



**CENTER FOR ANALYSIS OF ECONOMIC REFORMS AND COMMUNICATION  
OF AZERBAIJAN REPUBLIC**



# **“DOING BUSINESS - 2020” REFORMS REVIEW SPECIAL EDITION**

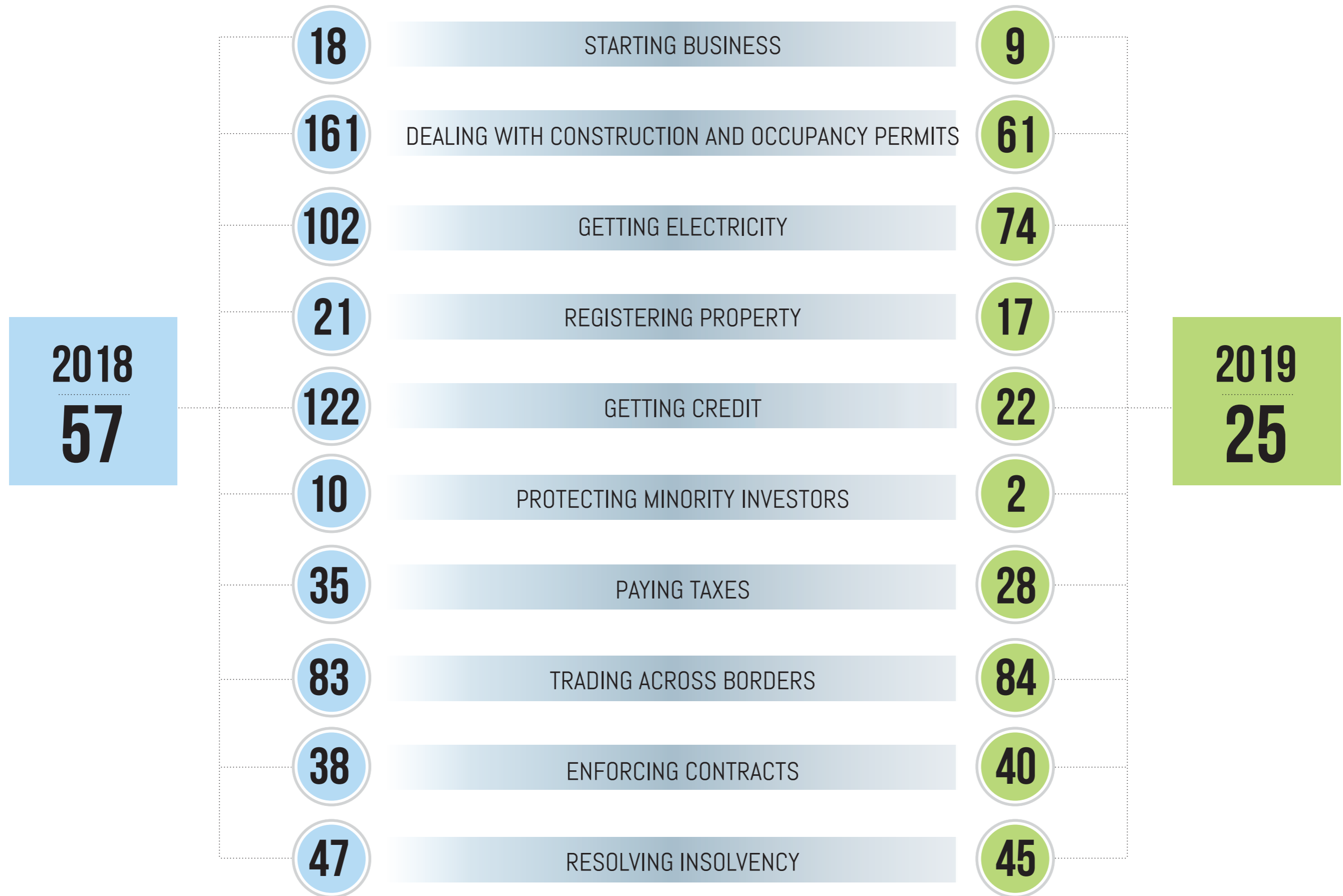


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THE POSITION OF AZERBAIJAN HAS BEEN INCREASED BY 32 STEPS REACHING 25TH PLACE AMONG 190 COUNTRIES IN THE "DOING BUSINESS 2019" REPORT, PUBLISHED BY WORLD BANK





# STARTING BUSINESS

Current rating: **9<sup>th</sup> place** among 190 countries  
Ease of doing business score: **96, 14**





# STARTING BUSINESS

## PROCEDURES

1

Electronic signature, ASAN Imza can be activated through a sim-card.



2

For online application e-signature is compulsory and charter is required to be submitted.

3

Employees can instantly start actual employment.



**BEFORE**  
**NOW**

Obtain electronic signature for online registration

Apply for registration, obtain TPIN and VAT registration

Register employees with the Ministry of Labor and Social Protection

1

**ASAN Imza is not a pre-requisite** for online registration anymore.



By entering **PIN number** at the website of the Ministry of Taxes, online registration will be enabled through single platform.

Information about the employees to be employed should be included in the online registration application.





# STARTING BUSINESS

**BEFORE**



Procedures

**3**



Time

**3,5** days



Cost

**90** AZN

**NOW**



Procedures

**1**



Time

**0,5** days



Cost

**0** AZN

## IMPACT OF THE REFORM

1

Procedure for obtaining ASAN Signature certificate, for electronic registration of legal entities, has been canceled.

2

As a result of implementation of the new digital electronic system, procedure for registration of employee contracts at the "Electronic Government" web portal has been eliminated.

