

Registration		
Issue	Recommendations	Expected Impact
Long duration of registration procedures of legal entities due to high number of bodies involved and wide scope of intervention of each body	<ul style="list-style-type: none"> • Introduce time limits for registration, which could apply to single bodies as well as to the overall process. This could be achieved by: <ul style="list-style-type: none"> - imposing a fixed consideration time for each step of the registration process by law, for example such as 1 working day wherever a simple approval is needed (i.e. to obtain Statistical Code), and 5 working days where a thorough analysis is needed (i.e. State Registration); - requiring the public bodies to substantiate delays, as well as to provide a detailed explanation for refusal of applications in order to allow the applicant to improve upon it; - introducing a maximum registration time, differentiated per typology of companies, in case a "one-stop-shop" principle were to be introduced. • Reduce the number of steps needed to register a legal entity. This could be achieved by: <ul style="list-style-type: none"> - ensuring the implementation of the current legislation foreseeing an exchange of records between registering bodies which would allow the companies to obtain a Statistical Code and a Taxpayer's Identification Number without the need to further apply to each of the bodies; - considering the possibility to consolidate the different identification codes legal entities need to obtain (State Registration Number, Statistical Code and a Taxpayer's Identification Number); • Introducing a full fledged "one-stop-shop" mechanism including all the State bodies involved in legal entities registration. The registering entity could fill in a single application and provide at once all the necessary documents, which would be processed internally by the involved bodies; • Limit the breadth of arbitrary authority of each body in the decision making process, in particular by the bodies of justice, foreseeing simplified consideration process and specifying a limited set of cases of registration refusal (e.g., incomplete documentation, unlawful activity). 	<ul style="list-style-type: none"> • Time limits for registration introduce a responsibility principle for public bodies, which should increase efficiency by: <ul style="list-style-type: none"> - Reduced registration time; - Reduced unofficial payments. • Fewer steps are expected to reduce barrier to entry for new companies. • Less intervention from state bodies would reduce the time and cost of registration for legal entities.
Unclear cost of registration procedures	Introduce official processing costs for each step of registration by the different bodies. These costs, differentiated for each typology of business, should be officially disclosed in the public information boards by each government body.	Introducing and communicating to the public the official costs related to each stage of the registration would increase transparency of the process, decreasing unofficial solutions, and in turn reducing overall registration costs.
Non-transparent and time consuming procedure of land plot allocation for dehkan farmers	Introduce a transparent mechanism for land allocation for dehkan farms, which at the very least includes: <ul style="list-style-type: none"> • Uniform set of application documents; • Fixed terms for decision making by the different bodies involved; • Clear application fees. 	Simplified and transparent land allocation mechanism would make registering dehkan farms easier, reducing cost and time spent.
Annual registration for individual entrepreneurs working under certificate	Implement a life-time registration for individual entrepreneurs operating under certificates, which would reduce a recurrent cost for doing business. As the legislation does not foresee expiration for certificates, this result could be simply achieved by monitoring that the Tax Bodies do not include an expiration date in the certificate which they issue.	By waiving a duration limit for certificates, individual entrepreneurs opting for this type of registration would immediately benefit in terms of avoiding a recurrent burden, reducing time and cost of re-registration.

Licensing		
Issue	Recommendations	Expected Impact
Short duration of issued licenses as disincentive to long-term investments	Extend the duration of licenses and introduce permanent licenses. This can be achieved by: <ul style="list-style-type: none"> • Introducing by law a minimum 5-year validity period for all licenses (as in most countries); • Identifying licenses that can be issued once, i.e., permanent licenses that are revoked only if infringements are identified; • Enforce provisions of the law on duration of issued licenses to avoid the current discrepancy between legal terms and practical ones. 	By extending the validity period of licenses, the government will further reduce the market entry barrier, which in turn would increase the number of active companies and the size of long-term investments. Additionally, it would reduce the immediate costs of doing business, as well as time spent dealing with license renewals. This time could be translated into greater profits, more taxes paid, and more investments.
