



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

AZERBAIJAN ECONOMIC REFORMS REVIEW

SPECIAL EDITION
for “DOING BUSINESS” Reforms

March - 2018

Doing Business





“In order to implement all our plans we have to strengthen our economy. In the next few years, additional measures will be taken in this way. I can say that over the past two years very significant economic reforms have been undertaken.”

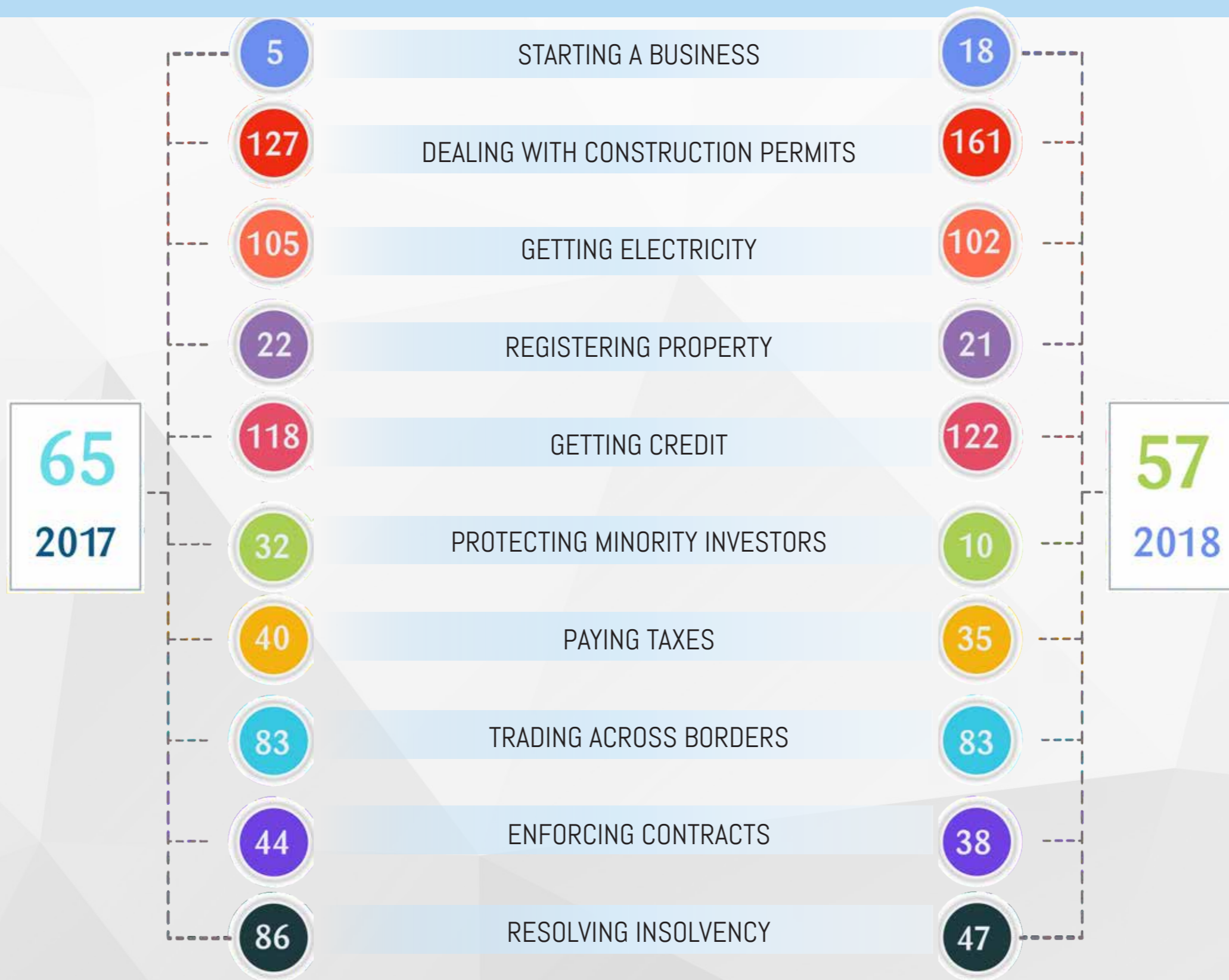
ILHAM ALIYEV

The President of the Republic of Azerbaijan

REFORM DIRECTIONS THAT WILL ENSURE AZERBAIJAN'S POSITION STRENGTHENING IN THE "DOING BUSINESS 2019" REPORT

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AZERBAIJAN HAS INCREASED ITS RANKING BY 8 POSITIONS REACHING 57TH PLACE OUT OF 190 COUNTRIES PARTICIPATING IN THE "DOING BUSINESS 2018" REPORT PREPARED BY THE WORLD BANK.