3

For Electronic registration of company the number of procedures is reduced from 3 to 1 procedure, the number of days is decreased from 3,5 to 0,5 days and cost is cut off from 90 AZN to 0 Azn.

### Legal basis:

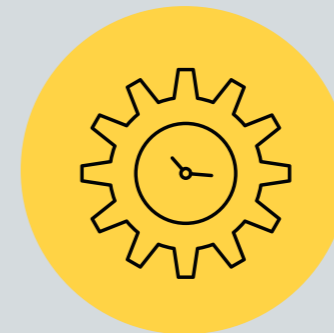
- Law numbered 1447-VQD on Making amendments to the Law of Azerbaijan Republic on "State Registration of Legal entities", dated 28<sup>th</sup> of December, 2018 <http://e-qanun.az/framework/41134>;
- Law numbered 1448-VQD on Making amendments to the "Labor Code of Azerbaijan Republic", dated 28<sup>th</sup> of December, 2018 (<http://e-qanun.az/framework/41136>);
- Law numbered 1446-VQD on Making amendments to the law of Azerbaijan Republic on "Administrative Proceedings", dated 28<sup>th</sup> of December, 2018 <http://e-qanun.az/framework/41171>



# DEALING WITH CONSTRUCTION AND OCCUPANCY PERMITS

Current rating: **61<sup>st</sup> place** among 190 countries

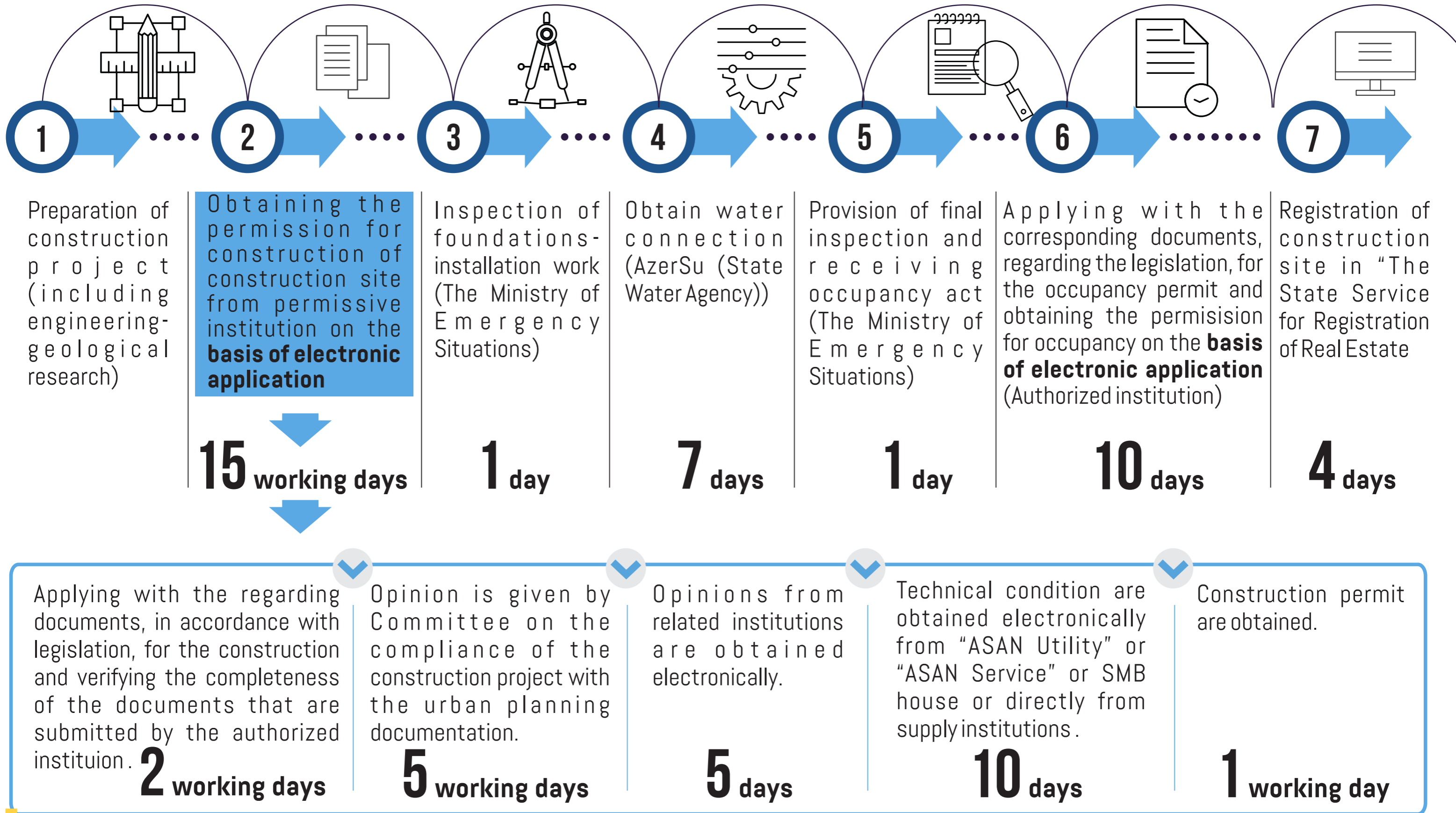
Ease of doing business score: **73, 11**





# DEALING WITH CONSTRUCTION AND OCCUPANCY PERMITS

## CONSTRUCTION PROJECT OF CONSTRUCTION SITES GOING WITHOUT COMPREHENSIVE EXPERTISE







# DEALING WITH CONSTRUCTION AND OCCUPANCY PERMITS

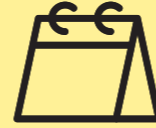
CONSTRUCTION PROJECT OF CONSTRUCTION SITES GOING WITHOUT COMPREHENSIVE EXPERTISE

**BEFORE**

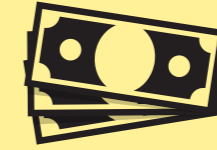


Procedures

**18**



Time **116** days



Cost

**6566** AZN

**NOW**



Procedures

**7**



Time **38** days



Cost

**1595** AZN

## IMPACT OF THE REFORM

1

2

3

4

All technical terms and opinions from the relevant government institutions regarding construction permits are received electronically without the participation of an entrepreneur.