High financial burden of licensing process, especially for smaller scale businesses.	Introduce the possibility, in particular for individual entrepreneurs, to obtain long term licenses while at the same time paying in yearly instalments. This would secure their rights for a longer timeframe and reduce the financial burden, particularly heavy for cash-constrained individuals.	<ul style="list-style-type: none"> • Payments by instalments would reduce the immediate burden for individuals lacking access to funding, resulting in easier entry for start-up businesses, leading to more companies active in the economy generating profits and state tax revenues; • For the state budget: it would secure a more stable revenue flow over time, while reducing the time needed to process new applications.
Long period of application consideration increasing the cost for businesses and unofficial solutions	Reduce the duration of the license issuing process by enforcing the existing 30-day limit and introducing transparency into the decision process. This can be achieved by: <ul style="list-style-type: none"> • Introducing a "silence is consent" principle for all licensing agencies, which would automatically grant a license in case no explicit refusal decision is made within a 30 day period; • Requiring licensing bodies to substantiate their refusal or delay of the application; • Introducing a monitoring system that allows ex-post verification of the average length of the licensing process; • Introducing a simplified process (with shorter timeframe, e.g., 15 days) for renewals and repeated applications after a refusal. 	The implemented measures would reduce the time spent by entrepreneurs dealing with the procedure, leading to higher profits and higher state tax revenues. A more transparent decision-making process is expected to reduce unofficial payments.
Unclear rationale behind some licenses	Evaluate the need for a further reduction in licensed activities to include only those activities which: <ul style="list-style-type: none"> • Require strict governmental oversight to protect the health and safety of citizens; • Deal with the allocation of scarce resources or with natural monopolies; • Do not foresee specific permit requirements. 	Reduced number of activities subject to licensing will reduce expenses for entrepreneurs dealing with the procedure. Additionally, further entry into relevant sectors would have a positive effect on private sector profits and tax revenues.
Unclear scope for license suspension allowing broader interpretation or leading to rent-seeking	Reduce the scope for licensing suspension. In particular by: <ul style="list-style-type: none"> • Clearly defining for each licensing bodies a "closed list" of situations in which a license should be suspended; • Evaluating the option to subject license suspension to court approval. 	Reducing the scope for license suspension would secure entrepreneurs' rights. As a result, entry costs would be reduced, leading to more active companies being active in the economy. Additionally, unofficial payments to licensing bodies would be reduced.

Permits		
Issue	Recommendations	Expected Impact
Widespread coverage of permits	<p>Reduce permits coverage. This in turn can be achieved by:</p> <ul style="list-style-type: none"> • Reviewing the number of permits currently issued in order to rationalize the existing legal basis according to the risk management principles. The necessary steps in this process are: <ul style="list-style-type: none"> - cancellation of outdated and anti-market permits; - consolidation/elimination of redundant permits, i.e., overlapping permits issued by different levels of the same agency, or by different agencies; - elimination of permits covering areas already regulated by licensing; - elimination of permits for areas already covered by other administrative procedures (i.e., compulsory or voluntary certification). • Identifying by law the agencies allowed to issue permits. 	<p>Reduced coverage of permits will decrease the entry cost for new businesses and cost of doing business for existing ones, with possible impact on the number of active companies and positive contribution to the budget.</p>
Long application review process, leading to rent-seeking opportunities	<p>Streamline the application process. This can be achieved by:</p> <ul style="list-style-type: none"> • Introducing the "silence-is-consent" principle. Once an applicant for a permit submits the required paperwork, the failure of an issuing agency to respond with a decision within a given timeframe counts as an application approval; • Introducing an administrative principle of application review process, which limits the range of state intervention and clearly defines the required steps in case of refusal; • Specifying a uniform permits application procedure. 	<ul style="list-style-type: none"> • Clear procedures would reduce the overall burden of entrepreneurs in terms of time and money; • Transfer of responsibility from applicant to official would force the latter to examine documents in a timely manner, reducing the overall time of consideration; • Clearly substantiated cases of refusal would improve the overall process and reduce entrepreneurs' dependence on unfair decisions of officials.