STARTING A BUSINESS

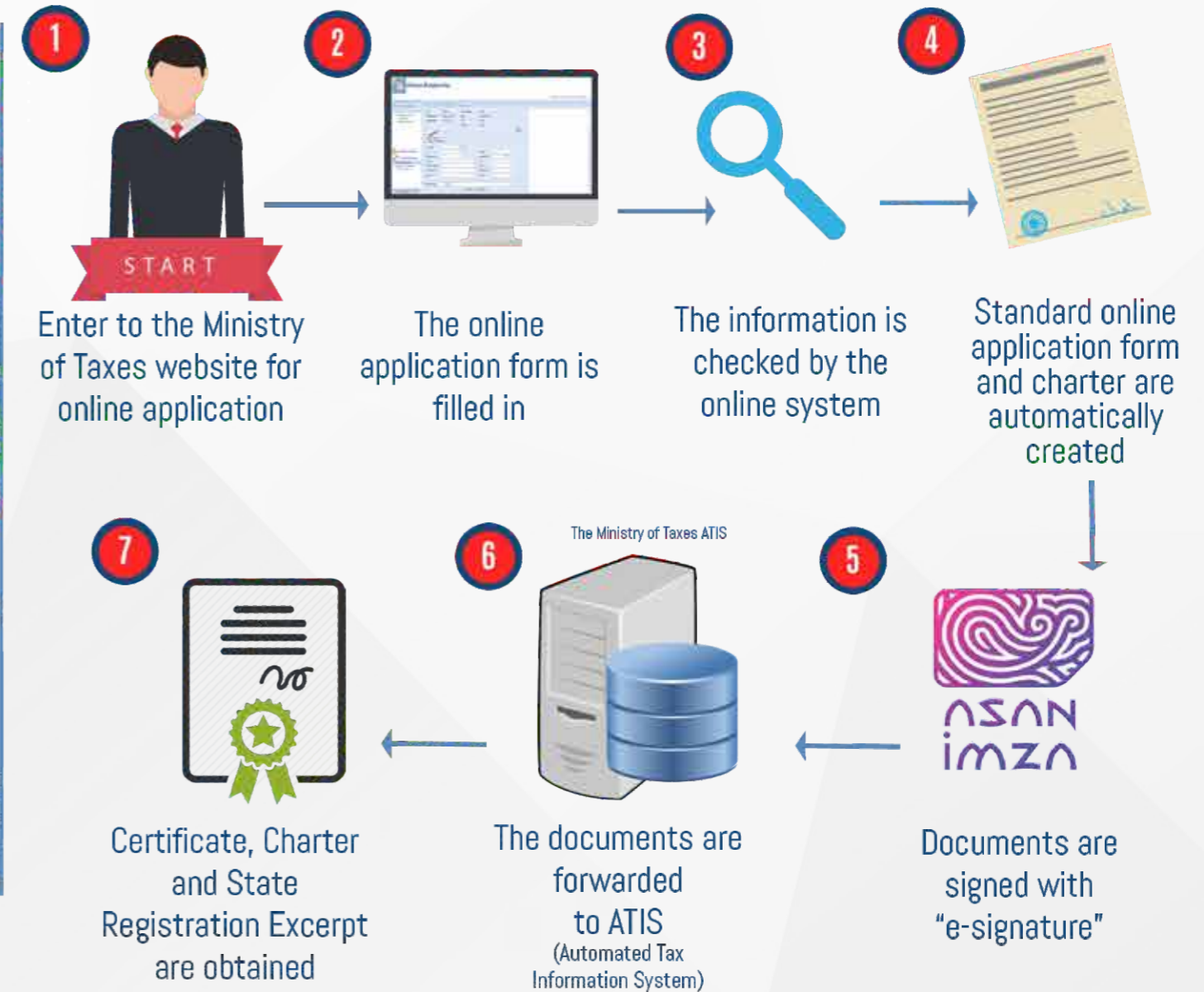
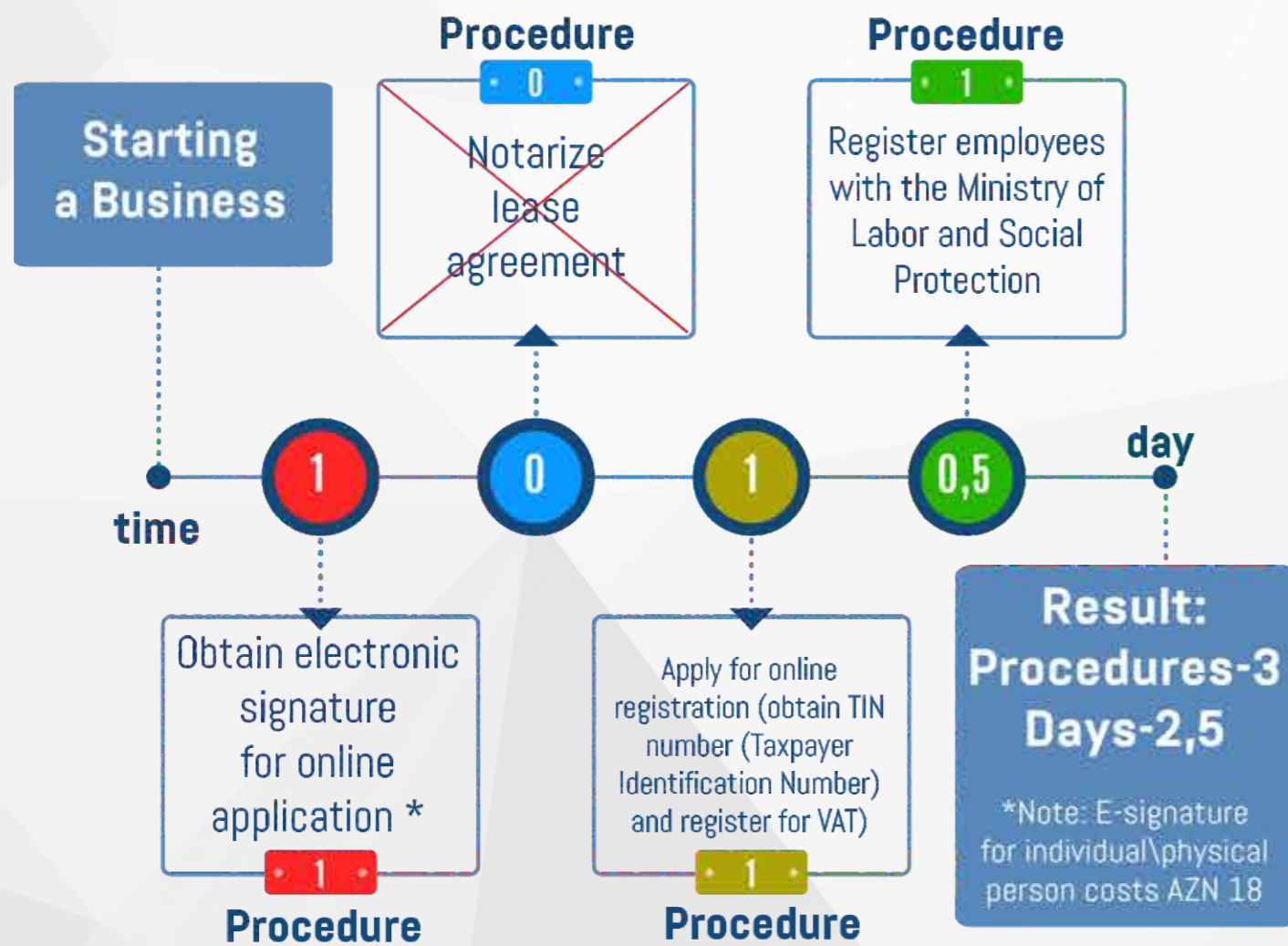
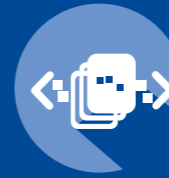


Current rating: **18th place** among 190 countries

Doing
Business



STARTING A BUSINESS



- Documents confirming legal address are not required for hard copy registration;
- Approval of executive person is confirmed by electronic signature during the electronic registration of the legal entity;
- When a legal entity electronically registers the individual type of e-signature is automatically transformed into the business;
- The legal entity`s electronic registration process is integrated with the labor contract registration process;
- Procedure for registration of employees at the Ministry of Labor and Social Protection will be eliminated as a result of reforms and the number of days for starting a business will be reduced to just 2 days.

DEALING WITH CONSTRUCTION PERMITS

Current rating: **161st place** among 190 countries

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Business



DEALING WITH CONSTRUCTION PERMITS



PROCEDURE 1 - DESIGNING CONSTRUCTION SITE



Obtain geotechnical information from Executive Authority. **10 days**



Carry out engineering-geological research by licensed companies and obtain opinion from the Ministry of Emergencies. **10 days**



Carry out topographical research conducted by a designer or a licensed company.

PROCEDURE 2 - ISSUANCE OF CONSTRUCTION PERMITS

Submission and verification of documents by the relevant executive authority



Copy of the title deed approving the ownership or right to use of the land;
Construction Project;
If client is a juridical person, then copy of extract of the juridical person from state registry. **3 days**

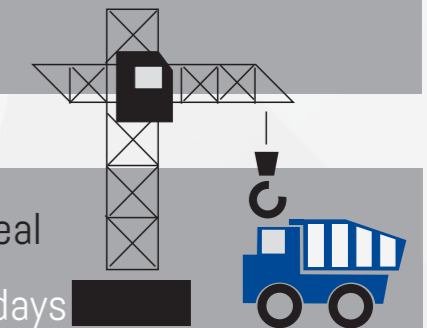


Opinions are received from the relevant authorities
Sites requiring comprehensive project expertise - **15 days**
Sites going without comprehensive project expertise - **5 days**
Expertise is fulfilled (if required) by the Ministry of Emergency Situations (MES). **20 days**
Technical conditions are obtained from ASAN Service, Single-Window. **10 days**

By relevant Executive Authority

Implementation of control over Construction

TECHNICAL CONTROL - by Client;
AUTHOR`S CONTROL - by designer;
INTERNAL OPERATIONAL CONTROL - by Contractor;
STATE CONTROL - by the MES, the Monitoring Center of Labor Relations.



PROCEDURE 3 - ISSUANCE OF OCCUPANCY PERMISSION FOR A CONSTRUCTION SITE

Exploitation Permission Act, Trial Act and Construction Project are presented to an Executive Authority for occupancy request. **20 days**

The construction site is registered in "The State Registry of Constructions" and the procedure is governed by the Civil Code. **3 days**

The construction site is registered in "The State Service for Registration of Real State" and the copy of extract of state register is obtained. **10 days**



- Obtaining permissions for construction and occupancy of construction sites are carried out within 10 procedures;
- For the purposes of the permit process, construction sites are divided into 2 categories: sites requiring comprehensive project expertise; sites going without comprehensive project expertise;
- The list of sites going without comprehensive project expertise is expanded;
- The duration of obtaining construction permit for sites going without comprehensive project expertise is decreased to 15 days;
- The length of the process for receiving construction permit is reduced to 30 days;
- Issuance of occupancy permission duration is reduced from 30 to 20 days;
- Technical conditions (4 technical conditions) are obtained by Single-Window system from ASAN Service upon only one request.

Legal basis: Changes to the Civil and Construction Code of the Republic of Azerbaijan in accordance with the laws of 673-VQD and 678-VQD of May 16, 2017.

