



# Doing Business 2014

## Economy Profile: Azerbaijan



Comparing Business Regulations for Domestic Firms in 189 Economies

11<sup>TH</sup> EDITION

*A World Bank Group Corporate Flagship*

© 2013 The International Bank for Reconstruction and Development /  
The World Bank  
1818 H Street NW, Washington, DC 20433  
Telephone: 202-473-1000; Internet: [www.worldbank.org](http://www.worldbank.org)

All rights reserved.  
1 2 3 4 15 14 13 12

A copublication of The World Bank and the International Finance Corporation.

This work is a product of the staff of The World Bank with external contributions. Note that The World Bank does not necessarily own each component of the content included in the work. The World Bank therefore does not warrant that the use of the content contained in the work will not infringe on the rights of third parties. The risk of claims resulting from such infringement rests solely with you.

The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

### Rights and Permissions



This work is available under the Creative Commons Attribution 3.0 Unported license (CC BY 3.0)

<http://creativecommons.org/licenses/by/3.0>. Under the Creative Commons Attribution license, you are free to copy, distribute, transmit, and adapt this work, including for commercial purposes, under the following conditions:

**Attribution**—Please cite the work as follows: World Bank. 2013. *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group. DOI: 10.1596/978-0-8213-9615-5. License: Creative Commons Attribution CC BY 3.0

**Translations**—If you create a translation of this work, please add the following disclaimer along with the attribution: *This translation was not created by The World Bank and should not be considered an official World Bank translation. The World Bank shall not be liable for any content or error in this translation.*

All queries on rights and licenses should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

Additional copies of all 11 editions of *Doing Business* may be purchased at [www.doingbusiness.org](http://www.doingbusiness.org).

Cover design: The Word Express

## CONTENTS

<b>Introduction</b> .....	<b>4</b>
<b>The business environment</b> .....	<b>5</b>
<b>Starting a business</b> .....	<b>14</b>
<b>Dealing with construction permits</b> .....	<b>22</b>
<b>Getting electricity</b> .....	<b>36</b>
<b>Registering property</b> .....	<b>44</b>
<b>Getting credit</b> .....	<b>53</b>
<b>Protecting investors</b> .....	<b>60</b>
<b>Paying taxes</b> .....	<b>69</b>
<b>Trading across borders</b> .....	<b>76</b>
<b>Enforcing contracts</b> .....	<b>84</b>
<b>Resolving insolvency</b> .....	<b>94</b>
<b>Employing workers</b> .....	<b>99</b>
<b>Data notes</b> .....	<b>106</b>
<b>Resources on the <i>Doing Business</i> website</b> .....	<b>112</b>

## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies, from Afghanistan to Zimbabwe, over time. The data set covers 47 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Azerbaijan. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2013 (except for

the paying taxes indicators, which cover the period January–December 2012).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2014* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2014*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 189 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details). The employing workers indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

