

**MINUTES  
OF SME LEGAL ENVIRONMENT WORKING GROUP MEETING**

**January 25, 2007 - 14.30-17:00 - IFC Private Enterprise Partnership Tajikistan Office**

- 1. Barbara Kaminsky, the Director of BearingPoint** informed about the project goals and main directions among them are taxation issues. She noticed that the Memorandum of Understanding is signed with the Tax Ministry and the project intends to work on computerization of tax activities.  
Together with IMF mission in Tajikistan BearingPoint is working on financial sector assessment program. The project is currently preparing a trip to USA for the heads of local banks. The goal of the trip is to share the experience in the functioning of banking system, Federal Reserve and other related issues.

In the meantime the 3-year project is in its 3<sup>rd</sup> year (2004 – 2007) of the second phase, while the first one was held within the years 2002-2004.

- 2. Andrea Dall'Olio, SME Policy Project of IFC** presented the project outline. He mentioned that the project has three areas of work: survey, policy and awareness where the project concentrates its efforts. Within the first phase (2003-2004) the first baseline survey was conducted and upon its results necessary policy actions were identified. The project initiated drafting an inspection law and succeeded to have it passed on July 2006 (within the second phase). Now the implementation of inspection law is one of the main areas of activities, along with the new report on survey 2006 to be issued soon, as well as wide awareness campaign comprising of trainings, mass media events and preparation and distribution of printed materials.

**David Froman (US Embassy)** also added that he just came from the Garm region where Inspection Registration Book is widely used by entrepreneurs to reduce the “unofficial” inspections.

**Shuhrat Rajabov (DFID)** posed a problem that traders - some of which are clients of the “Association of Business Women” facing with. Ex. Dushanbe municipality required hundreds traders in 82 micro rayon to close down their shops or relocate. Closing down businesses that are operating on the basis of their received permits or asking them to be relocated without any compensation, would make entrepreneurs loose their incentives to invest more. The participants discussed the issue whether it is the question of inspections or correct permits to be received. **Andrea** answered that the process of permits issuance is not clarified in the legislation and it is the next area of interest of IFC SME Policy project. Matthias Halder (GTZ) noticed that the project had also heard about the issue and it would be interesting to find out whether there is a strategy behind the move, meaning unfair competition from bigger traders.

Additional information

Please find attached the presentation SME Policy Project overview.ppt.

- 3. Zarona Ismailova, Director of Eurasia foundation of Central Asia** informed the participants on the status of the foundation that has changed from the local NGO to international one, and now they are starting to implement programs themselves. They are already experienced in establishing the small enterprises legal facilitation centres and are planning to move from providing consultations to bringing cases to the court. The new project on strategic litigation is aimed to have at least 20 cases brought to the court, among which at least 5 should be winning cases. The goal is not to win each and every case, but to set precedents and make enough publicity to this issue. The

prospective clients of the project will be able to defend their rights with the help of professional lawyers.

There is a hope for success in this project based on the results of implementation of the Strategic Litigation courts in Uzbekistan. The Centre in Samarkand established by Eurasia is still functioning and provides services on a sustainable base.

Zarona also mentioned that Eurasia Foundation is working on registration of the American Chamber of Commerce in Tajikistan which should be finished by March.

4. **Nurali Shukurov, BEI Project implemented by Pragma corp. financed by USAID**, informed on the launch of BEI project in October 2006 for the countries of Kazakhstan, the Kyrgyz Republic, and Tajikistan. The 4-year BEI Project supports USAID's strategic objectives in these countries by providing direct consultation and support to build capacity within government and private sector counterparts to promote effective dialogue, improve implementation of business-related legal reforms and streamline administrative processes for the benefit of small and medium enterprises (SMEs). The goal of the BEI Project is to promote entrepreneurship and economic development by reducing the legal, regulatory, and administrative burden for SMEs by working with governments to streamline legal and regulatory processes and facilitate informed and effective dialogue between the private and public sectors. Constructive, multi-party engagement in the reform process will result in better SME policies, deregulation at the local, national and regional level, proper implementation of laws and regulations and stronger business associations, leading to an improved business environment for SMEs and to more diversified economic growth. There are two main components:

- Improving regulatory processes
- Strengthening the commercial law framework.