GETTING ELECTRICITY



Current rating: **102nd place** among 190 countries

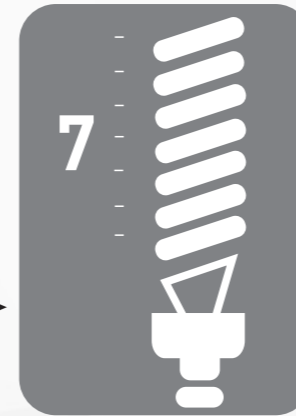
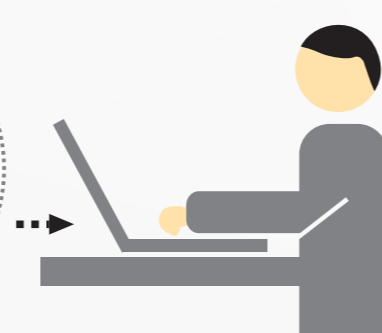
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GETTING ELECTRICITY



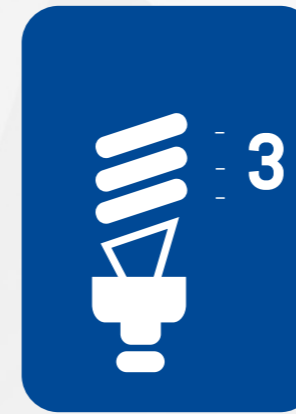
BEFORE



To obtain a permanent electricity connection

7 PROCEDURES
(69 days)

NOW



asan  service

Electricity connection is obtained with only **3 PROCEDURES**

24 DAYS

12 DAYS

12 DAYS

1

2

3

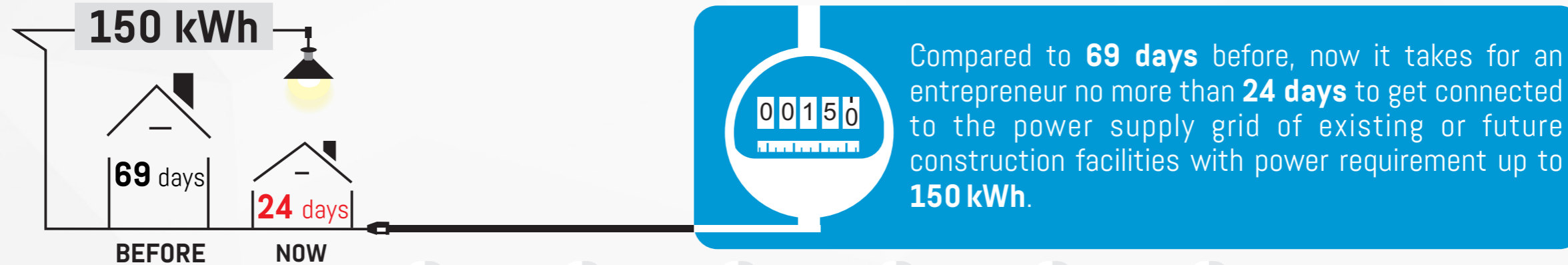
Application is submitted to ASAN Utility/Service with a Single-Window principle, technical conditions and cost estimate documents are prepared and presented to the entrepreneur;

The amount of cost estimate documents is paid by the entrepreneur, construction and installation works are carried out and physical connection to Electricity Supply Network (ESN) is implemented;

The facility gets access to electricity.

Legal basis: Decree no. 1313, dated April 4, 2017 of the President of the Republic of Azerbaijan "On simplifying the procedure of supply of electricity to existing or under construction facilities of entrepreneurs".

GETTING ELECTRICITY



24 DAYS

1 DAY

- "Technical Council" under 'ASAN Utility/Service' determines the location of the building object and a power center;
- Documents are submitted to the respective executive authority through "Technical Council";
- Optimal route for electricity supply is determined;
- The agencies, which are required to give feedback on the selected optimal route for obtaining electricity, are identified.

3 DAYS

- The selected route is approved with agencies;

7 DAYS

- Technical conditions and project-estimates by the ESC (Electricity Supply Company) are prepared;

1 DAY

- "Technical Council" issued its opinion to the cost estimates, based on technical specifications and economic evaluation

- Documents are presented to the entrepreneur, determined value is mentioned and paid by the entrepreneur;
- Construction-installation works are carried out;
- Agreement is made between the entrepreneur and the ESC and physical connection is obtained by registering the subscriber.

12 DAYS



- Number of procedures are cut down from 7 to 3 procedures and the number of days are reduced from 69 to 24 days;
- Electrical circular network connection lead to a remarkable improvement of the reliability of services, the number of outages has been decreased;
- The process of getting electricity has been simplified and the cost of connection has been reduced;
- By implementation of "Electronic Map", the location of an object of an entrepreneur, power centers and the free power level in these centers are determined without a site visit.

Legal basis: Decree no. 1313, dated April 4, 2017 of the President of the Republic of Azerbaijan "On simplifying the procedure of supply of electricity to existing or under construction facilities of entrepreneurs".

REGISTERING PROPERTY

Current rating: **21st place** among 190 countries

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REGISTERING PROPERTY



BEFORE



1

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



2

Non-encumbrance certificate was submitted to the notary and the **sale-purchase agreement was made**.



3

Paper excerpt is obtained from the State Registration Service

NOW

1



Notary application



SSRRE

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

1 day



3 days



The notary **sends the sale-purchase agreement to the State Service for Registration of Real Estate online**.

The State Service for Registration of Real Estate uploads the sale-purchase agreement to "Electronic Government Portal".

So the buyer's **rights on the land, as well as on the property are registered**.



- State registry of immovable property is carried out only with 1 procedure, in 4 days;
- The Notary implements all necessary procedures for a state registry of the property;
- "Electronic excerpt" that can be obtained from "Electronic Government Portal" is of the same importance as hard copy of the excerpt;
- There is a complete electronic system for immovable property registration and for mapping agency;
- There is a specific and separate mechanism for filing complaints about a problem that occurred during immovable property registry or at the cadastral agency in charge of immovable property registration.

Legal Basis: Decrees no. 641-VQD and 652-VQD dated April 25, 2017 approving amendments to the Law on "State Registry of Real Estate" in the legislation of the Republic of Azerbaijan.

GETTING CREDIT

Current rating: **122nd place** among 190 countries

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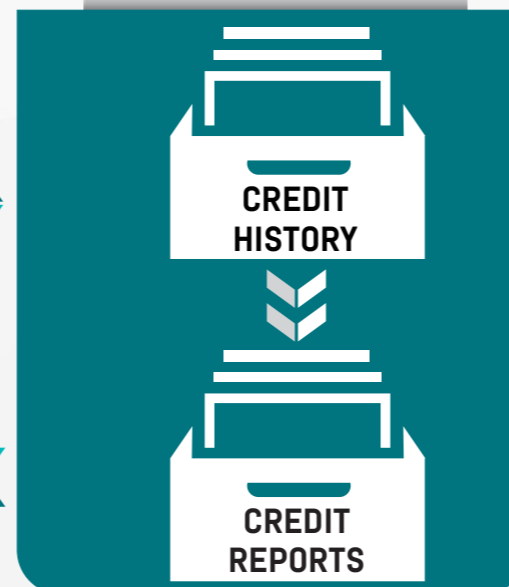
GETTING CREDIT



INFORMATION PROVIDERS/ INFORMATION SUBSCRIBERS

The FIMSA's Centralised Credit Registry Base
At the request of the Bureau, once a year free of charge

PRIVATE CREDIT BUREAU



ON CONTRACT BASIS

- Banks
- Non-Bank Credit Institutions (NBCI)
- Insurers and reinsurers
- Leasing and Factoring Companies
- Mobile Operators
- Utility Services Providers
- Subjects of sales-purchase of goods on loan conditions
- Others

ELECTRONIC GOVERNMENT PORTAL

- Courts
- Executive authorities
- Notaries
- Supreme and Constitutional Court
- Central and local executive power bodies
- Financial Market Supervisory Authority (FIMSA)
- Central Bank
- Teleradio Council

On the basis of individual's requests credit reports can be obtained free of charge, twice a year

MAIN FEATURES OF AZERBAIJAN CREDIT BUREAU

- Private Bureau started with Public Registry data accumulated from 2005;
- Government shares negative data, which has been accumulated in its database, with the credit bureau;
- Bureau stores information on both physical individuals and legal entities;
- Credit bureau collects both negative and positive data;
- No threshold is set for data exchange between state credit registry and credit bureau;
- Bureau keeps and shares credit information for 10 years from the date of final changes;
- Bureau collects and shares data only with consents of the borrowers;
- Credit history contains information on all open and closed credit accounts;
- Credit report is issued in electronic form and as a hard copy;
- Cross-border transfer of the credit reports is undertaken only with the consent of borrower.

