

**TACKLING CORONAVIRUS (COVID-19)**  
CONTRIBUTING TO A GLOBAL EFFORT

## IMPLEMENTATION SUPPORT WEBINAR

# Improving the Legal Environment for Business in Central Asia: Focus on Turkmenistan

*Improving SME regulation and registration procedures*

**4 December 2020**

10:30 – 13:00 (GMT+1: France)

14:30 – 17:00 (GMT+5: Uzbekistan)

**OECD Eurasia Competitiveness Programme**

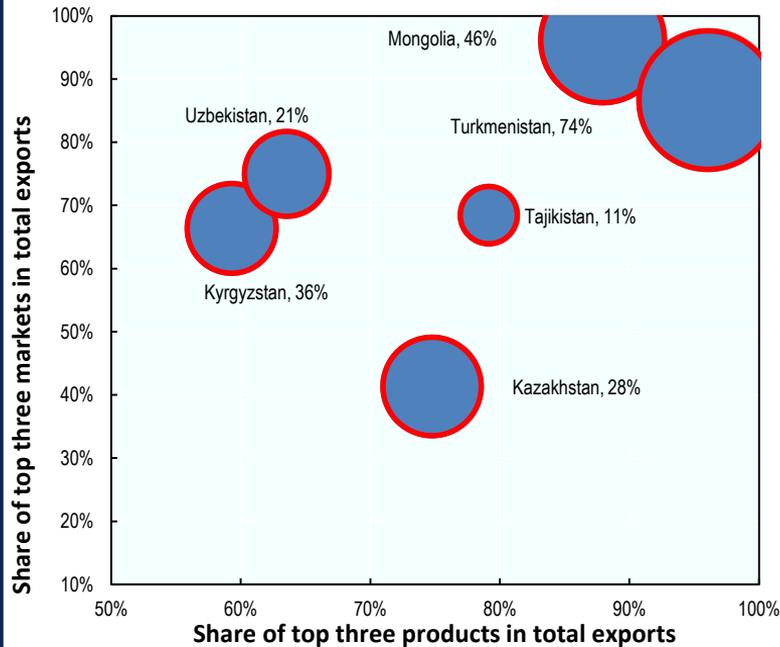


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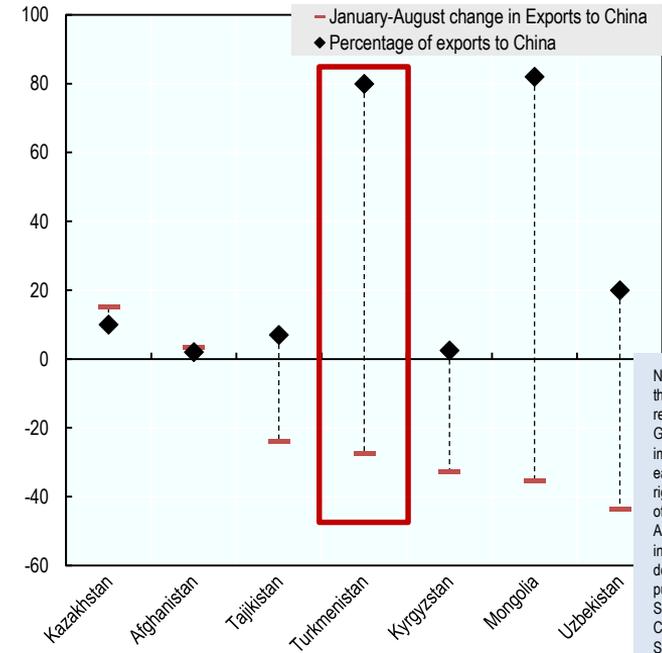


# Turkmenistan and regional economies have been deeply affected by the COVID-19 crisis, especially through lower trade, redoubling need for diversification and local private sector development

## Like other Central Asia economies, concentration of exports and destinations is high in Turkmenistan



## Trade with China has been deteriorating in the COVID-19 pandemic context



Notes: (1) In the chart on the right, the percentage next to each circle represents the share of exports in GDP, signifying the relative importance of external trade to each country. (2) The chart on the right details the relative importance of the Chinese market for Central Asian exports, and gives an indication of the impact of the decline of trade with China on public finances.  
Source: (OECD, 2018<sup>[1,2]</sup>), Chinese Customs Authority, National Statistical Authorities.

## Streamlining the regulatory environment could help Turkmenistan achieve its ambition to foster a more dynamic and diversified private sector

### The COVID-19 has hit trade and investment, foregrounding need in developing economies to foster domestic private-sector driven growth...

- High-level reform roadmaps for the transition to a **competitive and market-orientated economy** have been established in Turkmenistan, aiming at reducing of the role of the state, production of high value-added goods, and **SME development**.
- **The COVID-19 crisis** has hit trade and business activities in the region and in Turkmenistan, making these ambitions even more relevant.
- The **appreciation of the Manat** may reduce the competitiveness of firms in tradable non-resource sectors, limiting the effectiveness of diversification ambitions.

### ...Turkmenistan has undertaken reforms on the regulatory environment for firms and should scale up these efforts significantly

- **Improvements in the access to information** have materialised with the Ministry of Adalat listing a number of business-relevant legislation on its website.
- **The Law on Licenses** lists 47 different licenses, but further consolidation could help firms.
- The creation of a **one-stop-shop** is being discussed to support business creation and operations. This could do much to improve conditions for local entrepreneurs and foreign investors alike.
- The creation of a **Business Ombudsman** could provide needed reassurance to entrepreneurs and investors.



