization (further referred to as ILO) organized a meeting between business structures and public unions, involved in the implementation of the projects targeted at development of private sector, to discuss child labor issues (especially in rural areas) and to elaborate recommendations for the employers on the use of child labor.



The meeting was attended by the management of some industrial enterprises and dehqan farms, representatives from the Ministry of Labor and Social protection of population, and Ministry of Agriculture.

Implementation of the Programme «Improving business environment - 200 days of reforms»

The Secretariat informs the partners on its intention to conduct the discussion on preliminary implementation results of the Program on «Improving business environment - 200 days of reforms» during the IV meeting of Consultative Council on Improvement of Investment Climate under the President of Republic of Tajikistan. (Note: the detailed information about the IV meeting of the Consultative Council will be presented in the next Bulletin release by the Secretariat).

Thereupon, the Secretariat presents the new information on implementation progress of the items of this Program:

Item 1 on harmonization of existing regulatory legal base with new procedures for state registration of legal entities and individual entrepreneurs.

The Tax Committee has developed a number of recommendations on bringing the existing regulatory legal base in compliance with new registration procedures, including the amendments to the Code on Administrative Violations, the Civil Code, the Law of RT «On State Duty». The Tax Committee has developed recommendations on introducing changes to «The Patent Issuance Procedures», approved by the resolution of the Government of RT dated 30.05.08, № 273, and «The Procedures for maintaining a single register on legal entities and individual entrepreneurs».

However these recommendations do not cover the whole scope of necessary changes needed for the current legislation. The Secretariat reports that BEI Project, USAID, has developed 24 drafts of regulatory legal acts on introducing amendments and changes to the current regulatory and legal framework (inclusive of amendments to legal acts for the agencies).

Item 2 on adopting new Instruction for the NBT, canceling the requirement on notarization of documents necessary to open, arrange and close down bank accounts by credit institutions in RT.

The National Bank of Tajikistan has prepared and approved the above mentioned Instruction, № 171 «On opening, rearranging and closing of bank accounts by credit institutions of the Republic». The Ministry of Justice has registered this Instruction on September 25, 2009.

Thus, according to the Instruction, when opening the accounts, entrepreneurs should provide a notarized copy of Charter which contradicts to the provisions of the adopted Law of RT «On state registration of legal entities and individual entrepreneurs». According to the entrepreneurs, they have been required to provide statistic codes and TIN when opening an account.

Item 3 of the Programme on arranging activities related to implementation of the Law of RT «On state registration of legal entities and individual entrepreneurs».

The Tax Committee, jointly with NASMET and with the support of the USAID Project On Improving Business Environment (BEI) and the Project by European Commission On «One-stop shop», has conducted

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the nation-wide awareness raising campaign on implementation of the adopted Law of RT «On state registration of legal entities and individual entrepreneurs». The representative from EOP of RT and SCI of RT took part in this activity.

Item 4 of the Program on implementation analysis of the Law of Republic of Tajikistan «On insolvency (bankruptcy)». Only organizational measures were implemented: a working group is set up, a letter was sent to the Economic Court and the Council of Justice, with the request for providing information on legal proceedings related to declarations of bankruptcy.

According to the information provided by SCI of RT, the Committee is planning to conduct trainings on interpretation of the Law of RT «On Insolvency (Bankruptcy)».

Item 5 of the Program on development and approval of the Action Plan on improving indicators of RT in the international rating of «Doing Business» in the area of taxation. The working group under SCI has developed a draft of the required Action Plan. This draft represents a Plan of activities comprised of 3 measures of organizational nature, such as: establishing of a working group, identifying issues in tax administration, and developing recommendations on introducing amendments to the Tax Code of RT.

Item 6 of the Program on conducting performance analysis of domestic producers with the purpose to develop measures for stimulating their development.

Based on the available information, with the exception of implementation of organizational measures, such as establishing inter-agency Commission on supporting domestic producers and protecting domestic market, no other particular measures were undertaken by the Ministry of Economic Development and Trade, as well as by other state agencies. The implementation of this item has demonstrated a weak motivation and a lack of responsibility among business-associations.

Item 7 of the Program on development and approval of the Plan on improving normative legal acts, regulating the construction sector. It was completed, as on June 11, 2009, the Government of Republic of Tajikistan had approved the Plan envisaged under the Program, by its resolution. Regarding the implementation of this Plan, the working group has developed and submitted respective draft laws to the Government of RT for consideration.

Item 8 of the Program on reviewing and, if necessary, presenting recommendations on improving licensing activities.

According to the information provided by SCI of RT, the working group has developed, finalized and sent their recommendations to EOP of RT on removing 11 types of entrepreneurial activities from the Law of RT «On licensing some types of activities».

Item 9 of the Program on developing draft Law «On Permit System».

Based on the information available from SCI of RT, this draft Law has not yet been developed. The implementation of this item of the Program depends on a timely implementation of the Item 10 of this Program.

Item 10 of the Program on reviewing normative legal acts, regulating issuance of permitting documents to entities of entrepreneurial activities, in order to elaborate the recommendations on reducing their number.