Legal basis: "The Law on Credit Bureaus" was adopted by the Parliament on 28th of October, 2016 and came into force with the Decree of the President of the Republic of Azerbaijan dated December 7, 2016.

GETTING CREDIT



AZERBAIJAN CREDIT BUREAU – CURRENT SITUATION

BUREAU RECEIVED A LICENSE

On 31st January, 2018 Bureau received the first private credit bureau license.

On 1st of February Bureau appointed CEO and 09th of February 2018 Bureau held an opening ceremony.

77 CONTRACTS SIGNED WITH DATA PROVIDERS

Bureau signed 30 Contract with the banks and 47 Contracts with non-bank credit institutions for data exchange.

INSURANCE AND UTILITY COMPANIES JOINED

Bureau signed contracts with 20 Insurance and 1 reinsurance companies.

Bureau finalized data integrations with one utility company. Integrations to be finalized with 2 other utility companies and mobile operators.



COMPANY ESTABLISHED

The first private credit bureau was established on 15th of January 2018. Shareholders paid 2,000.000 manats as a Charter Capital.

INFRASTRUCTURE FORMED

19th of February 2018 Bureau approved Business Plan, Operational Plan, Staff, Structure, Guidelines for data exchange and price policy.

BUREAU STARTED OPERATING

Transfer of accumulated CCR Data into Bureau. **6th of March 2018** Bureau system started online data exchange with the joined credit organizations.

CREDIT BUREAU SCORE

IMPROVE ACCESS TO FINANCIAL SERVICES

- Differential approach according to risk profile;
- Declining interest rates with a decrease in the cost of loans;
- Improvement in the financial discipline of borrowers;
- Credit accessibility with impersonal protection.

RISK MANAGEMENT

- Reduction of the information asymmetry;
- Detailed application of "customer's diagnostic principle";
- Application of ranking and other systems;
- Decrease of the costs of borrower assessment process;
- Access to risk profile information of entrepreneurs.



Legal basis: "The Law on Credit Bureaus" was adopted by the Parliament on 28th of October, 2016 and came into force with the Decree of the President of the Republic of Azerbaijan dated December 7, 2016.

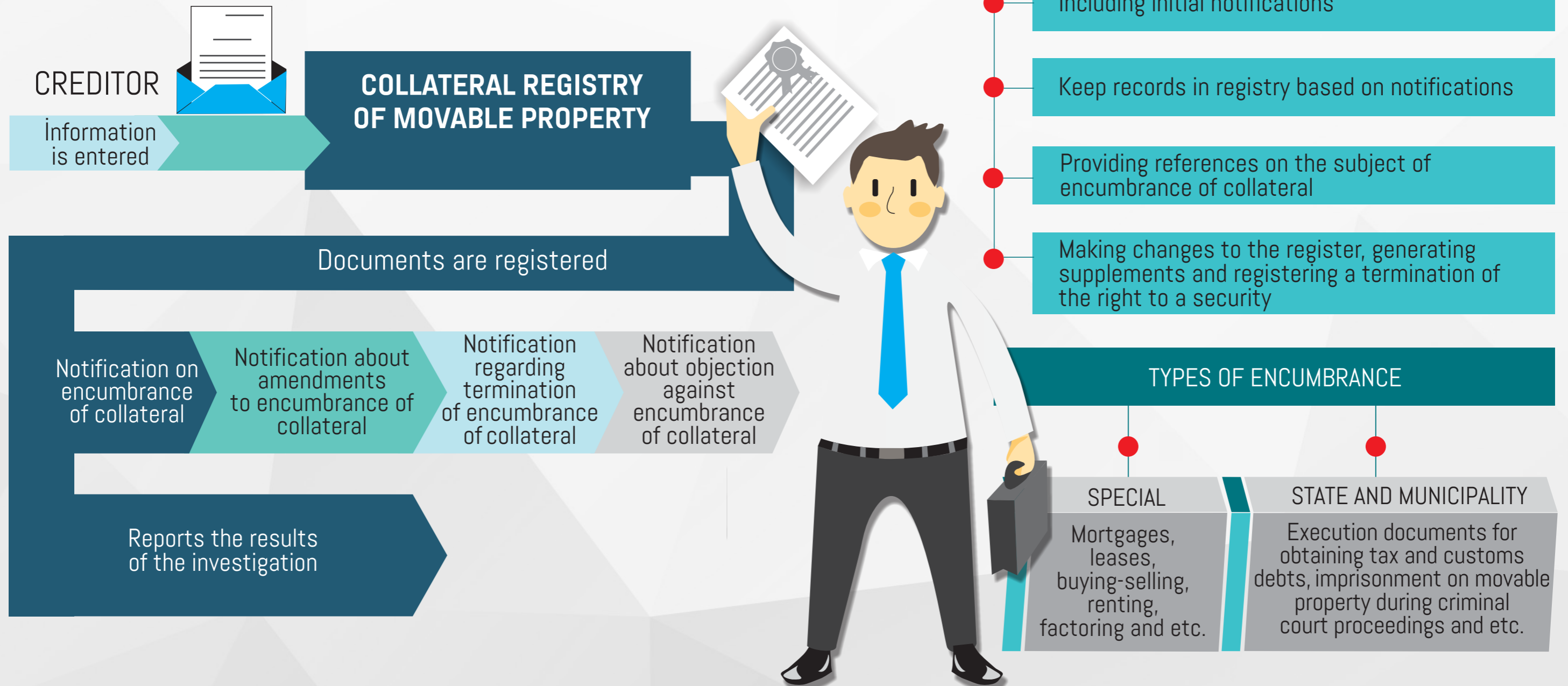
GETTING CREDIT



COLLATERAL REGISTRY OF MOVABLE PROPERTY

COLLATERAL REGISTRY OF MOVABLE PROPERTY -

by registering operations regarding encumbrance of collateral, will operate on a paid basis and will run 24/7 on online mode.



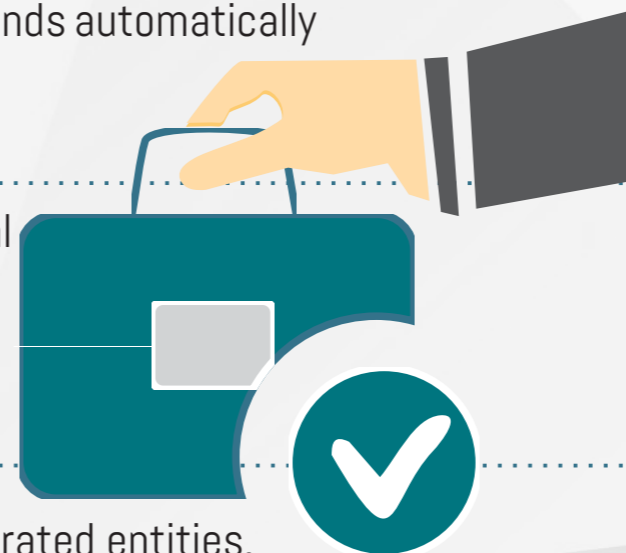
Legal basis: In accordance with the Decree of the President of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan No 667-VQ of 2 May 2017 "On Encumbrance of Movable Property" was adopted.

