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THE CONSULTATIVE COUNCIL ON THE IMPROVEMENT OF BUSINESS ENVIRONMENT AND INVESTMENT CLIMATE UNDER THE CHAIRMAN OF KHATLON PROVINCE – FIRST STEPS

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A- BACKGROUND

Following example of countries which, having relatively low foreign direct investments, still managed to significantly increase their volumes, focusing their efforts to improve business climate along with developing laws aimed to support investment and business activity, Tajikistan, in every possible way, is introducing and developing different forms of interaction between businesses and the Government, and also is engaging business community in drafting policy decisions.

First institutional arrangement to develop such partnership was the establishment of the Consultative Council on the Improvement of Investment Climate under the President of Republic of Tajikistan in 2007, under which the dialogue between the Government and private sector was institutionalized at the national level, providing opportunity to the private sector to participate in policy making process to address various economic issues.

There is an evidence proving the need to set up the institutionalized dialogue between the Government and private sector in the regions of Tajikistan. The initiative of the President of RT to establish a consultative-advisory body at a regional level was first implemented by the management of Khatlon province through establishment of the regional consultative-advisory body under the Chairman of Khatlon province on November 30, 2010.

The initiative of the Chairman of Khatlon province was supported by International Financial Corporation, since expansion of formalized dialogue tool between the Government and private sector is considered as critical, especially in order to elaborate well coordinated policy decisions in light of the current context of Tajikistan's development; particularly, when the Government is committed and willing to step into a dialogue with the private sector on equal terms.

Regional Council is different from the existing examples of public-private dialogue institutions in the sense that it was *initiated entirely by the Government* based on growing demand for continuous cooperation, both from the government agencies and business structures. Business community in Khatlon province is not yet capable of taking the lead in setting up a dialogue between the Government and the private sector due to certain organizational and institutional challenges (e.g., weak self-organization and lack of analytical capacity).

B- STRUCTURE

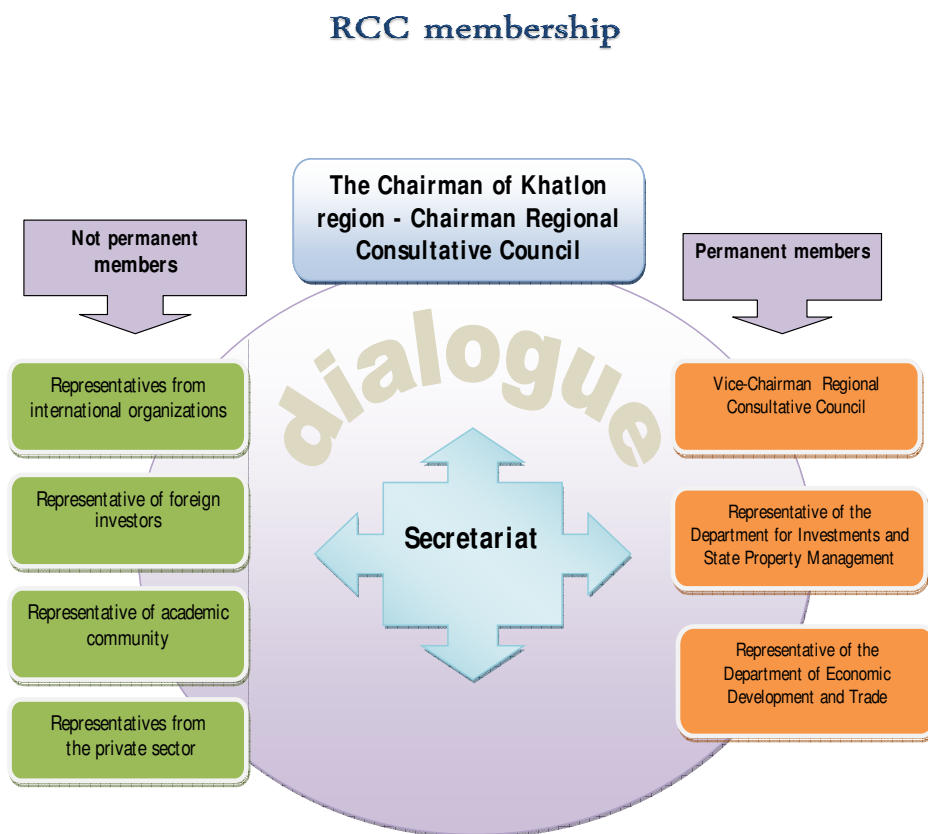
Forming Regional Council

Structure of the Regional Council is similar to one of the Consultative Council at the national level. Regional Council consists of a Chairman and members of the Council. By virtue of position, Council's Chairman is he Chair of Khatlon province. Membership in the Council is divided in two categories - permanent and non-permanent members.

