“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.

- **Getting Electricity**: 102 (2018) → 74 (2019)
- **Getting Credit**: 122 (2018) → 22 (2019)
STARTING BUSINESS

Current rating: 9th place among 190 countries
Ease of doing business score: 96, 14
Register employees with the Ministry of Labor and Social Protection
For online application e-signature is compulsory and charter is required to be submitted.
Employees can instantly start actual employment.
Electronic signature, ASAN Imza can be activated through a sim-card.

1. Obtain electronic signature for online registration
2. Apply for registration, obtain TPIN and VAT registration
3. Register employees with the Ministry of Labor and Social Protection

Before:
- Obtain electronic signature for online registration
- Apply for registration, obtain TPIN and VAT registration
- Register employees with the Ministry of Labor and Social Protection

Now:
- 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.

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

Change/Update:
- Employees can instantly start actual employment.

www.iqtisadiislahat.org
www.ereforms.org
www.ecoreform.az
Procedure for obtaining ASAN Signature certificate, for electronic registration of legal entities, has been canceled.

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.

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:
DEALING WITH CONSTRUCTION AND OCCUPANCY PERMITS

Current rating: 61st 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

1. Preparation of construction project (including engineering-geological research)
   - Obtaining the permission for construction of construction site from permissive institution on the basis of electronic application
   - Duration: 15 working days

2. Obtaining the permission for construction of construction site from permissive institution on the basis of electronic application
   - Duration: 2 working days

3. Inspection of foundations-installation work (The Ministry of Emergency Situations)
   - Duration: 1 day

4. Obtain water connection (AzerSu (State Water Agency))
   - Duration: 7 days

5. Provision of final inspection and receiving occupancy act (The Ministry of Emergency Situations)
   - Duration: 1 day

6. Applying with the corresponding documents, regarding the legislation, for the occupancy permit and obtaining the permission for occupancy on the basis of electronic application (Authorized institution)
   - Duration: 10 days

7. Registration of construction site in “The State Service for Registration of Real Estate
   - Duration: 4 days

Opinion is given by Committee on the compliance of the construction project with the urban planning documentation.
- Duration: 5 working days

Opinions from related institutions are obtained electronically.
- Duration: 5 days

Technical condition are obtained electronically from “ASAN Utility” or “ASAN Service” or SMB house or directly from supply institutions.
- Duration: 10 days

Construction permit are obtained.
- Duration: 1 working day
Before

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Time</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>116 days</td>
<td>6566 AZN</td>
</tr>
</tbody>
</table>

Now

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Time</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>38 days</td>
<td>1595 AZN</td>
</tr>
</tbody>
</table>

Impact of the Reform

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

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

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

4. 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.

Legal basis:
GETTING ELECTRICITY

Current rating: 74th place among 190 countries
Ease of doing business score: 77.27
Entrepreneur applies to getting electricity - 10 days

1. 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;

2. Entrepreneur straightforwardly or through online payment system makes payment based on application documents;

3. The location of the building over the “Electronic Map” and power centers, free power level at its nearest distance are determined automatically;

4. Optimal route for electricity supply is approved by the relevant agencies within “Technical Council” through online system;

5. Electricity supply project are prepared.

Construction-installation work is carried out - 10 days

1. Construction-installation work is implemented;

2. “Documents Package”: Technical conditions, connection act, purchase and sale agreement act are submitted to the entrepreneur;

3. Agreement is made between the entrepreneur and the ESC (Electricity Supply Coorperation), the act and agreement are signed;

4. Tension is given.
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 4th of April, 2017 “On simplifying the procedure for electricity supply to existing or under construction sites of entrepreneurs”, dated 25th of December, 2018 [http://www.e-qanun.az/framework/41095](http://www.e-qanun.az/framework/41095)
REGISTERING PROPERTY

Current rating: 17\textsuperscript{th} place among 190 countries
Ease of doing business score: 84,63
<table>
<thead>
<tr>
<th>BEFORE</th>
<th>NOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-encumbrance certificate was obtained from the State Service for Registration of Real State</td>
<td>The notary issues non-encumbrance certificate online.</td>
</tr>
<tr>
<td>The sale-purchase agreement was made</td>
<td>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.</td>
</tr>
<tr>
<td>Paper excerpt is obtained from the State Service for Registration of Real State</td>
<td>1 day</td>
</tr>
</tbody>
</table>

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

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.


registration_complaints@emdk.gov.az

The new hotline "1187" for filling complaints about a problem that occurred at the agency in charge of cadastral plans

The new hotline "1186" for filling complaints about a problem that occurred at the Service for State Registry of Real Estate (SSRRE).