Cumbersome and frequent permits renewal procedure for existing businesses	<p>Reduce the burden of permit renewals. This can be achieved by:</p> <ul style="list-style-type: none"> • Extending the validity period of issued permits, thus reducing the need for repetitive renewals; • Designing a dedicated process with limited steps in case of no changes in business activity. 	<p>Simplified and less frequent renewal procedure would reduce the cost of doing business, while at the same time streamline the work of public bodies.</p>
Certain activities requiring multiple permits from different agencies, resulting in delay of start of activity	<p>Introduce the "one-stop-shop" principle of issuance of some permits (e.g. building permits), which will help to decrease the length of the process and increase the effectiveness of the procedure, both for entrepreneurs and for the state agencies. In particular, it would be advisable to adopt the one-stop-procedure for sectors requiring multiple permits.</p>	<p>The possibility to apply at a "one-stop-shop" would reduce the overall burden for entrepreneurs in terms of time and cost spent and have a positive impact on transparency and reduction of unofficial solutions between entrepreneurs and officials.</p>
Low legal awareness among entrepreneurs and government officials	<p>Launch an information campaign to increase the legal awareness of entrepreneurs and government officials, including seminars, publications and distribution of explanatory materials.</p>	<p>Introduction of standard rules and requirements will bring clarity and will regulate the procedure of obtaining permits, improve accessibility to information, decrease the opportunities for unofficial payments and increase the legal protection of entrepreneurs.</p>

Entrepreneurs and finance		
Issue	Recommendations	Expected Impact
Banks' limited information to assess the clients' risks constraining the lending market and resulting in higher rates, high collateral requirements, or short-term lending	<p>Provide incentive systems for banks to reduce credit rationing to SMEs, by reducing their credit risk. This in turn can be achieved:</p> <ul style="list-style-type: none"> • From the government side by: <ul style="list-style-type: none"> - Implementing and developing improved pledge legislation measures and collateral enforcement regimes through: <ul style="list-style-type: none"> • introducing alternative dispute resolution mechanisms; • unified verification of collateral contracts in notary offices to speed up and facilitate the lending process; • introducing the possibility of using land user certificates as collateral for loans. - Establishing a national credit registry which would provide banks with additional borrower information, facilitating bank verification of credit requirements and credit history of borrowers. • From the banking side by: <ul style="list-style-type: none"> - Enhancing internal credit risk analysis capabilities by training credit officials and introducing advanced credit analysis methodologies (e.g., credit rating tools); - Promoting alternative financing mechanisms which imply reduced credit risk such as leasing; • From the private sector side by: <ul style="list-style-type: none"> - Introducing credit insurance provided by business associations (i.e. the Italian CONFIDI), that, in exchange for a fee, could ensure part (up to 50%) of the principal amount provided to a specific SME. 	<p>By reducing the credit risk faced by financial institutions, three results are expected, which would reduce credit rationing and make financial resources more easily available to SMEs:</p> <ul style="list-style-type: none"> • Increased amount of lending available to SMEs (i.e., for the same credit risk, more lending available); • Reduced interest rates, as a result of higher level of guarantees; • Reduced collateral requirements, as a result of higher level of guarantees.
Limited trust of population into banking system of the country	<p>Put in place policies to increase the confidence of the general public in the Tajikistan financial sector. This could be achieved:</p> <ul style="list-style-type: none"> • From the government side by: <ul style="list-style-type: none"> - Increasing the awareness of the population of the Fund for Deposit Insurance, and strengthen its role for low/middle income households by introducing an upper limit to the coverage while increasing the threshold for full coverage; - Amending the banking legislation to introduce bank secrecy disclosure only on the basis of a court decision; • From the commercial banking side by: <ul style="list-style-type: none"> - Improving their internal controlling and auditing processes to eliminate unofficial payments from their branches; - Increasing accountability by introducing the principles of bank corporate governance and, over time require international rating companies to provide independent evaluation of their financial stability; - Promoting the creation of an Inter-banking Association to develop common standards and promote banking interests on different levels as well as promoting banking activities among the population. 	<p>Increased confidence in the financial sector will foster its development in several ways, among which, by:</p> <ul style="list-style-type: none"> • Channeling financial resources to the financial sector, i.e., increasing the share of deposits, allowing for an increased intermediary role between individuals and the SME sector; • Narrowing the confidence gap between SMEs and banks, allowing them to revert more frequently to banks in case of need.