## Reform priorities: Consolidating the legislative framework for SMEs, improving business registration and ensuring implementation of investment legislation

Reform area	Key findings and issues	Recommendations	Priority for today's discussions
Registration procedures	<ul style="list-style-type: none"> <li>Registration <b>expensive, slow</b>, and information availability poor</li> <li>More and better data would facilitate <b>peer-comparability and analysis</b>.</li> <li><b>International businesses</b> find registration procedures particularly cumbersome</li> <li>Plans to develop a <b>one-stop-shop</b> remain at an early stage</li> </ul>	<ul style="list-style-type: none"> <li>→ Make the creation of an <b>OSS for business registration</b> a priority</li> <li>→ <b>Simplify registration procedures</b> in line with other Eurasia economies</li> <li>→ Ensure that the <b>private sector is involved throughout</b>, so that proposals meet business needs</li> </ul>	
Operational environment for SMEs	<ul style="list-style-type: none"> <li>Regulatory environment changeable, requirements <b>opaque</b>, legislation <b>unconsolidated</b></li> <li>Unclear regulatory consistency between <b>private sector and SOEs</b>.</li> <li>Requirements for <b>inspections</b> not always clear with limited administration and oversight</li> <li>Plans for <b>expanded digitisation</b> must take into account capacity-constraints and investment need</li> </ul>	<ul style="list-style-type: none"> <li>→ Strive to <b>identify and remove redundant and cumbersome legislation</b></li> <li>→ Address inconsistencies in licensing requirements between the <b>private sector and SOEs</b></li> <li>→ Consider creating an ombudsman with <b>oversight for inspection monitoring</b> to ensure reliable and accountable enforcement</li> </ul>	
Legal framework for investment	<ul style="list-style-type: none"> <li>Lack of consolidation and limited availability of investment legislation, making ascertaining investors' rights difficult</li> <li>Ensure non-discrimination, transparent, consistent implementation of investment legislation and procedures for foreign investors</li> </ul>	<ul style="list-style-type: none"> <li>→ Consolidate investment legislation</li> <li>→ Create an investment promotion agency and consolidation of investment legislation</li> </ul>	



## Zoom on today's priority for discussion (1/2):

### A simplified procedure for business registration can stimulate the emergence of new firms

#### Key findings and issues

- Registration is conducted by **the Registration Department of the Ministry of Economy and Finance**, no data is readily available regarding processes and costs.
- For international businesses, applications must be approved by an **inter-ministerial commission**.
- Plans to develop a **one-stop-shop** are at an early stage, implementation might be held back by administrative and ICT capacities, and siloed information at line ministries.
- Registration **legislation remains unconsolidated**, with different types of firms governed by separate pieces of legislation.
- A general **lack of data** impedes effective analysis of procedures and monitoring of their efficacy.

#### Recommendations

- ➔ Prioritise the creation of the **One-Stop-Shop for business registration**
- ➔ Ensure that the **private sector is involved throughout**, so that proposals meet business needs
- ➔ To foster digitalisation, promote a **single portal**, ensure **digital back office transformation** and improve coordination between **line ministries and agencies**
- ➔ **Streamline registration procedures** in line with other Eurasia countries:

Country	Rank on Starting a Business	Improvements in ranking since 2017	Procedure (number)	Time (days)	One stop-shop for registration
Kazakhstan	22	+23	4	5	Online and physical
Kyrgyzstan	42	-12	4	10	No
Tajikistan	36	+49	3	7	No
Uzbekistan	8	+17	3	3	Online and physical
<b>OECD high income.</b>	<b>52</b>	<b>-</b>	<b>4.9</b>	<b>9.2</b>	<b>-</b>

*Note:* The OECD average for 2017 has not been included due to membership enlargement.

*Source:* (World Bank, 2020<sub>[20]</sub>)



## Zoom on today's priority for discussion (2/2): Simplifying the regulatory environment could significantly improve the business climate

### Key findings and issues

- The **number of licenses is high**, procedures are sometimes unclear and access to information is limited.
- **Abrupt changes of regulations**, including by decree, have been observed, making it difficult for business to follow and be compliant.
- **Some businesses are exempt** from licensing; pointing at the need to clarify and ensure a **level playing field between public and private companies**.
- Plans for **expanded digitisation** must take into account insufficient digital infrastructure and lack of digital skills that are potential barriers to digital delivery having a real impact on business operations.
- There is a lack of clarity on justification for **inspections** nor any limit on their number or frequency in the law; there is no horizontal oversight body for monitoring.
- Lack of a **business ombudsman** might make business claims and accountability in the administration of inspections difficult.

### Recommendations

- ➔ Strive to identify and **remove redundant and cumbersome legislation and consolidate legislation**
- ➔ Ensure that **all information about licenses and regulations is available** online or on paper
- ➔ Address inconsistencies in licensing requirements between the **private sector and SOEs**
- ➔ To ensure reliable and accountable enforcement, consider creating a **business ombudsman** with the capacity to **collect and advocate business issues** and **oversight for inspection monitoring**

	KZ	KG	TAJ	UZB
Business Ombudsman	✓ (2)	✓	✗	✓



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# Thank you

For more information

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 <https://twitter.com/OECDGlobal>

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