The length of the process for receiving occupancy permission is decreased from 20 days to 10 days.

Obtaining permission for construction and occupancy of construction site is carried out free of charge.

Construction and Occupancy permits are made electronically on the basis of the "Single Window" principle through the official website of State Committee for City Building and Architecture of Azerbaijan Republic.

[www.birpencere.arxkom.gov.az/az](http://www.birpencere.arxkom.gov.az/az)

### Legal basis:

- Law no 1451 amendments made to the Law of Azerbaijan Republic on "Urban-planning and Construction Code" dated 28<sup>th</sup> of December, 2018 <http://e-qanun.az/framework/41169>;
- Decree number 460 of the President of Azerbaijan Republic on "Measures to simplify procedures regarding issuance of construction and occupancy permits for construction sites" dated 28<sup>th</sup> of December, 2018 <http://www.e-qanun.az/framework/41111>



## GETTING ELECTRICITY

Current rating: **74<sup>th</sup> place** among 190 countries  
Ease of doing business score: **77,27**

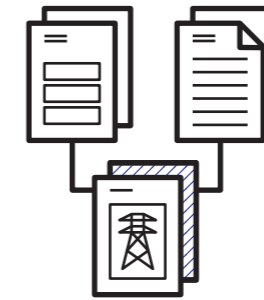
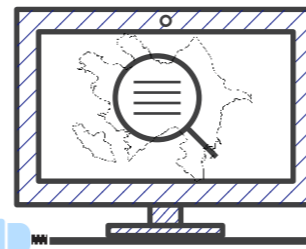


# GETTING ELECTRICITY

## PROCEDURE 1

### Entrepreneur applies to getting electricity - 10 days

- Entrepreneur applies to SMB houses, "ASAN Utility", "ASAN Service" or electronically, on the basis of a "Single Window" principle, in an attempt to get electricity;
  - Entrepreneur straightforwardly or through online payment system makes payment based on application documents;
- The location of the building over the "Electronic Map" and power centers, free power level at its nearest distance are determined automatically;
- Optimal route for electricity supply is approved by the relevant agencies within "Technical Council" through online system;
- Electricity supply project and project-estimate are prepared.



## PROCEDURE 2

### Construction-installation work is carried out - 10 days

Construction-installation work is implemented;

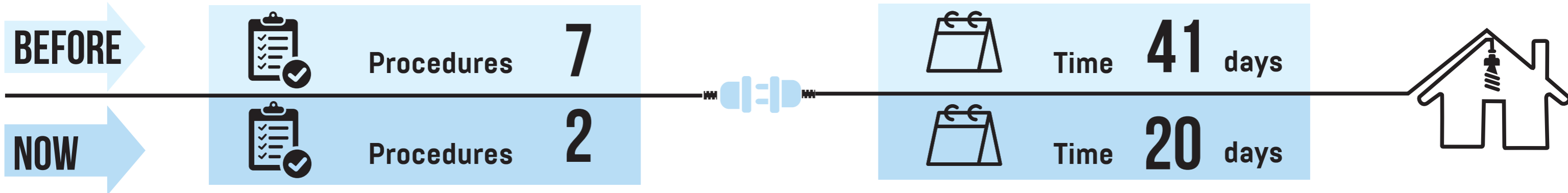
- "Documents Package": Technical conditions, project-estimates, connection act, purchase and sale agreement act are submitted to the entrepreneur;
- Agreement is made between the entrepreneur and the ESC (Electricity Supply Cooperation), the act and agreement are signed;

Tension is given.

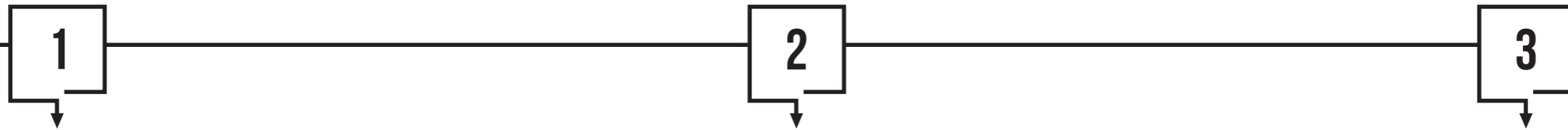




# GETTING ELECTRICITY



## IMPACT OF THE REFORM



The application opportunities for entrepreneurs for getting electricity has been increased. In other words, other than "ASAN Utility" centers, the entrepreneur could also apply to SMB houses.

At the same time, electronic application system for getting electricity has been improved.

Entrepreneur and civil servant communication has been remarkably decreased. The participation of the entrepreneur in the process of electrical circular network connection is required for twice, once at the time of application with the relevant documents. Second, when electricity supply to the construction site is completed, he/she should sign the corresponding documents to get the tension.

By implementation of "Electronical Map", the location of an object of an entrepreneur, power centers and the free power level in these centers are determined automatically without site visit, through online system.