Lack of practical benefits for the population from using banking services	<p>Support the development of banking services by creating a "need for banks":</p> <ul style="list-style-type: none"> • From the government/NBT side by: <ul style="list-style-type: none"> - stimulating the use of "cashless" payment systems (e.g. by introducing the possibility to direct debit charge bank accounts for the payment of local utilities); - conducting an awareness campaign addressed to communicate the benefits of using banks for the general public; - reducing the 12% withholding tax on deposit interests to attract more deposits from individuals. This measure could be applied to deposits denominated in somoni only to provide incentives to invest in local currency. • From the commercial banking side by: <ul style="list-style-type: none"> - developing and disseminating informational materials on available banking products, including deposits, credit cards, payment systems and financing (including guidelines on loan application procedures as well as samples of relevant forms and applications); 	<p>Allowing banks to develop closer relationships with SMEs, which will in turn reduce the information asymmetry which creates a limit to the lending market. This in its turn would channel excess cash into the financial system, reducing the funding constraints for banks.</p>

Inspections		
Issue	Recommendations	Expected Impact
Low awareness of the entrepreneurs about introduced legislative norms regulating the process of inspections, in particular the newly introduced Law on Inspections	Disseminate among the wide public the provisions of the Inspections Law and in particular the detailed inspection process as envisaged by the new law. This in turn can be achieved by: <ul style="list-style-type: none"> • Developing information campaigns via media addressed to a wide audience; • Targeting specific audiences, i.e., business associations, business incubators, NGOs with specific training programs aimed at raising their knowledge and making them able to support SMEs; 	Higher level of awareness of the Inspections Law and a standardized and transparent inspection process will empower entrepreneurs' vis-à-vis inspectors by providing them with some direct tools to reduce the burden of inspections and at the same time warrant compliance.
Low compliance of entrepreneurs with regulations to a great extent due to the lack of available information for entrepreneurs	Provide entrepreneurs with clear, up-to-date and easily available regulations/ instructions. This in turn can be achieved by implementing the provisions of the Inspections Law: <ul style="list-style-type: none"> • Developing sector-specific checklists at each inspectorate level, which incorporate all technical regulations; • Making checklists and regulations available to entrepreneurs in advance in large-scale information campaigns and before inspections, so that entrepreneurs can be better prepared; • Reviewing the regulations underlying inspections to align them with international best practices as well as with the Tajikistan institutional context; 	The elaboration of checklists at the agency level, based on up-to-date regulations, and their dissemination, should increase awareness and bring transparency to the inspection process.
Widespread coverage due to the absence of risk management approach during planning, conducting and assessment of inspections	Implement a risk-based system for selecting inspections targets. Risk criteria need to be defined for each inspections agency in accordance with specific risk parameters of the activities the agency controls. This in turn can be achieved by: <ul style="list-style-type: none"> • Implementing the provisions of the Inspections Law requiring differentiation of inspected entities based on their potential risks, and in particular the high risk category requiring higher frequency inspections; • Defining the risk-management principles within each category of business (individual entrepreneurs, small and medium companies, and dehqan farmers), which would allow identification of businesses with higher likelihood of infringements – i.e., selection based on past infringement records, random selection mechanisms. 	The definition of risk categories should drastically reduce the coverage of inspections and change their very nature. Indeed, inspections should not represent the norm, but rather, an exception, unless specific reasons exist. A business should be inspected more frequently only if it belongs to a high risk category or if company-specific conditions exist.
Poor professional organization of the inspectorates, low qualification of inspectors, insufficient remuneration	Revise the organizational structure, the professional qualifications, the incentive systems and the salary scale of inspectorates. This in turn can be achieved by: <ul style="list-style-type: none"> • Rationalizing the number of inspectors to be allocated to each agency and their geographical distribution, according to the number of entities to be inspected and the risk associated to the inspected entities; • Submitting inspectors to regular training programs and professional tests to ensure professional skills and improve the efficiency of the inspections process; • Reviewing the salaries of inspectors and introducing incentive systems linking salaries to performance 	An improved organization of the key inspectorates should complement the introduction of risk-based principles of inspections. A lower number of highly skilled, professionally trained and better rewarded inspectors should warrant improved outcomes of inspections, despite the reduction in the number of inspections and reduction in unofficial payments, as a result of an incentive system linking salaries with performances.

