



SUCCESS STORY

Simpler requirements support business

USAID helps change business legislation to improve business environment in Tajikistan



Olessia Neskova from a consulting company that specializes in legal services for registration of legal entities, holds a Tajik business registration certificate. Photo: Pragma

USAID's Business Environment Improvement project helps the Tajik Government design and amend laws for business and investor-friendly procedures on registration, bankruptcy, and joint stock corporations.

Tajikistan's Government adopted three USAID-sponsored laws and amendments that significantly improve business registration and bankruptcy processes and enhance shareholder protection.

Business in Tajikistan has long been regarded as difficult. The World Bank's 2009 Doing Business ranked Tajikistan 168th on the ease of starting a business, 150th on investor protection, and 97th on ease of bankruptcy processes out of 181 countries surveyed. To assist in simplifying business regulation in these areas, the USAID Business Environment Improvement project helped the Government of Tajikistan revise the existing legislation. With project's support, the government drafted a new law "On State Registration of Legal Entities and Individual Entrepreneurs" and designed amendments to the laws "On Joint-Stock Companies" and "On Bankruptcy".

The new law on registration introduced a "one-stop-shop" principle to replace the four government entities previously involved in the registration processes. It will also reduce the time required for registration from 49 to 5 days and decrease the number of required documents from 10 to 6. The new law also removed the requirement for charter capital before registration—a significant burden on small new businesses—and instead permits such funds to be made available within one year of registration. "This law is a decisive step for increasing the investment attractiveness of the country and for reducing the level of unemployment," says Nusratullo Davlatov, the Chairman of the Tax Committee under the Government of Tajikistan.

Similarly, the changes to the law "On Joint-Stock Corporations" grant minority shareholders (less than 10% shares, in Tajikistan) new rights: to file suit against company officials or the board of directors in case of an improper related-party transaction and hold them liable for damages to the company and shareholders, to require an external body review transactions in which company managers have an interest, and to require companies to disclose information to shareholders and in company publications any transactions with related parties. "This measure contributes to increasing the investment attractiveness of the Republic," says Farruh Khamraliev, the Chairman of the State Committee on Investments and State Property Management.

Additionally, the changes to the law "On Bankruptcy" will reduce the time required for closing a business from 3 to 2 years via elimination of excessive procedures, reduce the cost of bankruptcy from 9% to 2% of total asset values, and increase the ratio of funds recovered for investors from 25.4 cents per \$1 to 35 cents per \$1. Takdir Sharifov, the Director of the Association of Trustee Managers of Tajikistan says that "these changes will help prevent business crises. Besides, the country will get rid of unprofitable enterprises—a measure that will lead to economic growth and the closing of old debts."