### Legal basis:

- Decree number 437 of the President of Azerbaijan Republic amendments made to Decree number 1313, dated 4<sup>th</sup> of April, 2017 "On simplifying the procedure for electricity supply to existing or under construction sites of entrepreneurs", dated 25<sup>th</sup> of December, 2018 <http://www.e-qanun.az/framework/41095>



# REGISTERING PROPERTY

Current rating: **17<sup>th</sup> place** among 190 countries  
Ease of doing business score: **84,63**





# REGISTERING PROPERTY

## BEFORE

## NOW

1

**Non-encumbrance certificate was obtained** from the State Service for Registration of Real State

2

**The sale-purchase agreement was made**

3

**Paper excerpt** is obtained from the State Service for Registration of Real State



1

Notary application.

The notary issues **non-encumbrance certificate online.**

On the basis of sale-purchase agreement, the buyer's right on the property is immediately registered by the state and **the electronic extract** is sent online to the buyer

**1** day

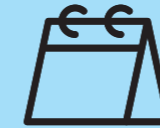


# REGISTERING PROPERTY

BEFORE



Procedures **3**



Time **5,5** days



NOW



Procedures **1**



Time **1** day

## IMPACT OF REFORM

1

Office of Real Estate Services came into operation in order to realize all real estate services in a single space.

2

There is a specific and separate mechanism for filing complaints and respective resolutions about a problem that occurred in charge of immovable property registration and the cadastral agency.

[www.emdk.gov.az/index.php/en/2014-01-18-10-59-28/complaints](http://www.emdk.gov.az/index.php/en/2014-01-18-10-59-28/complaints)

[registration\\_complaints@emdk.gov.az](mailto:registration_complaints@emdk.gov.az)

3

The new hotline "1187" for filing complaints about a problem that occurred at the agency in charge of cadastral plans  
The new hotline "1186" for filing complaints about a problem that occurred at the Service for State Registry of Real Estate (SSRRE).

4

The procedure of obtaining paper excerpt from the State Service for Registration of Real State has been eliminated.

### Legal basis:

- Decisions of the Cabinet of Ministers no 134, dated 6th of April, 2018 and no 453 dated 16<sup>th</sup> of October, 2018 amendments made to "Procedural Rules for Receiving, Inspecting and Issuing Documents for State Registration of Rights in Real Estate" <http://www.e-qanun.az/framework/38500>, <http://www.e-qanun.az/framework/40496>;
- Law of the Republic of Azerbaijan no 1545-VQD amendments made to the Law on "State registry of Real State", dated 29<sup>th</sup> of March, 2019 <http://e-qanun.az/framework/41872>



## GETTING CREDIT

Current rating: **22<sup>nd</sup> place** among 190 countries  
Ease of doing business score: **80,00**







# GETTING CREDIT

## STRENGTH OF LEGAL RIGHTS INDEX

BEFORE



NOW

0

The law allows businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral. **(0-1)**

1

0

A security right extends to future or after-acquired assets and it extends automatically to the products, proceeds and replacements of the original assets. **(0-1)**

1

0

A general description of debts and obligations is permitted in collateral agreements; all types of debts and obligations can be secured between parties; and the collateral agreement can include a maximum amount for which the assets are encumbered. **(0-1)**

1

0

The law allows parties to agree on out court enforcement at the time a security interest is created. The law allows the secured creditor to sell the collateral through public auction or private tender, as well as, for the secured creditor to keep the asset in specification of the debt. **(0-1)**

1



# GETTING CREDIT

## IMPACT OF THE REFORM

1

Strength of legal rights index (0-12 bal)

8 → 12

2

Credit bureau coverage (% of adults)

41,5 → 45

3

Credit registry coverage (% of adults)

41,5 → 42.13

### Legal basis:

- Law of the Republic of Azerbaijan no 1428-VQD on amendments made to the Law of Azerbaijan Republic "On Civil Code", dated on 28<sup>th</sup> of December, 2018 <http://e-qanun.az/framework/41151>;
- Law of the Republic of Azerbaijan no 1429-VQD on amendments made to the Law of Azerbaijan Republic "On encumbrance of movable property", dated on 28<sup>th</sup> of December, 2018 <http://e-qanun.az/framework/41124>



# PROTECTING MINORITY INVESTORS

Current rating: **2<sup>nd</sup> place** among 190 countries

Ease of doing business score: **81,67**





# PROTECTING MINORITY INVESTORS

	BEFORE	NOW
Shareholders can hold Mr. James liable for the damage the transaction caused to Buyer <b>(0-2)</b>	1	2
Shareholders can hold the other directors liable for the damage the transaction caused to Buyer <b>(0-2)</b>	1	2
A court can void the transaction upon a successful claim by shareholders <b>(0-2)</b>	0	2
The plaintiff can request categories of documents from the defendant without identifying specific ones <b>(0-1)</b>	0	1
Assuming that Buyer is a limited company, the sale of 51% of its assets require member approval <b>(0-1)</b>	0	1
Assuming that Buyer is a limited company, a potential acquirer must make a tender offer to all shareholders upon acquiring 50% of Buyer <b>(0-1)</b>	0	1

**Legal basis:**

- Law of the Republic of Azerbaijan no 1449-VQD on amendments made to the Law of Azerbaijan Republic "On Civil Code", dated on 28<sup>th</sup> of December, 2018 <http://e-qanun.az/framework/41152>;
- Law of the Republic of Azerbaijan no 1450-VQD on amendments made to the Law of Azerbaijan Republic "On Civil Procedure Code", dated 28th of December, 2018 <http://e-qanun.az/framework/41163>





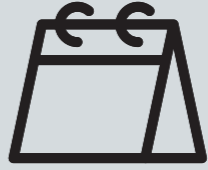
## PAYING TAXES

Current rating: **28<sup>th</sup> place** among 190 countries  
Ease of doing business score: **85,23**