Taxation		
Issue	Recommendations	Expected Impact
Complex requirements for social and retail trade tax payments for individual entrepreneurs undermining the simplicity of patent system	Further simplify the taxation system for individual entrepreneurs working under patents, by introducing a comprehensive lump-sum system: <ul style="list-style-type: none"> • Consolidating into the patent costs both the retail tax and social tax payments; • Revising the patent payments on a regular basis by consultations with others stakeholders, for example within a framework of an annual workshop. 	By consolidating all taxes to be paid by individual entrepreneurs into a patent, the benefits would be two-fold: <ul style="list-style-type: none"> • On entrepreneurs' side, would eliminate the costs of unneeded inspections and unofficial payments. • On the government side, it would drastically reduce the number of inspectors. In addition, lump sum patent payments would facilitate forecasting tax revenues.
Unclear and non-transparent tax accounting for: • individual entrepreneurs under certificate • small and medium companies	Introduce systematic and simplified tax accounting for: <ul style="list-style-type: none"> • Individual entrepreneurs working under certificate; • Small and medium companies taxable under simplified system. This could be achieved by: <ul style="list-style-type: none"> • Introducing unified tax accounting and reporting, which would allow submission of one single tax return; • Book-keeping for purposes of taxation based on simplified unified Book of Revenues; • Clearly defining the tax accounting procedures in Tax Code. 	The introduced measures will increase the attractiveness of these systems, increasing the number of tax payers and consequently increase tax revenues of the state budget.
No clear advantages of simplified taxation system for small and medium companies	Strengthen the advantages of the simplified taxation for legal entities, by either streamlining tax administration procedures (e.g., quarterly payments and unified reporting for all taxes) or consider reducing the tax rate. Indeed, as it is now, the simplified tax is neither really simple, nor economically convenient.	Further strengthening the advantages of simplified taxation would lead to small and medium companies choosing this system. Increased share of enterprises working under simplified system would reduce the overall tax administration for tax bodies, resulting in a decrease of administrative costs.
Some of the taxes hindering the growth and investment opportunities of companies	Consider the possibility to eliminate taxes which represent an obstacle to business growth. A typical example of these taxes is the newly reformed road users' tax, which is calculated based on costs, implicitly representing a disincentive for companies which invest and generate long-term growth.	Abolishing these kinds of taxes would create additional incentives for companies to invest in business development and reduce the drive towards "shadowing" of revenues and expenses.
Taxation of dehkan farmers not taking into account achieved productivity	Further improve the taxation regime for dehkan farmers by introducing the option to reduce the tax burden for smaller sized farms in cases of low profitability, which should be proved by the farmer and subject to a tax audit. The decision to reduce the tax burden should be made by a special commission of representatives from tax authorities, local governments, and local self-governments, in order to prevent unfair decision-making and corruption.	Introduction of this measure would reduce the tax and debt burden of the dehkan farms. Elimination of unnecessary pressure would motivate farmers to improve their performance.
High rate of social tax	Evaluate the opportunity to reduce social tax payments which represent a disincentive to hire employees and push labor into the shadow market.	Reduced social tax rate would reduce the labor cost and increase the level of employment by creating additional jobs.
Complex tax administration, especially for legal entities under standard taxation system	Streamline the tax administration. This can be achieved by: <ul style="list-style-type: none"> • Simplifying tax payments by consolidating them (providing the option to pay more frequently on voluntary basis) and wherever possible reduce the number of tax forms; • Simplifying the taxation forms, reducing the number of pages and redundant information; • Introducing risk based principles in planning and conducting inspections, focusing the verifications on the businesses where higher returns are expected; • Reducing the scope for tax inspections and clearly limit the arbitrary powers of tax inspectors. 	Effective tax administration system would reduce the corruption level, free government resources from unnecessary tax procedures and redirect them more efficiently. In addition it would reduce the costs for businesses due to consolidated number of necessary payments and cost and time of interaction with tax bodies.

Illegal payments from businesses charged by local governments ("land improvement payments")	Abolish the practice of charging additional payments not foreseen by the legislation. This can be achieved by: <ul style="list-style-type: none"> • Providing an opportunity to report illegal payments issues to higher authorities; • Declaring "land improvement payments" illegal and sanctioning officials that require them. 	Abolishing illegal payments would increase the profitability of entrepreneurs, resulting in increased tax revenues for the state. It would also reduce corruption, resulting in an improved business environment.