SCI of RT with the support of the Project on Business Enabling Environment (BEE), IFC, has carried out a certain work on organizing activities of inter-agency commission involved in the review of normative legal acts, regulating issuance of permitting documents to entities of entrepreneurial activities (trainings were conducted for the agencies involved, «questionnaires» have been developed).

The Secretariat informs that the review of normative legal acts, according to this item of the Program, envisages 3 implementation phases (such as the review of normative legal acts by ministries, then by

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business-structures and eventually by the governmental commission). As of today, the first implementation phase is almost completed, and organizational activities of the 2 phase, which envisage discussions on normative legal acts with participation of business-structures, are ongoing.

Item 11 of the Program on conducting analysis and, if necessary, presenting recommendations on changing the legal status of JSC, in the part of expanding their abilities to attract foreign investments.

SCI of RT has developed the adequate suggestions on introducing amendments to the Law of RT «On joint stock companies», which were approved by the Government in October 2009 and were sent to the Parliament of the Republic for consideration.

Item 12 of the Program on developing and introducing amendments to the land legislation regarding the administration of issues related to purchasing and selling of land use rights.

According to the information provided by SCI of RT, the working group on land reform has developed and sent for finalization a draft law on introducing adequate amendments to the Land Code.

Item 13 of the Program on developing recommendations to introduce a «One-stop shop» principle when assigning land plots and issuing certificates for land use rights.

According to information available, the implementation of this item of the Program is not possible within the period of 200 days, because the issue of simplifying the mechanism for land plot allocations still remains open, and no adequate solution to the issue was found.

Item 14 of the Program on developing National strategy for development of quality infrastructure.

According to the information available, the working group under the Agency on standardization and metrology, certification and trade inspection under the Government of RT, has developed and sent for consideration the draft of the «National strategy for development of quality infrastructure for 2010-2012».

Item 15 of the Program on implementation monitoring of the Law of RT «On joint stock companies» in the part of improving legal protection of shareholders in minority.

The Secretariat has informed in the previous bulletins that it is necessary to conduct an adequate survey among JSC in order to implement this item of the Program. According to the information provided by SCI of RT, the Committee together with the IFC specialists is carrying out a certain work on arranging the monitoring of the Law of RT «On joint stock companies».

Item 16 of the Program on developing the Program on introducing «One-stop shop» for export and import procedures.

The working group under the Ministry of Economic Development and Trade has developed and sent the draft of this Program to the ministries for consideration. The ministry has initiated round table discussions on this draft with the stakeholders including business-structures.

Item 17 of the Program on developing a plan for reforming the technical regulation system.

According to the information available, the working group under the Agency on standardization and metrology, certification and trade inspection under the Government of RT has developed and sent for consideration the draft of the required Plan.

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Item 18 of the Program on reviewing the Labor Code of Republic of Tajikistan on the matter of its compliance with market principles.

According to information available, the expected analysis has not been conducted by the Ministry of Labor and Social Protection.

Item 19 of the Program on developing the methodology and forms of simplified reporting.

State Committee on Statistic, within the activities of the working group, has reviewed the proposals presented by business-structures and suggested some forms of simplified statistical reporting, which were integrated into new methodology of Sate Committee on Statistics and would be applied starting from January 2010.

Thus, out of 5 forms on agricultural statistics only 2 forms were retained (a monthly and semiannual forms). According to the new methodology, now entrepreneurs will not provide reports on inspections and balance of the company. Six reporting forms in the area of financial activities were combined into a single form.

Item 20 on developing the recommendations on creating conditions for leasing development.

According to the information available, the working group has developed proposals on introducing amendments to the Tax Code of RT and the Customs Code of RT in order to create conditions for leasing development. However, up to date the agencies responsible for implementation of this item of the Program, did not undertake any measures for the further progress of this matter.

Item 21 on developing a proposal on introducing changes and additions to normative legal acts according to the Law of RT «On Credit Bureaus »

The working group under NBT has developed and sent for consideration a proposal on introducing amendments to « The Regulation on specifics of licensing some types of activities».

Item 22 on simplifying tender procedures for procurement of goods, works and services for local companies at the cost of state budget and funds provided by international organizations.

According to the information available, the agencies responsible for implementation of this item of the Program do not view this matter in the described context.

Item 23 on reviewing all normative legal acts, regulating the activities of foreign investors in RT, subject to amendment or canceling.

The working group under SCI of RT with technical support of BEI Project (USAID) has prepared a report on investment legislation review and sent it for consideration to EOP of RT.

Item 24 on developing a draft Law of Republic of Tajikistan «On free economic zones” in a new edition. Inter-agency expert group under the Ministry of Economic Development and Trade has developed and sent for consideration the relevant draft Law»



INDICATORS OF STATE BUDGET' PARTICIPATION IN PRIVATE SECTOR DEVELOPMENT

The Secretariat informs that on November 14, 2009, the President of Republic of Tajikistan, Emomali Rakhmon, has signed the Law «On state budget for 2010», approved by the Parliament of the country. The total size of state budget in 2010 will amount to 6, 536.8 billion somoni. Total size of expenditures inclusive of budget deficit will amount to 6, 782.0 billion somoni.