GETTING CREDIT



THE LEGISLATION FOR COLLATERAL REGISTRY OF MOVABLE PROPERTY

Sub-indicator	Justification
<p>An integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exists in the economy.</p>	<p>Law on Encumbrance of movable property Article No. 4</p>
<p>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.</p>	<p>Law on Encumbrance of movable property Article No. 3.5 and 22</p>
<p>The law allows businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral.</p>	<p>Law on Encumbrance of movable property Article No. 3.5 and 22</p>
<p>A security right extends to future or after-acquired assets, and it extends automatically to the products, proceeds and replacements of the original assets.</p>	<p>Law on Encumbrance of movable property Article No. 3.1, 3.3, 10 and 22</p>
<p>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.</p>	<p>Law on Encumbrance of movable property Article No. 3.1, 3.5, 4.3.15, 10, 22 Civil Code Article No. 269.11</p>
<p>A collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database is indexed by debtor's name.</p>	<p>Law on Encumbrance of movable property Article No. 20, 204, 26</p>



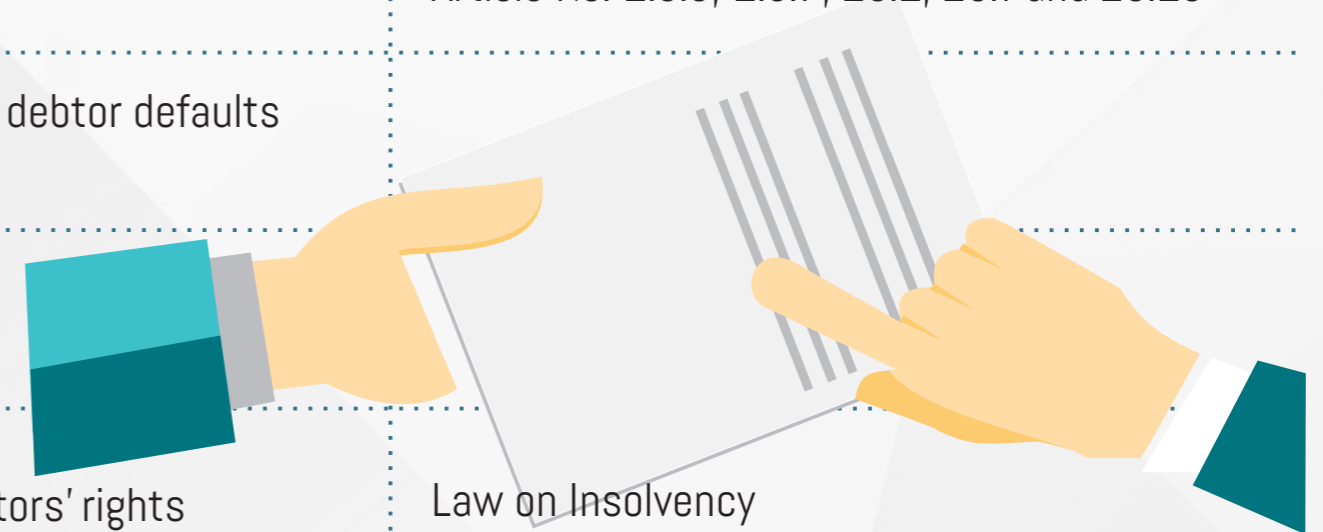
Legal basis: In accordance with the Decree of the President of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan No 667-VQ of 2 May 2017 "On Encumbrance of Movable Property" was adopted.

GETTING CREDIT



THE LEGISLATION FOR COLLATERAL REGISTRY OF MOVABLE PROPERTY

Sub-indicator	Justification
A notice-based collateral registry exists, in which all functional equivalents can be registered.	Law on Encumbrance of movable property Article No. 20.1, 204, 20.6 and 20.10
A modern collateral registry exists in which registrations, amendments, cancellations and searches can be performed online by any interested third party.	Law on Encumbrance of movable property Article No. 1.0.8, 1.0.7, 20.1, 204 and 20.10
Secured creditors are paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure.	
Secured creditors are paid first (i.e. before tax claims and employee claims) when a business is liquidated.	
Secured creditors are subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure. The law protects secured creditors' rights by providing clear grounds for relief from the stay and sets a time limit for it.	Law on Insolvency
The law allows parties to agree on out of 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 satisfaction of the debt.	Law on Encumbrance of movable property Article No. 13, 16 and 19



- On May 2, 2017, the Law of the Republic of Azerbaijan "On Encumbrance of Movable Property" was adopted;
- Relevant regulations have come into force with the registration in the Ministry of Justice;
- The State Register of Movable Property has been operating since March 15, 2018.

Legal basis: In accordance with the Decree of the President of the Republic of Azerbaijan, the Law of the Republic of Azerbaijan No 667-VQ of 2 May 2017 "On Encumbrance of Movable Property" was adopted.

PROTECTING MINORITY INVESTORS

Current rating: **10th place** among 190 countries



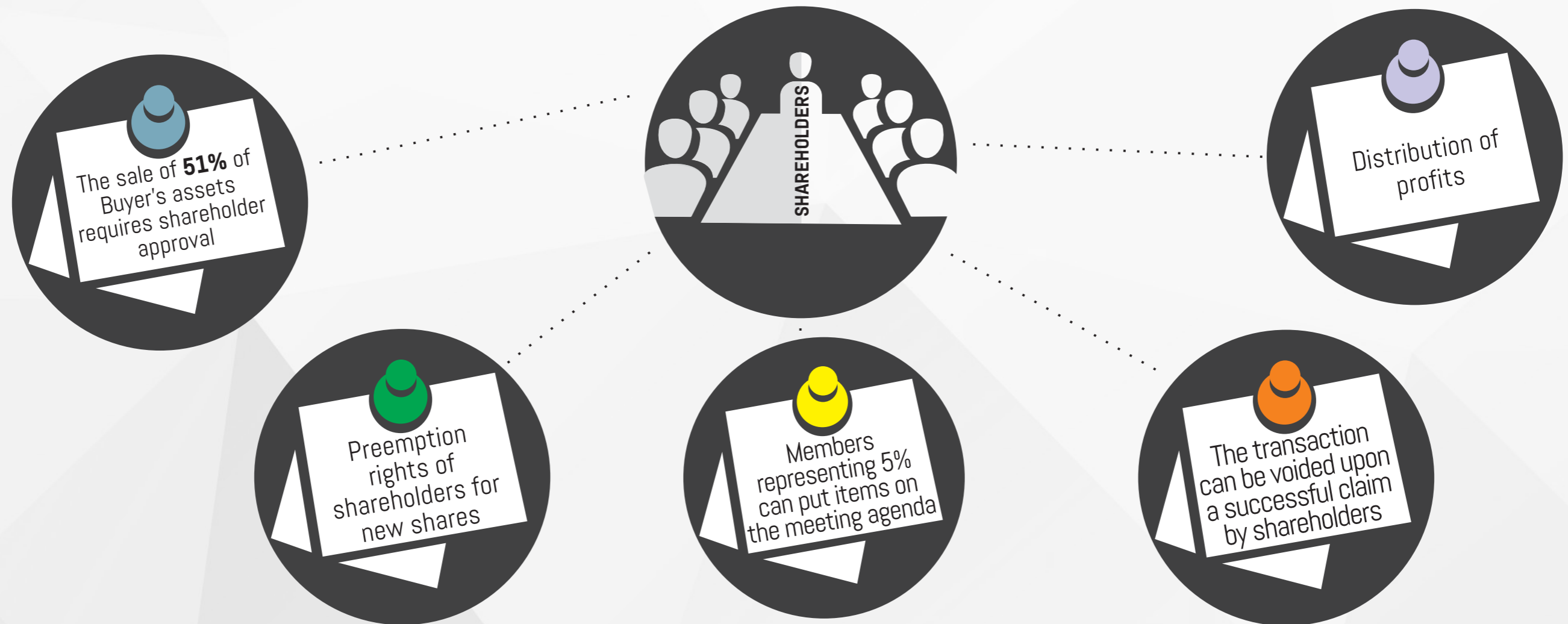
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PROTECTING MINORITY INVESTORS



LEGAL RIGHTS OF MINORITY INVESTORS DETERMINED IN THE LEGISLATION



- Executive director can be disqualified or fined and imprisoned upon a successful claim by shareholders;
- A court can void the transaction upon a successful claim by shareholders;
- The sale of 51% of Buyer's assets requires shareholder approval;
- A potential acquirer must make a tender offer to all shareholders upon acquiring 50% of Buyer;
- Shareholders automatically receive preemption rights every time Buyer issues new shares;
- Assuming that Buyer is a limited company, the Buyer must distribute profits within a maximum period set by law;
- Shareholders representing 5% of Buyer's share capital can put items on the general meeting agenda.