Permanent members of the Council include representatives from governmental agencies involved in regulating of economic development, trade and investments. Non-permanent membership consists of the most active representatives of business structures in the Region, as well as foreign investors implementing large investment projects in Khatlon province, and representatives of bilateral and multilateral donor agencies.

Structure of the Regional Council has its own specifics – e.g., non-permanent members also include representatives of science community in the Region, including scholars from universities.

Rotation system for non-permanent members is relatively simple in its nature: candidates for every category of non-permanent members (local business structures, foreign investors, international institutions) are identified and proposed upon agreement within the group or upon their own request to be allowed to participate in the activities of the Council.



C- KEY FUNCTIONS AND WORKING FORMAT OF THE REGIONAL COUNCIL

Based on its current Charter, the primary task of the Regional Council is to assist in drafting and developing of recommendations and proposals for the Chairman of Khatlon province, local authorities in the region, cities and districts, as well as for other institutions, regarding improvement of business environment and investment climate in Khatlon province.

Recommendations concerning further steps on how to improve the legislation, methods and procedures of business regulation, carried out by the state, are submitted as necessary to the Consultative Council on the Improvement of Investment Climate under the President of Republic of Tajikistan for its consideration, or to the higher-level authorities via the Khatlon Province Administration.

Basic format for the Regional Council's activities is meetings. Meetings are held as and when necessary, but at least quarterly. Decisions made by the Regional Council are recommendatory, but generally they are subject to mandatory execution by governmental agencies, since high ranking officials of the Regional Management are involved in elaboration and adoption of the decisions.

Organizational-methodological and technical support to the Council's activities is based on the Charter and is provided by the Department on Investment and State-owned Property of the local government of Khatlon province. At the same time, the Regional Council has its Secretariat established and functioning with technical support from IFC.

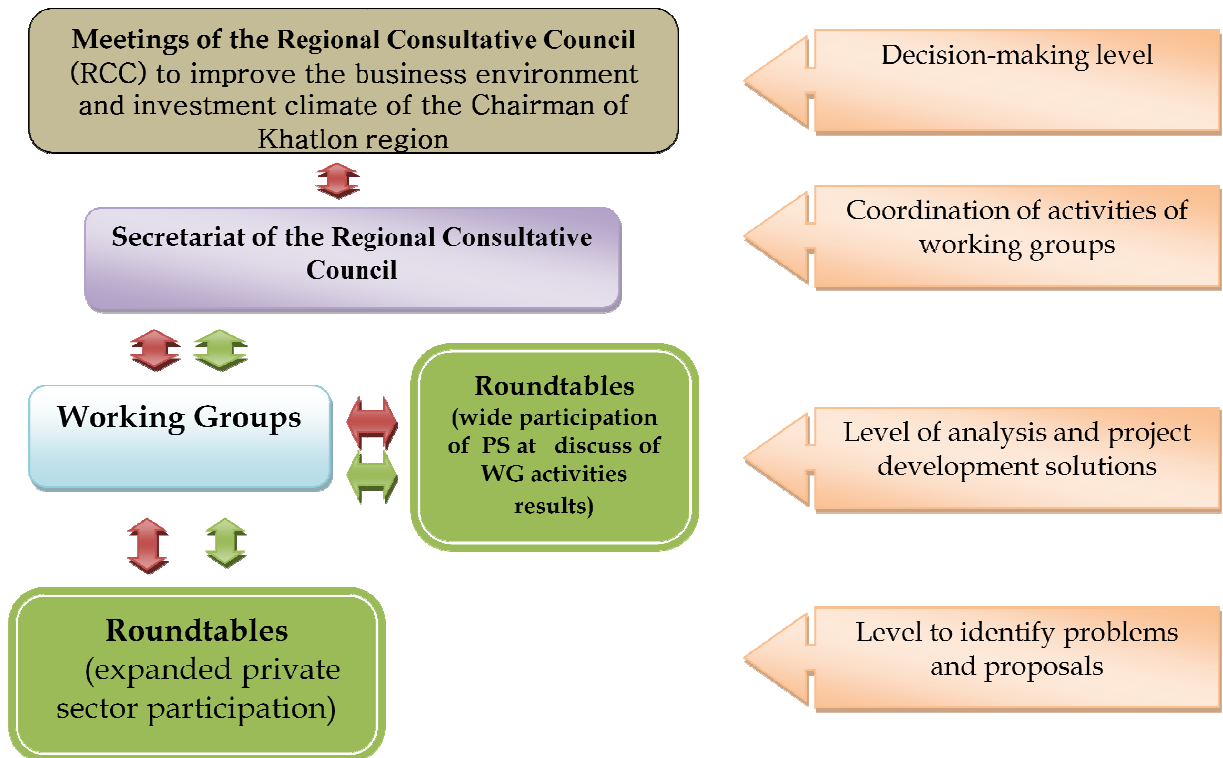
D- FIRST ACHIEVEMENTS OF THE REGIONAL COUNCIL