The Secretariat, having analyzed the indicators of the state budget for 2010, provides below a summary of some indicators of state budget' participation in private sector development:

Tool description	Allocated budget funds
Tax deductions (return of VAT)	16.5 mln. somoni
Soft loans: <ul style="list-style-type: none"> • For support and development of agriculture <p>Note: For development and support of small and medium businesses in mountain areas of the Republic, the state budget has allocated 3 ml. Somoni in 2005, 3 ml. Somoni in 2006, and 4 ml. Somoni in 2007. The budget of 2010 does not provide for these funds, but we need to consider the fact that the funds allocated earlier are in use by private sector.</p>	130 mln. somoni
Share participation in financing of investment projects	75. 4 mln. somoni

Besides, the Government has established a concessional taxation order for some economic activities, such as import of equipment for technical refurbishment of enterprises.

GEORGIA'S EXPERIENCE ON REFORMING PUBLIC ADMINISTRATION SYSTEM

(Source: Internet article «Successful manager from Georgia» by M. Samorukov)

The Secretariat, in continuation of the subject on improving ratings of Republic of Tajikistan in «Doing Business» Report, provides the information about Georgia as the leader in improving its investment indicators not only among former Soviet republics, but among other developing countries.

According to the Report, Georgia holds the leading position y for the past 5 years, which proves that its state policy is not accidental but is rather purpose-driven regarding implementing reforms to improve doing business environment. As for today, Georgia holds the 11 position among 183 countries covered by the Report.



On attractiveness for foreign investment, Georgia has moved to a level of Eastern European countries, EU members. The flow-in of foreign investments allowed the country to finance its development, meanwhile the volume of accumulated direct investments in Georgia continues to grow.

The scope of institutional reforms in Georgia has positively effected improving of international ratings of the country, which allowed it to rise from below the 100th position in 2004 to the 11th position in 2009 in «Doing Business» Report, which emphasizes the success of the political course of this country' government.

Following the best practices of classic economic theory, the system of state administration was turned into «a night guard, who maintains order and tries to not interfere with business development».

First of all, the country has reduced the number of activities requiring obtaining of state license - from 909 to 144. In doing so, they used the principle «silence is the sign of agreement», according to which the license is considered automatically issued in case of absence of any complaints, or no-reply situation with the structures in charge of issuing licenses.

The taxation system was even more drastically modified. Out of 22 taxes levied in Georgia before, only 6 remained, and two more taxes will be cancelled by 2012. For the remaining four taxes, a flat scale was introduced as follows: 20% tax - on the incomes of physical persons, 15% - profit tax, 1% - property tax, and 18% - VAT. To simplify taxation system to the maximum, they first reduced and then completely cancelled even social tax in Georgia. The losses were covered on account of income tax increase from 12% to 20%.

State regulation of labor market was reduced to minimum. And as of now, a Georgian employer only needs to notify the worker on it 4 weeks in advance and to provide a discharge allowance at the size of a monthly salary when dismissing a worker. Overtime work can be paid without applying premium rates, and sanction of labor union is no longer required for dismissal.

The similar measures were undertaken in the area of foreign trade regulation. The number of documents required for export operations was reduced from 9 to 4. With regard to import – out of 32 only 3 tariff rates remained as follows: 0%, 5% and 12%. For the majority of commodities, including vehicles and equipment, the 0% rate is applied, and 12% rate is applied only to certain types of agricultural products and construction materials. *The customs workers participated in a competition with bonuses for those who turned out to be the fastest in executing import documents.*

The reforms covered all the areas of state administration of Georgia. The number of days required for obtaining any of permits, arranging ownership rights, review of commercial dispute at court, was reduced by several times.

And all these reforms were accompanied by extended anti-corruption cleanup efforts in power structures, state apparatus and court system. The majority of the staff was dismissed



(15, 000 people were fired only from the state traffic inspection), and the salaries of the remaining ones were increased by several times. In the international anti-corruption rating presented by Transparency International, Georgia went up from 124 to 67 position within 2004-2008. Today, the country steadily runs ahead of other CIS countries and is almost at the same level as new EU member-countries

In order to reduce state regulating functions, the President of Georgia suggested to the Parliament to adopt a package of draft laws and amendments to the Constitution, combined by him into «The Act on Economic Freedom». According to the amendments to the Constitution, from now on the deficit of state budget should not exceed 3%; the maximum ceiling of budget expenditures is set at the level of 30% of GDP, and the level of state debt should not exceed 60% of GDP. And all these are not just some economic benchmarks or good wishes, but it is a law which provides for the punishment if not followed.

Moreover, the President of Georgia has suggested to constitutionally forbid introduction of new taxes or increasing of existing ones (taxes can be increased only by way of national referendum), or creating new controlling and regulating agencies, as well as introducing additional licenses. From now on, the state will not be able to have even the smallest share in commercial banks.