PROTECTING MINORITY INVESTORS



AMENDMENTS FOR ENABLING THE "PROTECTION OF THE RIGHTS OF MINORITY INVESTORS"

Rights to be newly identified

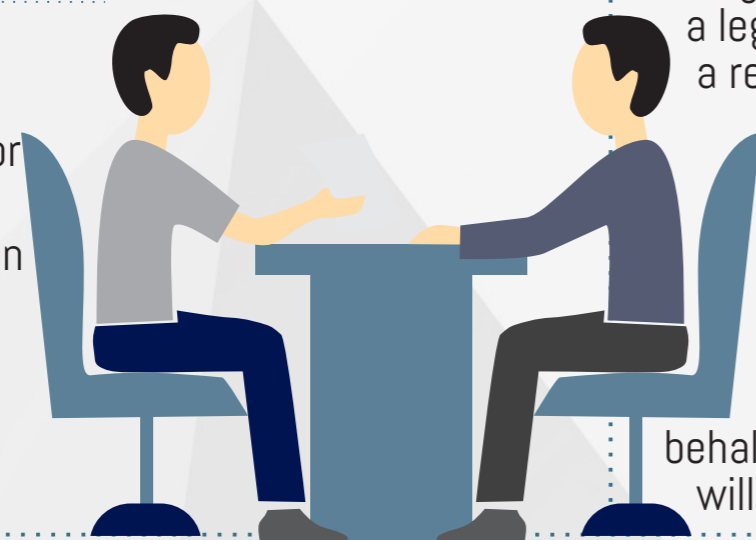
Envisaged amendments to the legislation

RESPONSIBILITY OF DIRECTORS

Shareholders can hold the interested director liable for the damage the transaction caused to Buyer.

Shareholders can hold the other directors liable for the damage the transaction caused to Buyer.

An Executive director is disqualified or fined and imprisoned upon a successful claim by shareholders.



■ By making amendments to Article No. 49.3 of the Civil Code of the Republic of Azerbaijan, a new edition will be employed:

At the request of a participant (participants) who have at least 5 per cent of shares (share) in the charter capital of a legal entity, he / she must pay compensation for the damage caused to the legal entity as a result of breach of his / her duties.

■ As stated in article No. 49.4 , when an individual, who acts on behalf of legal entity or as a presenter of a legal entity in a governing body, cause to a lost for a legal entity or a shareholder, for example, when a legal entity has significant amount of loss, the property of a legal entity is alienated or exploited at a remarkably less price than the market conditions, when the members of the governing body of the entity are disproportionately compensated, and in such other cases, also according to the article No. 49.5, which refers to the fact that, in the event of administrative or criminal liability, if he/she has been removed from the position for such damage or that, he / she is not released from the duty to pay the damage to the legal entity. Thus, these new articles are considered to be published in the new edition. In addition, in the event of any of these circumstances, a participant having at least 5 per cent of shares (share) in the charter capital of a legal entity has the right to ask all documents or information, that expresses about the case, from an individual, who acts on behalf of legal entity or as a presenter of a legal entity in a governing body and examine them. This issue will be considered in a new Article No. 49.6, which sets out that right of requiring those documents.

A court can void the transaction upon a successful claim by shareholders.

Addition of the following sentence to Article No. 339.6 of the Civil Code of the Republic of Azerbaijan: "339.6. According to the grounds specified in Articles No. 339.1 - 339.4 of this Code, the transaction can be considered invalid by the court on the claim of the victim".



Buyer must disclose the compensation of individual managers.

Article No. 99.2 of the Civil Code of the Republic of Azerbaijan is supplemented with Article No. 99.2.8 and submitted as follows:

99.2. The Open Joint Stock Company is obliged to annually publish its annual report and accounting balance, as well as the following information:

99.2.8. Payments to "each member" of the governing bodies.

PROTECTING MINORITY INVESTORS



AMENDMENTS FOR ENABLING THE "PROTECTION OF THE RIGHTS OF MINORITY INVESTORS"

Rights to be newly identified

Envisaged amendments to the legislation

Shareholders automatically receive preemption rights every time Buyer issues new shares.

Addition of the following sentence to Article No. 93.3 of the Civil Code of the Republic of Azerbaijan: "If the participant of the company wishes to issue his share (a part thereof), he must first initiate the acquisition of that share (a part thereof) to other participants of the company".

A potential acquirer must make a tender offer to all shareholders upon acquiring 50% of Buyer.

Issuance of Article No.104.2 of the Civil Code of the Republic of Azerbaijan in a new edition:
A person wishing to buy 50% or more of the company's shares (Buyer) must submit an appropriate offer to "all" shareholders.



The board of directors must include a separate audit committee exclusively comprising board members.

- A new edition of Article No. 91-4.3 of the Civil Code of the Republic of Azerbaijan will be as follows: "91-4.3. Members of the executive body and (or) society cannot be members of the audit committee. Members of the Board of Directors (Supervisory Board) of the Company may be members of the Audit Committee. "

- Addition of the following second sentence to Article No. 107-7.2 of the Civil Code of the Republic of Azerbaijan: "The number of and requirements for members of the board of directors of the company (the supervisory board) can be determined by law."

- A new edition of Article No. 107-12.3 of the Civil Code of the Republic of Azerbaijan will be as follows: Members of the executive body and (or) society cannot be members of the audit committee. Members of the Board of Directors (Supervisory Board) of the Company may be members of the Audit Committee. "

PAYING TAXES



Current rating: **35th place** among 190 countries

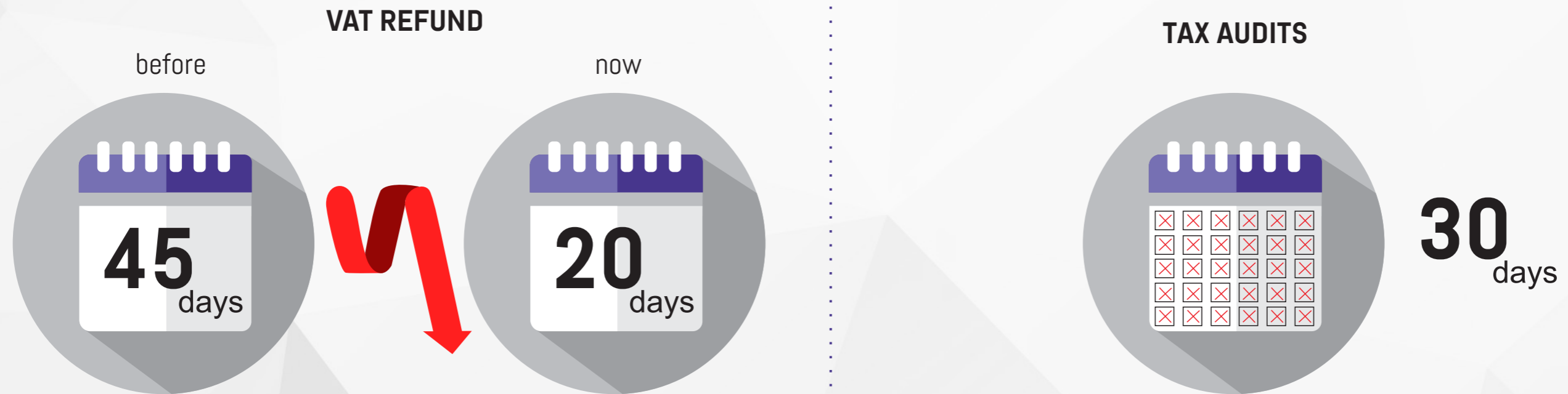
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PAYING TAXES



VAT REFUND



- The Advance Tax Ruling method is used as a method to reduce tax risks in a number of foreign countries' tax legislation. For this purpose, a separate article has already been added to the Tax Code;
- Also voluntary tax disclosure - the application of the system, which intends taxpayers' voluntary declaration of some issues that have not been determined at the time of the tax inspection and causing tax liability is stated in the Tax Code;
- Time to complete VAT refund has been reduced from 45 days to 20 days;
- Tax audits are carried out within 30 business days from the date of submission of the tax declaration to the tax authority;
- According to the amendments to the Tax Code for the purpose of expanding the scope of taxpayers' tax incentives applicable to wage earnings, income tax on income of individuals up to 2,500 manats per month and up to 30,000 manats per year, the application of tax allowance from income tax has been commenced corresponding to the part of country's minimum living wage up to 1 and 12;
- The taxpayer's registered property is sold via electronic auction according to the order of the executive officer;
- Electronic invoices are issued for legal entities and individuals engaged in entrepreneurial activity to provide goods (works, services).