Organizational aspect: During its work and from the moment of its establishment, the Regional Council has elaborated a legal format for its activity, has defined its functions and tasks, and also distributed powers within the Council. First working groups on three sets of priority problems were set up at the first meeting of the Council, covering such matters as

- Challenges in attracting investments into enterprises procuring and processing agricultural products;
- Dehkan farms water supply-related issues and issue of timely payments for water supply services;
- Issues related to simplification of tax payment procedures, especially for Dehkan farms as one of the main growth resources in Khatlon province.

The Regional Council has built and tested the double-level organizational working arrangement, including holding quarterly meetings of the Council, regular meetings of working groups, as well as convening round tables/ focus-groups to identify business priorities. Both public and private sector co-chairmanship tool has been integrated into the working groups activities.

Work format of RCC



Policy aspect: Over such a short period of time, activities of the Regional Council have proved that evolving partnership between local governments and businesses within the Region can assist in resolution of many problems within the Region. One of the most important achievements of the emerging dialogue was that as the result of their joint actions, government agencies began changing their views on businesses and what entrepreneurs can contribute to benefit the development of the Region and the country as whole. Government agencies began to be aware of the impact made by their decisions on entrepreneurs, and they now are trying to develop state regulation measures in a more responsible manner. The businesses, in their turn, gained opportunity to participate in public decision making process and to understand its essence, without being just a beneficiary to the process.

E- RISKS AND CHALLENGES

Along with some positive trends in terms of setting up the ongoing dialogue between the Government and the private sector, there is a considerable number of problems associated with formal institutionalisation of the established Council, namely:

- The Council should play a key role within the bureaucratic system and not be depending on numerous coordination actions within governmental agencies regarding such matters as holding meetings of the Council and/or its working groups;
- Activities of the Council should not depend on resources outside of the system, or on interests

of donors. Funds to maintain its operations are to be allocated both from state budget and by involving the business community, which currently is weak in its self-organization and does not have a sufficient capacity to clearly define its ideas.

- Compared to the other regions of the country, the process of integrating entrepreneurs into different unions and associations is not much advanced in Khatlon province. Existing associations and other unions of entrepreneurs cannot be fully representative and do not have a capacity to influence managerial decision making regarding private sector growth. Insufficiently developed infrastructure for supporting small and medium enterprises, that could effectively contribute to the efficient self-organization and business self-improvement, is an issue in the Region.

Author

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Ms. Sitora Sultanova joined IFC as a Public-Private Dialogue Consultant with the BEE Project in April 2010 to coordinate the Investment Council on improvement of investment climate under the President of Tajikistan. Nowadays she also is responsible for the regional PPD platform in Tajikistan - Regional Investment Council of Khatlon Region. Sitora came to IFC from Babilon-M company working there in different positions. She graduated from the Moscow State University of International Relations in 2006, she has a bachelor's degree in International Relations and masters degree in Asian and African Regional Studies. Currently, she is completing her Ph.D in the Center of Strategic Research under the President of the Republic of Tajikistan.