# PAYING TAXES

	 <b>Tax rate</b>		 <b>Time (hours)</b>				 <b>Postfiling index</b>	
	Social security contributions	Social security contributions (% of profit)	Social security contributions	Corporate income tax	Value added tax (VAT)	<b>TOTAL</b>	Time to comply with VAT refund (weeks)	Time to comply with VAT refund (hours)
<b>BEFORE</b> →	<b>22 %</b>	<b>24,82 %</b>	<b>65</b> hours	<b>50</b> hours	<b>44</b> hours	<b>159</b> hours	<b>27,6</b>	<b>7,5</b>
<b>NOW</b> →	<b>15 %</b>	<b>20,29 %</b>	<b>43</b> hours	<b>31</b> hours	<b>39</b> hours	<b>113</b> hours	<b>17,1</b>	<b>4</b>





## PAYING TAXES

### IMPACT OF REFORM

1

The rate of social security payments paid by the employer has been reduced from 22% to 15%.

2

The application form that should be presented to tax authorities for VAT refund is now electronic.

3

The taxable part of the tax payable for the taxpayer, which exceeds the calculated tax amount during the reporting period, will be returned no later than four months from the date of submission of the tax application by him\her to the tax and customs authorities in electronic form.

4

A mandatory carry forward period (3 months) for VAT refund has been eliminated (Article 179.2.);

#### Legal basis:

- Law of the Republic of Azerbaijan no 1356-VQD on amendments made to the "Tax Code of the Azerbaijan Republic" dated 30<sup>th</sup> of November, 2018 <http://e-ganun.az/framework/41016>;
- Law of the Republic of Azerbaijan no 1360-VQD on amendments made to the law on "Social Insurance" of the Azerbaijan Republic, dated 30<sup>th</sup> November, 2018 <http://e-ganun.az/framework/41096>



## TRADING ACROSS BORDERS

Current rating: **84<sup>th</sup> place** among 190 countries  
Ease of doing business score: **77,04**







# TRADING ACROSS BORDERS

The Law on "The acquisition of the right for permanent use of the **Green Corridor** by the foreign trade participants, the termination, cancellation and restoration of that right" has been submitted.

## REQUIREMENTS FOR THE RIGHT OF PERMANENT USE OF THE "GREEN CORRIDOR" ADMISSION SYSTEM

	Experience in <b>import</b> operations should be <b>within the last 1 (one) year</b>	Ability to use electronic <b>customs services</b>	Right to use vehicles that meet the <b>international shipping requirements</b>	Right to use <b>warehouses</b> intended for storage of goods meeting the specified requirements	Case of no smuggling, <b>non-conviction for crimes</b> related to payment of customs duties, including convictions paid or withdrawn
<b>IMPORT</b>	✓	✓	✓	✓	✓
<b>EXPORT</b>	✗	✓	✓	✗	✓

### ADVANTAGES GIVEN TO THE USERS OF "GREEN CORRIDOR" ADMISSION SYSTEM



### Digital Trade HUB

of Azerbaijan [WWW.DTH.AZEXPORT.AZ](http://WWW.DTH.AZEXPORT.AZ)

With **one application (one click)**, it is possible to receive all the required documents for export

Fill out the application

Login



Submit the application



Receive the documents

All payments are made through **e-wallet**.



#### DURING IMPORT

**Direct delivery** of imported goods to **warehouses** of individuals.

**Extract of customs identification** means (sealant, etc.) from transport vehicles of goods and unloading of goods independently, on the basis of consent of customs authorities, in case of introducing customs declaration/clearance.

#### DURING EXPORT

**Direct delivery of the goods** to the customs border checkpoint, by introducing an electronic customs declaration/clearance without going to the customs authority.

Independent application of identification means of customs authorities (sealant, seals, stamps, etc.).



# TRADING ACROSS BORDERS

## IMPACT OF REFORM

1

A more advantageous business environment has been created for foreign trade participants.

2

With more effective and transparent application of customs control and clearance system physical customs inspections have been minimized.

3

The country's export potential has been strengthened.

4

The effectiveness of government regulation mechanisms and public-private relationships has been improved.

5

More efficient use of existing resources has been secured.

### Legal basis:

- Decree no 427 of the President of Azerbaijan Republic approval of "The "Regulations of acquisition of the right for permanent use of the Green Corridor by the foreign trade participants, the termination, cancellation and restoration of that right" dated 21<sup>st</sup> of December 2018 <https://president.az/articles/31222>;
- Decree of the President of Azerbaijan Republic dated 21<sup>st</sup> of December 2018 on amendments to the "Rules on use of green corridor and other grading systems for conveyance of goods and means of transport across the customs border" approved by the Decree of the President of Azerbaijan Republic no 920, dated 21<sup>st</sup> of May, 2016, on <https://president.az/articles/31221>



# ENFORCING CONTRACTS

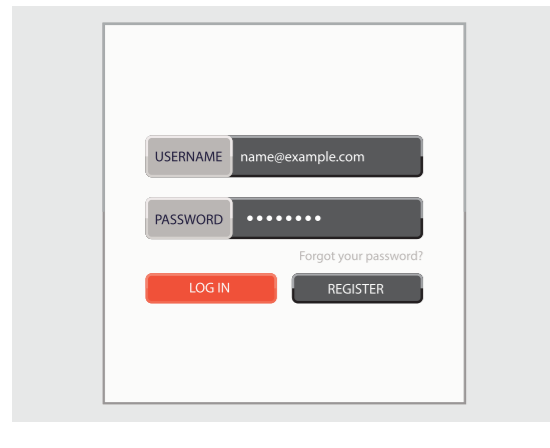
Current rating: **40<sup>th</sup> place** among 190 countries  
Ease of doing business score: **67,51**