Limited accounting literacy	Provide tax consultation within business associations to allow access to tax consultations for member-businesses.	Access to tax and accounting consultations would facilitate tax filing and accounting of smaller scaled businesses.
SMEs limited awareness of tax regulations	Increase the legal awareness of entrepreneurs through state and non-governmental structures to improve entrepreneurs' access to information on taxation.	The benefits of increasing entrepreneurs' legal awareness would be reduction of unofficial payments and of time required to deal with tax payment and inspections procedures, positively affecting entrepreneurs' profits and state tax revenues.

Foreign trade and technical regulation		
Issue	Recommendations	Expected Impact
Complicated procedures hindering involvement of SMEs in export operations	Simplify the export trade procedure by: <ul style="list-style-type: none"> • Eliminating 100% advance payment requirement for export; • Reducing the number state bodies involved in processing of documents to avoid unnecessary duplication. For instance: <ul style="list-style-type: none"> - National Bank of Tajikistan confirms the presence of the necessary documents for export, even though the procedure has already been completed by the seller's bank; - custom procedures are repeated by directorate for custom supervision and regional customs office. • Eliminating mandatory requirements for certain categories of export goods at Tajik Universal Commodity Exchange (TUCE). At very least, enforce that products not on the list in government resolution should not be subject to TUCE review. 	Simplified procedures would increase the number of SMEs involved in foreign operations contributing to additional income generation of national economy and increase in foreign trade turnover.
Complicated procedures hindering involvement of SMEs in import operations	Facilitate processing of imported goods by: <ul style="list-style-type: none"> • Creating Valuation Dispute Resolution Administrative Tribunal to handle disputes on valuation methods during import; • Introducing acceptance of faxed import documents (e.g., letters of credit) in accordance with international practices. 	Introduced measures would increase the transparency of the import procedures and reduce the time and cost burden for businesses.
Complicated transportation regulations hindering the growth of foreign trade operations	Facilitate transportation of goods. This could be achieved by: <ul style="list-style-type: none"> • Improving the domestic transport and customs regulations towards more transparency and simplification; • Continuing dialogue with neighboring countries to simplify and to increase the transit volumes of the goods. 	Improved transportation would reduce the overall expenses of trade operations.
Low awareness of the entrepreneurs about major trade procedures due to the lack of uniform information	Develop and disseminate by customs services a binding summary descriptions on export/import procedures, necessary documents to be submitted, costs, and timeframe for each step.	Availability of uniform requirements for foreign trade procedures reduce the overall burden for entrepreneurs in terms of time and cost spent.
Widespread certification of goods and services being burdensome for SMEs	Apply the risk-based approach by determining which goods and services need to be certified to exclude non-risky categories from mandatory certification as well as by abolishing the mandatory certification requirement for services.	Reduction of the coverage of certification would result in additional cost savings for entrepreneurs.
Outdated technical standard system with limited integration with worldwide standards	Update the standard system by: <ul style="list-style-type: none"> • Reviewing the list of standards and abolish the ones not necessary on the grounds of health and safety in a market economy; • Considering the possibility to adopt international standards to avoid "maintenance cost" of the system. 	Possibility for entrepreneurs to market their products in the conformity with international standards. At the same time "maintenance cost" for the bodies responsible for elaboration of standards will be reduced.
Burdensome system of mandatory certification hindering the development of foreign trade	Reduce the need for double certification of import/export by: <ul style="list-style-type: none"> • Accepting the certificates of conformity from EU countries, U.S.A., Japan to avoid double certification of imported goods; • Creating internationally required laboratory facilities to certify Tajik commodities according to internationally adopted standards to facilitate their export. 	On the one hand, avoidance of double certification during import would reduce the overall burden for importers. On the other hand possibility to certify Tajik commodities with internationally accepted standards would allow Tajik exporters easier access to international markets.
Unequal position of Tajik exporters in foreign trade	Accelerate WTO accession of Tajikistan by bringing the legislation in line with requirements and institutionalization of business participation in WTO accession process.	WTO accession would have a positive impact on the development of foreign trade in the country.