TRADING ACROSS BORDERS

Current rating: **83rd place** among 190 countries

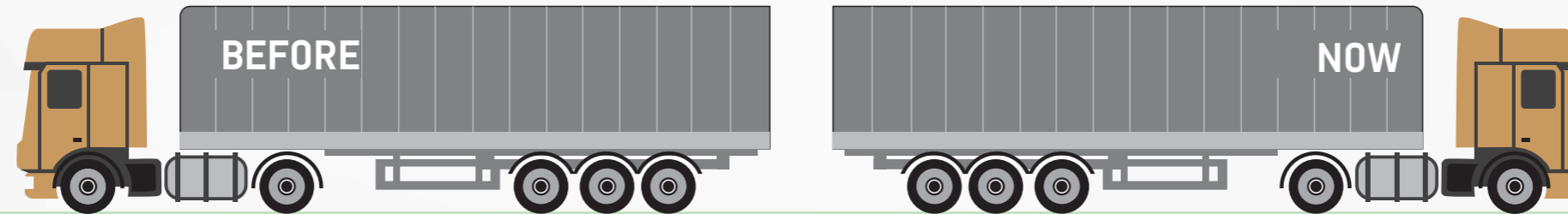
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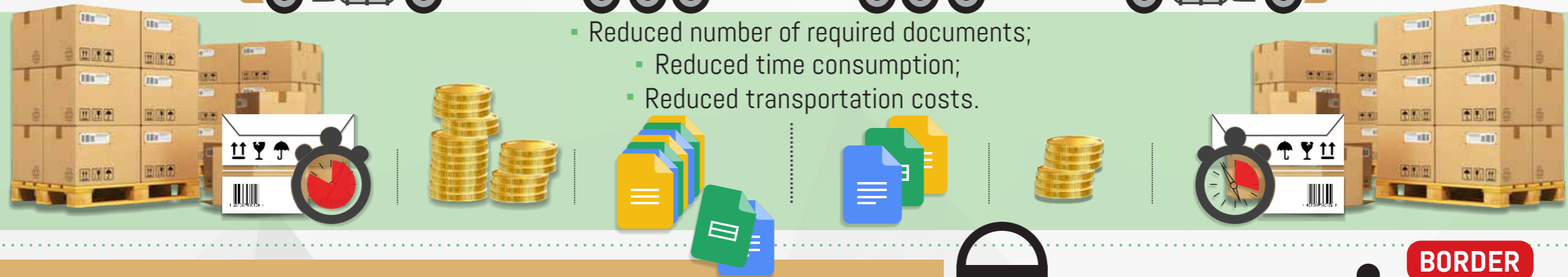
TRADING ACROSS BORDERS



"GREEN CORRIDOR" ADMISSION SYSTEM

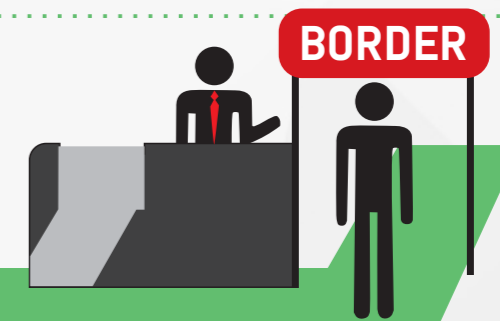


- Reduced number of required documents;
- Reduced time consumption;
- Reduced transportation costs.



"GREEN CORRIDOR" ADMISSION SYSTEM -

Direct passage of goods and means of transport from customs border checkpoints without physical examination.



- The possible traffic at customs border checkpoints has been eliminated;
- Cargo operations could be carried out at the place where the entrepreneur operates;
- The efficiency of customs control has been increased;
- Additional controls have been removed.

Legal basis: Amendments to "Regulations on declaration of goods and means of transport crossing the customs border", approved by the Cabinet of Ministers of the Republic of Azerbaijan dated July 22, 2014 No 263.
Decree No. 920 of the President of the Republic of Azerbaijan dated May 21, 2016 on approving "The rules of the use of the green corridor and other grading systems for conveyance of goods and means of transport across the customs border".
Decree of the President of the Republic of Azerbaijan No 1255 of February 22, 2017 on "Additional Measures to Strengthen the Position of the Republic of Azerbaijan as a Digital Trade Corridor and Expand Foreign Trade Transactions".

TRADING ACROSS BORDERS



APPLICATION OF ELECTRONIC CUSTOMS AND INTELLECTUAL PROPERTY SERVICES



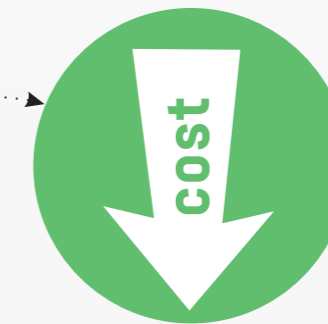
Registry of goods those are objects of intellectual property rights has been improved;



Workshops are held to educate the right holders and register their rights' protection;



29 trademarks of different companies were registered in the State Customs Committee.



- Time waste is eliminated;
- Potential risks are decreased;
- Officer-citizen contact is minimised;
- The security of trade-supply chain is ensured;
- Additional costs are cut down.

Legal basis: Amendments to "Regulations on declaration of goods and means of transport crossing the customs border", approved by the Cabinet of Ministers of the Republic of Azerbaijan dated July 22, 2014 No 263.

Decree No. 920 of the President of the Republic of Azerbaijan dated May 21, 2016 on approving "The rules of the use of the green corridor and other grading systems for conveyance of goods and means of transport across the customs border".

Decree of the President of the Republic of Azerbaijan No 1255 of February 22, 2017 on "Additional Measures to Strengthen the Position of the Republic of Azerbaijan as a Digital Trade Corridor and Expand Foreign Trade Transactions".

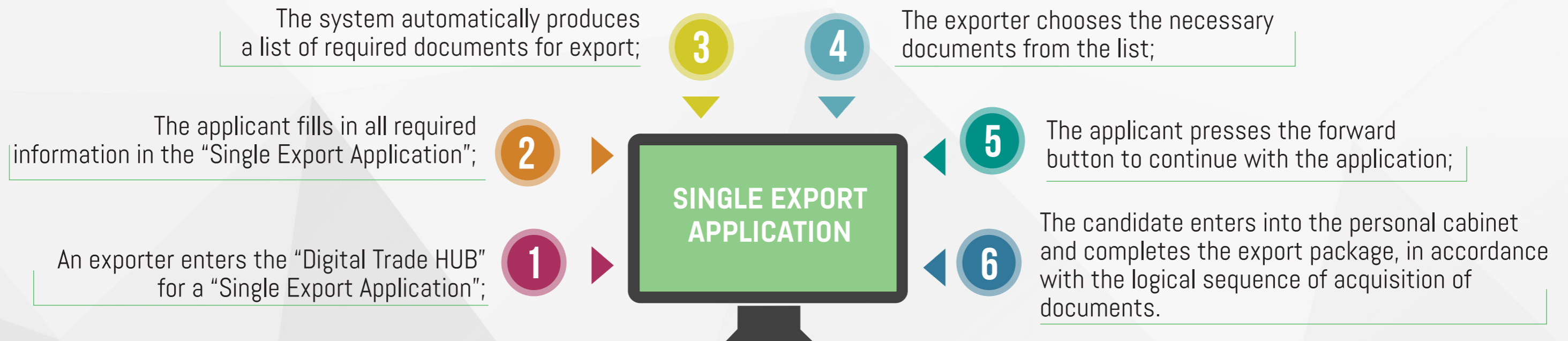
TRADING ACROSS BORDERS



SINGLE EXPORT APPLICATION

"Single Export Application" provides access to several permits and licenses through a single application for individuals seeking to export their products. Entering information once, an exporter may obtain origin, quality, phytosanitary and free-of-sale certificates and can delegate filling out customs declaration and export promotion application to "Azexport.az".

<https://dth.azexport.az/>



- It shortens the time to obtain export documents. On average filling out each application takes 5 minutes.
- The service is free of charge. The cost of creating the export package is minimized.

Legal basis: Amendments to "Regulations on declaration of goods and means of transport crossing the customs border", approved by the Cabinet of Ministers of the Republic of Azerbaijan dated July 22, 2014 No 263.

Decree No. 920 of the President of the Republic of Azerbaijan dated May 21, 2016 on approving "The rules of the use of the green corridor and other grading systems for conveyance of goods and means of transport across the customs border".