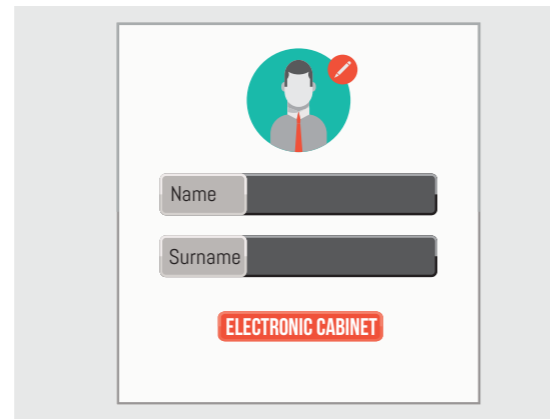


# ENFORCING CONTRACTS

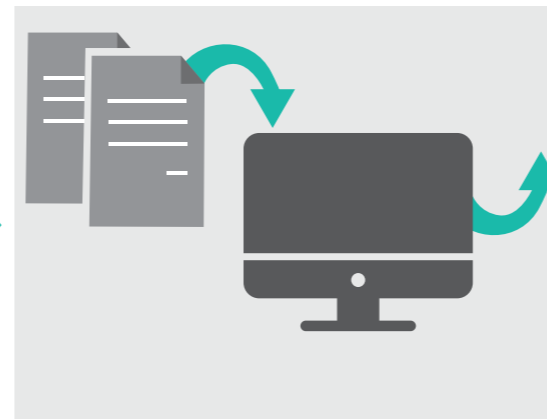
All documents with regard to economic judicial process should be presented electronically and circulated through **"electronic court"** information system, and the issuance of these documents must not be required by paper form in accordance with amendments made to the Civil Procedure Code and the Law "On courts and judges", dated December 28, 2018



It is required to register in the **"electronic court"** information system



**"Electronic Cabinet"** is established

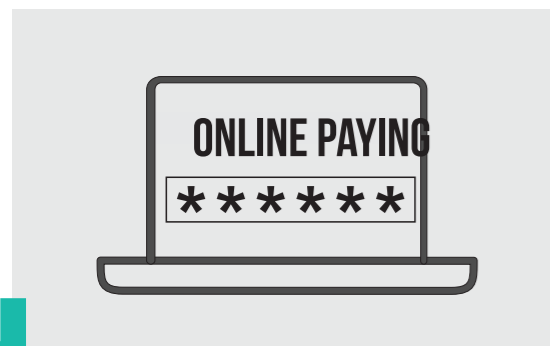


Documents **are submitted electronically** and the information is provided electronically to the participant.

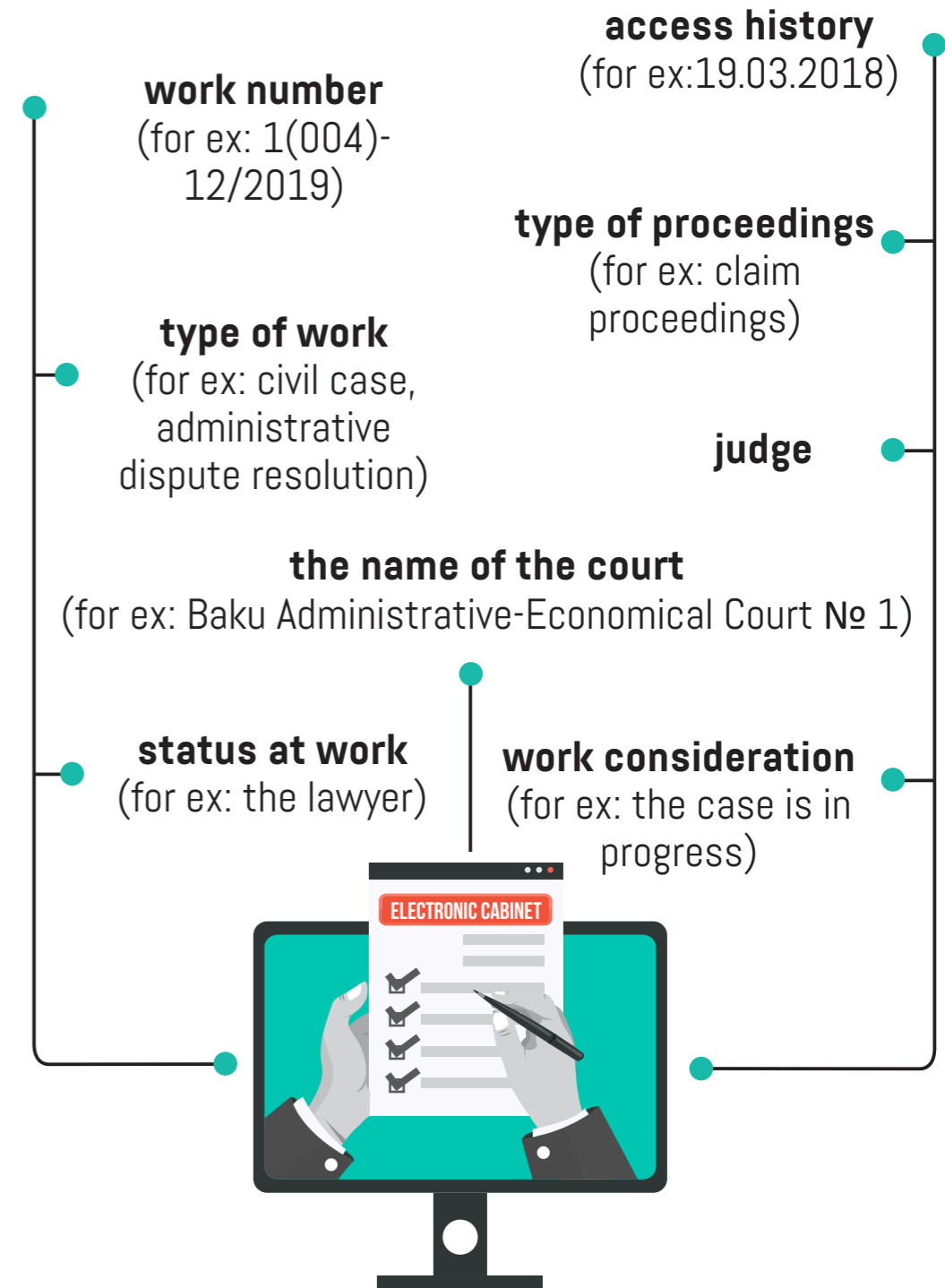
**1** It is required to log in to the section "Enter to personal cabinet"