The areas of activities of the project are (but not limited to):

- Licensing reform: analysis of existing legislation, preparation of the draft of amendments to licensing regulations
- Registration or deregistration procedure simplification
- Law on Normative Legal Acts and increased
- Legalization of private Notary services
- Support IFC's inspections reform (information dissemination)
- Procedures and practices of government procurement of goods and services
- International arbitration and contract enforcement
- Support in the development of legal and business analysis reg. Hague Convention Abolishing the requirement of legalization of foreign public documents
- Support in establishment of Public-private dialog

5. **Suhrob Tursunov from EBRD** informed on their current activities and plans:
- Providing finance to SMEs directly or through local financial institutions.
  - Launching business advisory services project to SMEs in spring 2007 aimed at helping improve their business operations, financial management as well as give consultations. The question of payment sharing was raised. Suhrob answered that initially the project will cover the charges by itself (when will identify the problems and support needed) and further the entrepreneurs will pay for the services (the share of entrepreneurs will depend on the current market)
6. **Sen Gupta, the private sector specialist of the World Bank** informed on initiatives of WB that are completed or ongoing in this sphere, in particular those

supported by the grants to the government (PDPC I and II) that cover the activities in the following areas:

- Licensing
- Competition and antimonopoly policy
- Inspections
- Access to visa regime
- Cotton sector (pricing, standards)
- Energy sector conversion
- Investment climate improvement

Private Sector Development strategy is another product of WB and the donor community. PSD focuses on risks to business, barriers to enter and costs of doing business. Donors should be interested to support some of the described areas.

7. **E.Sanginov, the Head of Department on State Support of Entrepreneurship of State Investment Committee** introduced himself as a new head of the newly established department that will be responsible of the private sector development and support the entrepreneurs. He said that he has got familiar with all the documents related to SME development in the previous period and they created a strategy defining goals and tasks of the new department, outlines the credentials. The department will take a lead and continue the work started before the Agency for Antimonopoly Policy and Entrepreneurship Support was established. He also emphasized that every international or local project can find a good partner in the newly established Department and they are ready to help in projects implementation aimed at poverty reduction through private sector development.

“I would be glad to cooperate with any of you through IFC or this coordination group”, - he said.

His Department consists of 2 sections: entrepreneurship support and rights protection arms. Mr. Sanginov said that the department plans to have its branches in every region of Tajikistan. “The general policy of the government is not to establish additional controlling bodies, but to support such projects as yours”, – he added.

8. **Parviz Salmonov from ACTED** presented the main results of a project on poverty alleviation:

Two business incubators are established in Khatlon region (the project is finished already and the incubators are working and remain sustainable). Experience from Kyrgyzstan was replicated in Tajikistan: within the premises (provided for free by the local authorities) the entrepreneurs can rent the equipment and receive loans on favourable conditions. Among the clients are businesses on animal breeding, chicken farms, IT centres, food processing. The BI staff also provides consultancy/trainings on different topics from starting a business to closing it.

9. **Matthias Halder from GTZ SME development project** informed on the new project launch in December 2006. The timeframe for the project is 8 years, when the first phase should be completed in 22 months. It is aimed at Enterprises, entrepreneurs, employees from the sectors of industry, handicraft, services. The project is partnering with the Ministry of Economic Development and Trade and among the client organizations are National Association of SME (Dushanbe) and National Association of Business Women (Sogd).

#### Additional information

Please find attached the presentation GTZ SME.ppt

10. **Saidmumin Kamolov** presented a project on Trade promotion in Tajikistan which is in its second phase now started in 2006 (1<sup>st</sup> phase – 2004-2005) and implemented by International Trade Center (ITC). The overall objective of the project is to strengthen the sustainable expansion and diversification of SME exports in Tajikistan. The project is operating on the 3 levels: micro (improving, in cooperation with local business service providers, export performance of 6 pilot fruit & vegetable processing enterprises), mezo (strengthening the provision of business support services through increasing the quality and range of their services that can assist potential and actual exporters in becoming more export competitive) and macro (supporting the implementation of the sectoral export strategy and to integrate it in a framework of sustained public-private consultations on trade development).

Additional information

Please find attached the presentation Trade Promotion Project.ppt

11. **Khushnidjon Rasulov** presented a new project called “Support to Regional Economic Cooperation in Central Asia“ aimed at increasing regional trade in Central Asia through reducing non-tariff barriers. Among the main activities of the project are:

- Seminars on defining interests of countries in increasing regional trade
- Truck trips to gain first hand experience
- Mapping process seminars on export/import procedures and non-tariff barriers
- Approving list of main non-tariff barriers and improvement measures by governments
- Starting implementation towards best practice

Additional information

Please find attached the file with Program presentation (program\_presentation\_GTZ.ppt)

**LIST OF PARTICIPANTS**

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*Minutes taken by Polina Pilyugina, IFC Tajikistan SME Survey Project*