Decree of the President of the Republic of Azerbaijan No 1255 of February 22, 2017 on "Additional Measures to Strengthen the Position of the Republic of Azerbaijan as a Digital Trade HUB and Expand Foreign Trade Transactions".

ENFORCING CONTRACTS

Current rating: **38th place** among 190 countries

Doing
Business



ENFORCING CONTRACTS



The result of the application of the Automated "Electronic Order Execution" system



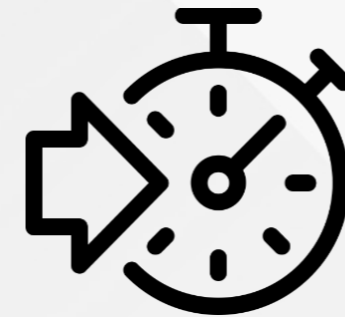
24/7 Electronic submission of documents and paperless document circulation between the parties.



Citizens and entrepreneurs' confidence in the judicial system is increasing.



Objections against court orders are on a significantly low level.



Accelerating the execution process by directing orders to electronic execution system.



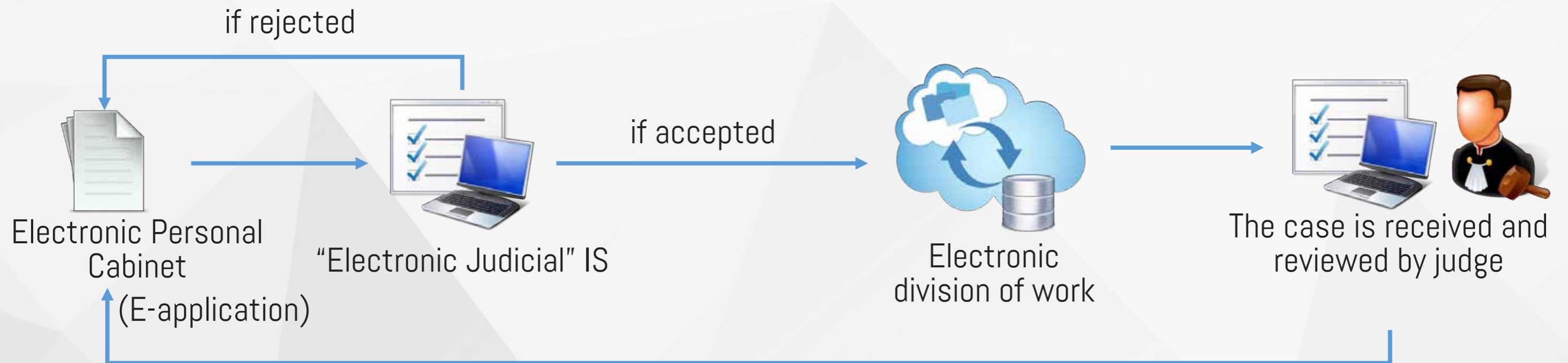
- Unified Judicial Portal (www.mahkamalar.gov.az);
- "Personal cabinet" (access to court cases for individuals and legal entities);
- Electronic Governance System for Judicial Affairs (Electronic Judicial system);
- System of "Electronic order execution";
- Electronic Management System for Executive works (Electronic Execution);
- "Control Window" (information on the duration of the court proceedings, etc.);
- Electronic Protocol System for Court Proceedings (Az-FEMIDA);
- Electronic Payment System (electronic payment of all state duties related to judicial activity).

Legal basis: The Law of the Republic of Azerbaijan "On Making Amendments to the Civil Procedure Code of the Republic of Azerbaijan" was issued pursuant to the Presidential Decree of 30 September 2016.

The Decree of the President of the Republic of Azerbaijan dated February 10, 2017 "On the expansion of application of alternative punishment and procedural compulsory measures not related to improvement of activity in the penitentiary sphere, humanization of penal policy and isolation from society".



SUBMISSION AND REVIEW OF ELECTRONIC APPLICATION



To inform about the proceeding of a case

Legal basis: The Law of the Republic of Azerbaijan "On Making Amendments to the Civil Procedure Code of the Republic of Azerbaijan" was issued pursuant to the Presidential Decree of 30 September 2016. The Decree of the President of the Republic of Azerbaijan dated February 10, 2017 "On the expansion of application of alternative punishment and procedural compulsory measures not related to improvement of activity in the penitentiary sphere, humanization of penal policy and isolation from society".

ENFORCING CONTRACTS



OPPORTUNITIES PROVIDED FOR CITIZENS AND ENTREPRENEURS VIA "ELECTRONIC PERSONAL CABINET"



Participants of the process without coming to the court (using an electronic signature) may pursue following activities via the "Personal Cabinet":

- Make electronic applications and file complaints;
- Pay the state duty electronically;
- Obtain timely information about the date of the proceedings;
- Receive the outcome of the trial process;
- Get acquainted with cases in court of any jurisdiction;
- Present and receive lawsuits and other documents (notices, judicial acts, etc.) electronically;
- Get acquainted with the status of judicial acts;
- Receive all the news about court hearing through messages and e-mail.

- "AZEMIS" system was implemented in 20 courts and 10 executive bodies during 2013-2017 years.
- "Electronic Court" is being further enforced by registering the types of judicial proceedings, those are to be examined, through the division of cases among judges;
- As a result of preparing more than 700 templates, the workload on the worker has been considerably reduced and errors that may arise have been avoided;
- Electronic Judicial information system has won World Bank partnership awards;
- On October 27, 2017, "The Pulse of the Court -The Revolution in Government" project was awarded with the Council of Europe's "Crystal Scale of Justice" reward, with "Special Attention Project" status.

Legal basis: The Law of the Republic of Azerbaijan "On Making Amendments to the Civil Procedure Code of the Republic of Azerbaijan" was issued pursuant to the Presidential Decree of 30 September 2016.

The Decree of the President of the Republic of Azerbaijan dated February 10, 2017 "On the expansion of application of alternative punishment and procedural compulsory measures not related to improvement of activity in the penitentiary sphere, humanization of penal policy and isolation from society".

RESOLVING INSOLVENCY



Current rating: **47th place** among 190 countries

Doing
Business



RESOLVING INSOLVENCY



REFORMS FOR "PROTECTING MINORITY INVESTORS" INDICATOR

JUSTIFICATION

Adding the following new paragraph to Article No.55 of the Law of the Republic of Azerbaijan on Bankruptcy and Insolvency:

"d) Concluding deals that will make a creditor superior to the other creditors during the previous 6 months prior to the debtor's bankruptcy process".

In accordance with the Article No. 1 formation of the "Creditor Group" on certain requirements, with Article No. 3 which covers the issue of the application filed with the Court, as well as the information and documents to be included in the claim petition, as well as with Article No. 41-1 "Recovery Plan and its Rules of Approval" and etc. making these kind of other amendments and additions.

Furthermore, the addition of the following Article on the allocation of creditors to differentiated groups for the voting in respect of the reorganization of the debtor company and the voting right of each group individually:

"41-1. 5. At the creditors' meeting agenda, the creditors' group, which formed under the same requirements of 6th paragraph of Article No.1 of this Law, should participate in the approval of the plan of recovery. In the voting process, the creditors' group is represented by a member selected from among its other members. Each creditor group has the equal right to vote. The decision of the creditors' meeting is made by a simple majority of votes. One member of each group – is accepted as one vote. In case of equal votes, the vote of the chairman of the General Assembly will be decisive.

After the amendments to Article No. 24-1 of the Law of the Republic of Azerbaijan on Bankruptcy and Insolvency, provision of new edition:

The sale of the assets of the debtor's fixed assets should be carried out through an open auction, prepared by the administrator of the property and in accordance with the Article No.48, paragraph 5 of this Law, the sales plan approved by the creditors' meeting, or with other methods, in case of other situations those are specified in Article 26 of this Law.

According to 5th paragraph of the "Creditors' Meeting" Article, the legitimate authority of a decision on any issue in the Creditors' Meeting will be determined solely by voting of the following individuals:

- majority of creditors, who participates or are represented at the meeting;
- majority of the total amount of outstanding debts of creditors, who participates or are represented at the meeting.



The insolvency framework allows avoidance of preferential transactions.

The creditors are divided into classes for the purposes of voting on the reorganization plan, each class votes separately and creditors in the same class are treated equally.

The insolvency framework requires approval by the creditors for sale of substantial assets of the debtor.



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