**2** Registration is carried out with ID, ASAN Signature and "e-Signature"

**3** The username and password provided by the system are entered and operation is conducted



- Information on the payment of state duty for submission of the claim to the court is included and confirmed.
- When choosing the option "Online Payment", the payment fee is selected and the payment card operations are executed by entering the first **6 digits** of the bank card.



**Types of information available about the judicial proceedings of the process participant in the electronic cabinet**



## ENFORCING CONTRACTS

### IMPACT OF REFORM

1

The criteria and the simplified procedure for small claims have been determined in the legislation.

2

The legal basis and administrative rules for mediation have been established.

3

The legal framework and administration of the electronic business management system have been further improved for use of lawyers.

4

Legislation has been improved in terms of electronic complaints system about the judicial process services.

#### Legal basis:

- Law of Azerbaijan Republic no 1436-VQD dated 28<sup>th</sup> of December, 2018 on amendments to "Civil Procedure Code of Azerbaijan Republic" <http://e-qanun.az/framework/41165>;
- Law of Azerbaijan Republic no 1437-VQD dated 28<sup>th</sup> of December, 2018 on amendments to the Law of Azerbaijan Republic on "Courts and Judges" <http://e-qanun.az/framework/41140>;
- Law of Azerbaijan Republic no 1555-VQD dated 29<sup>th</sup> of March, 2019 "On Mediation" <http://www.e-qanun.az/framework/41828>



# RESOLVING INSOLVENCY

Current rating: **45<sup>th</sup> place** among 190 countries  
Ease of doing business score: **63,79**





# RESOLVING INSOLVENCY



The creditors are divided into classes for the purposes of voting on the reorganization plan and each class vote separately and creditors in the same class are treated equally **(0-1)**





## RESOLVING INSOLVENCY

### IMPACT OF THE REFORM

1

In addition to selling the mortgage object at the auction held in the open market, the legislation that has recently been established enables electronic auction.

2

The delays of execution of the mortgage obligation related to the right of the mortgage subject to a certain period of time (60 calendar days or more) are determined by the legislation.

3

Mechanisms for directing the subject of mortgage are specified and the uncertainties are completely eliminated.

4

The expected period for re-auction was reduced from 45 days to 20 days and by this way the efficiency has markedly been improved.

#### Legal basis:

- Law of Azerbaijan Republic no 1445-VQD dated 28<sup>th</sup> of December, 2018 on amendments to the Law of Azerbaijan Republic on "Insolvency and Bankruptcy" <http://e-qanun.az/framework/41132>;
- Law of Azerbaijan Republic no 1438-VQD dated 28<sup>th</sup> of December 2018 on amendments to the Law of Azerbaijan Republic "On Civil Code" <http://e-qanun.az/framework/41153>;
- Law of Azerbaijan Republic no 1439-VQD dated 28<sup>th</sup> of December 2018 on amendments to the "Mortgage Law" of Azerbaijan Republic <http://e-qanun.az/framework/41149>;
- Law of Azerbaijan Republic no 1440-VQD dated 28<sup>th</sup> of December 2018 on amendments to the Law "On Execution" of Azerbaijan Republic <http://e-qanun.az/framework/41186>





# PUBLIC PROCUREMENT





# PUBLIC PROCUREMENT

**BEFORE**

## Planning of Public Procurement

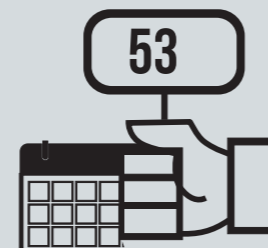
**NOW**

Procurement agency prepares and approves the procurement plan and places on the public procurement **single web-portal**.

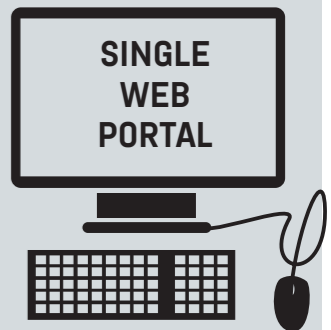
## Announcement of tender by procuring agency and acceptance of tender proposal

31

Announcement about open tender is set on the media and official internet sites at least **30 bank days** before tender envelope opening;  
Exchange of information on tender offer (requests, appeal, complaint etc.) is carried out **in hard copy**;  
Request for tenders is submitted **in hard copy**;  
Procuring agency identifies the provision of tender proposal **1-5 per cent** of total price of the tender proposal.



Procurement proposal is published through the single web-portal at least **20 bank days** from the day of announcement;  
Each registered supplier (contractor) receives **a real-time confirmation notification through the single web-portal** of public procurement;  
Mutual exchange of information between the supplier (contractor) and the procuring agency and the submission of the documents are carried out **through single web-portal**;  
Tender participation fee and tender proposal are presented **through single web-portal**;  
Tender Commission meetings are organized virtually;  
The procurement agency defines provision of a tender proposal **1 per cent** of the total price of the tender proposal and that proposal can be received through single web-portal.