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

### Legal basis:
GETTING CREDIT

Current rating: 22\textsuperscript{nd} place among 190 countries
Ease of doing business score: 80,00
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)

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)

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)

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)
**IMPACT OF THE REFORM**

1. **Strength of legal rights index (0-12 bal)**
   - Initial: 8
   - After reform: 12

2. **Credit bureau coverage (% of adults)**
   - Initial: 41.5
   - After reform: 45

3. **Credit registry coverage (% of adults)**
   - Initial: 41.5
   - After reform: 42.13

**Legal basis:**
PROTECTING MINORITY INVESTORS

Current rating: 2nd place among 190 countries
Ease of doing business score: 81.67
### Protecting Minority Investors

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

### Legal Basis
PAYING TAXES

Current rating: 28th place among 190 countries
Ease of doing business score: 85.23
### Paying Taxes

<table>
<thead>
<tr>
<th></th>
<th>Tax Rate</th>
<th>Time (hours)</th>
<th>Postfiling Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social security contributions (% of profit)</td>
<td>22%</td>
<td>65 hours</td>
<td>27.6 weeks</td>
</tr>
<tr>
<td>Social security contributions (% of profit)</td>
<td>24.82%</td>
<td>50 hours</td>
<td>7.5 hours</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>44 hours</td>
<td>159 hours</td>
<td></td>
</tr>
<tr>
<td>Value added tax (VAT)</td>
<td>44 hours</td>
<td>159 hours</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time to comply with VAT refund (weeks)</td>
<td>27.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time to comply with VAT refund (hours)</td>
<td>7.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Now**             |          |              |                  |
| Social security contributions (% of profit) | 15% | 43 hours | 17.1 weeks |
| Social security contributions (% of profit) | 20.29% | 31 hours | 4 hours |
| Corporate income tax | 39 hours | 113 hours |                  |
| Value added tax (VAT) | 39 hours | 113 hours |                  |
| **Total**           |          |              |                  |
| Time to comply with VAT refund (weeks) | 17.1 |                  |
| Time to comply with VAT refund (hours) | 4 |                  |
The rate of social security payments paid by the employer has been reduced from 22% to 15%.

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

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.

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

**Legal basis:**
TRADING ACROSS BORDERS

Current rating: **84th place** among 190 countries
Ease of doing business score: **77.04**
**TRADED 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**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Import</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience in import operations should be within the last 1 (one) year</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Ability to use electronic customs services</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Right to use vehicles that meet the international shipping requirements</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Right to use warehouses intended for storage of goods meeting the specified requirements</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Case of no smuggling, non-conviction for crimes related to payment of customs duties, including convictions paid or withdrawn</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

**ADVANTAGES GIVEN TO THE USERS OF “GREEN CORRIDOR” ADMISSION SYSTEM**

**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.).

**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.

1. Fill out the application
2. Login
3. Submit the application
4. Receive the documents
5. All payments are made through e-wallet.

**WWW.ECOREFORM.AZ**
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 21st of December 2018 [https://president.az/articles/31222]..

- Decree of the President of Azerbaijan Republic dated 21st 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 21st of May, 2016 [https://president.az/articles/31221].
ENFORCING CONTRACTS

Current rating: 40th place among 190 countries
Ease of doing business score: 67.51
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:

- work number (for ex: 1(004)-12/2019)
- type of proceedings (for ex: claim proceedings)
- type of work (for ex: civil case, administrative dispute resolution)
- the name of the court (for ex: Baku Administrative-Economical Court № 1)
- judge
- status at work (for ex: the lawyer)
- work consideration (for ex: the case is in progress)
- access history (for ex: 19.03.2018)
Legal basis:
RESOLVING INSOLVENCY

Current rating: **45th place** among 190 countries
Ease of doing business score: **63,79**
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).
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.

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

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:
**Public Procurement**

**Planning of Public Procurement**

**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**

- 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.
**Legal Basis:**

**Before**
- **Time:** 53 days
- **Cost:** 1-5%

**Now**
- **Time:** 31 days
- **Cost:** 1%

**Impact of Reform**
1. A single web portal for public procurement and an electronic procurement platform have been established.
2. All e-procurement procedures and exchange of information are carried out online through a single web portal.
3. The participation of micro, small and medium entrepreneurship entities in public procurement was stimulated.
4. Bid Security has been reduced from 1-5% to 1%.
5. The contract between the purchaser and the supplier is concluded electronically in the single internet protocol.
6. The transparency and effectiveness of public procurement has been increased by reducing the duration of the complaint consideration from 20 banking days to 10 banking days and in terms of electronic submission of the decision the number of days have been cut off from 3 bank days to 1 bank day.