## Determination of the winner on the tender and signing a contract

Tender proposal deadlines are determined **under the main terms** of the tender;  
Winner of a tender and procurement contract of the tender are signed **in hard copy within the period** that is determined **under the main terms** of the tender.

The **single web-portal** automatically determines the proposals according to price order and sends it electronically to the tender commission for decision making;  
The tender commission makes a decision **within 1 (one) bank day** and places the decision on the single web-portal on the same day;  
The procurement contract is concluded **electronically** through single web-portal with the winner of the tender.

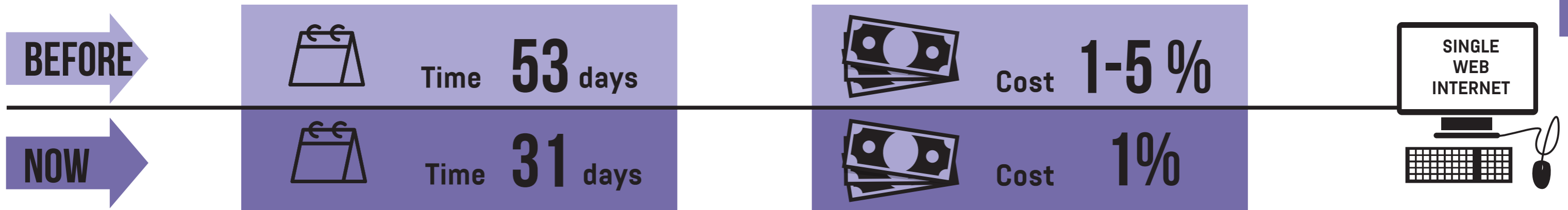
## Revision of the complaints of suppliers

The complaints from suppliers to procuring agency and the enterprise that implement the procurement policy are revised during **20 bank days**;  
Decision is submitted in hard copy within **3 bank days**.

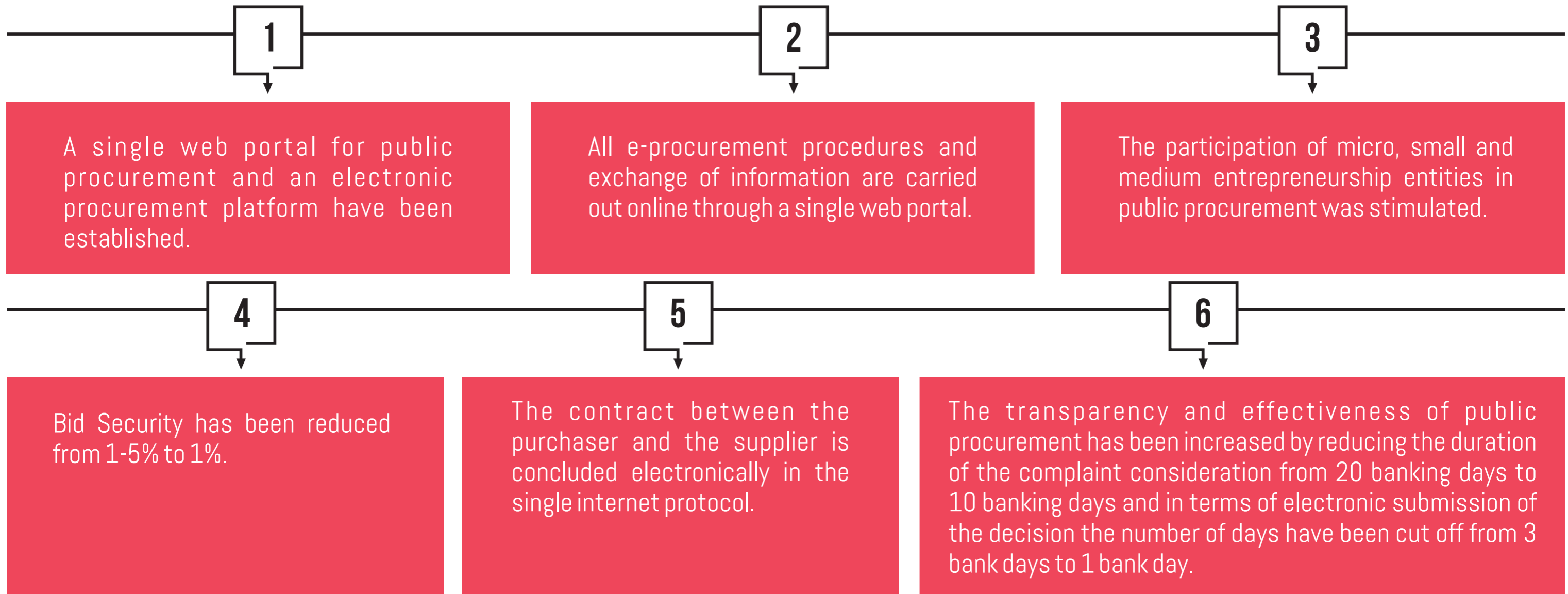
The complaints from suppliers to procuring agency and the enterprise that implement the procurement policy are revised during **10 bank days**;  
Decision is submitted through the single web-portal **up to 1 bank day**.



# PUBLIC PROCUREMENT



## IMPACT OF REFORM



### Legal basis:

- Law of Azerbaijan Republic no 1433 dated on 28<sup>th</sup> of December 2018 on amendments to the Law of Azerbaijan Republic on "Public Procurement"  
<http://www.e-qanun.az/framework/41178>



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