### ECONOMY OVERVIEW

**Region:** Europe & Central Asia

**Income category:** Upper middle income

**Population:** 9,297,507

**GNI per capita (US\$):** 6,050

**DB2014 rank:** 70

**DB2013 rank:** 71\*

**Change in rank:** 1

**DB 2014 DTF:** 61.53

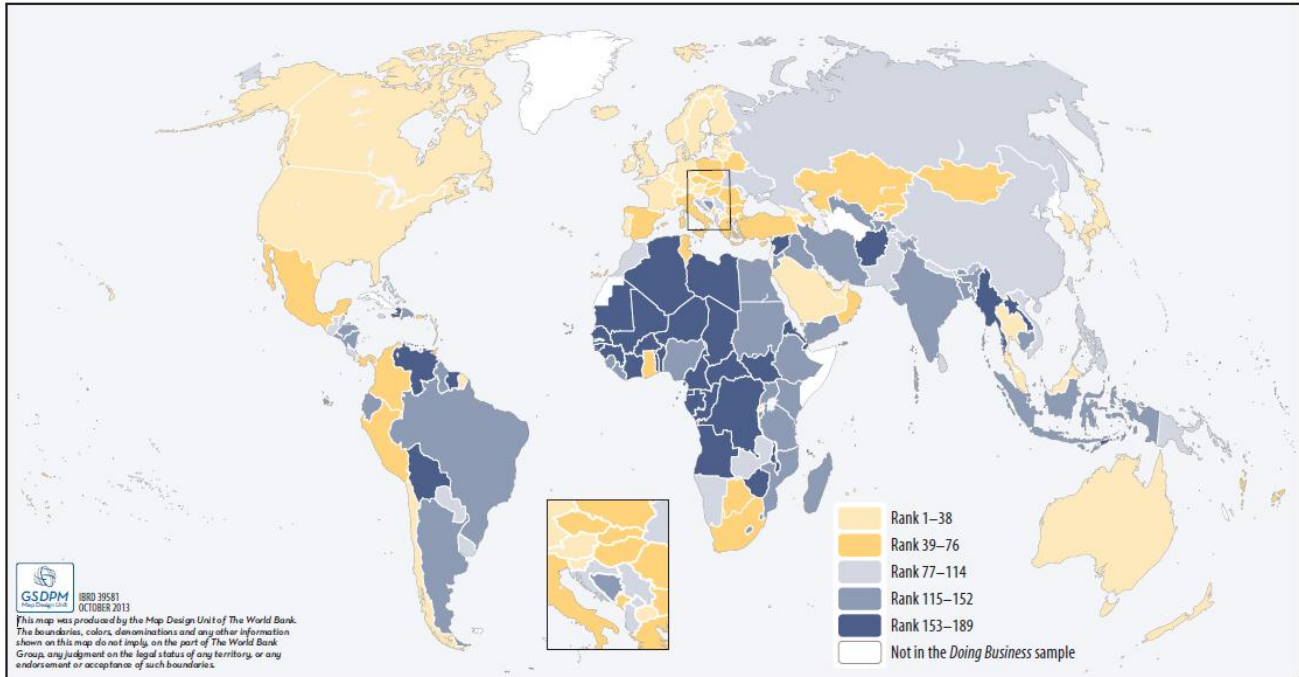
**DB 2013 DTF:** 60.57

**Change in DTF:** 0.93

\* DB2013 ranking shown is not last year's published ranking but a comparable ranking for DB2013 that captures the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. See the data notes for sources and definitions.

## THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



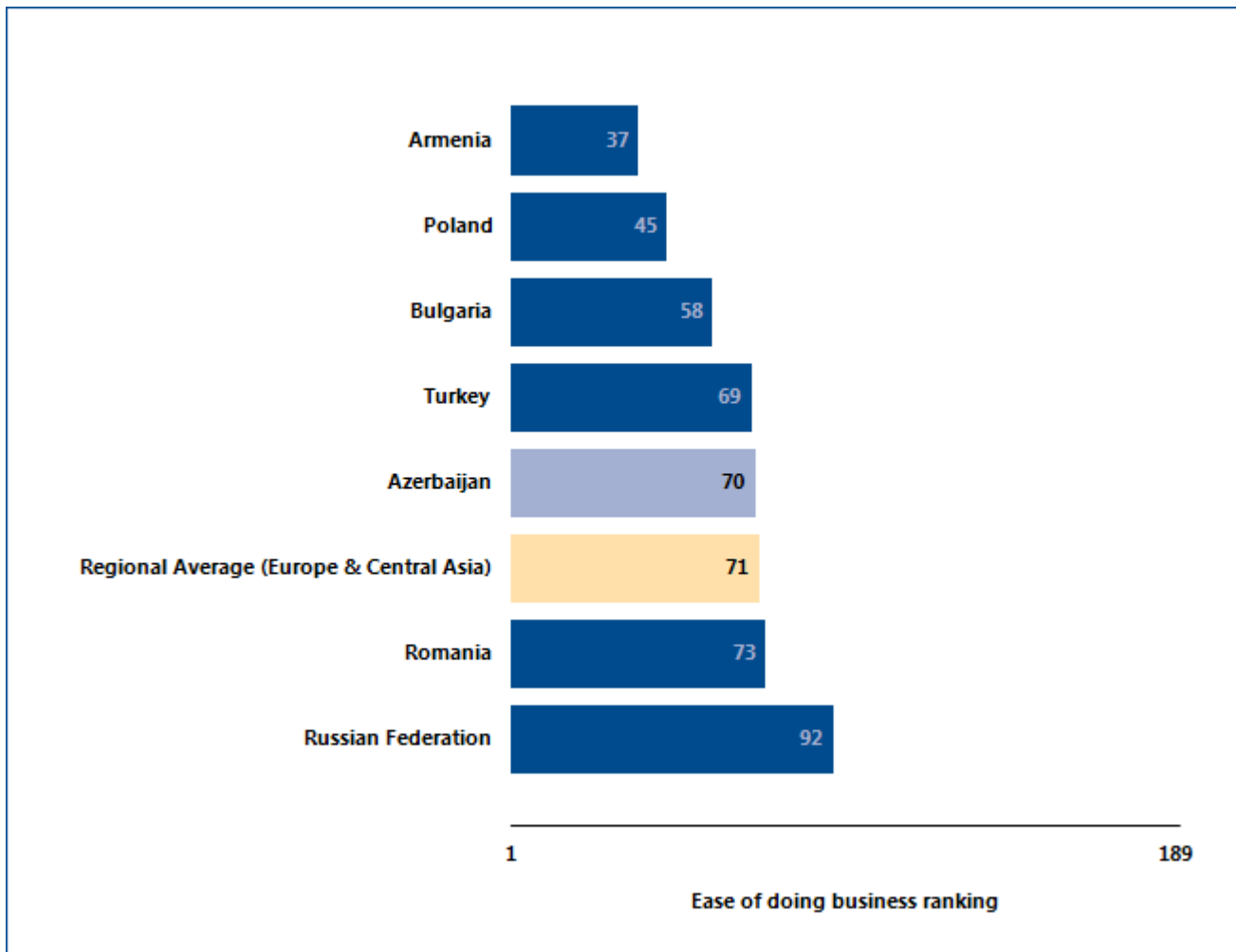
Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and

relative to the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

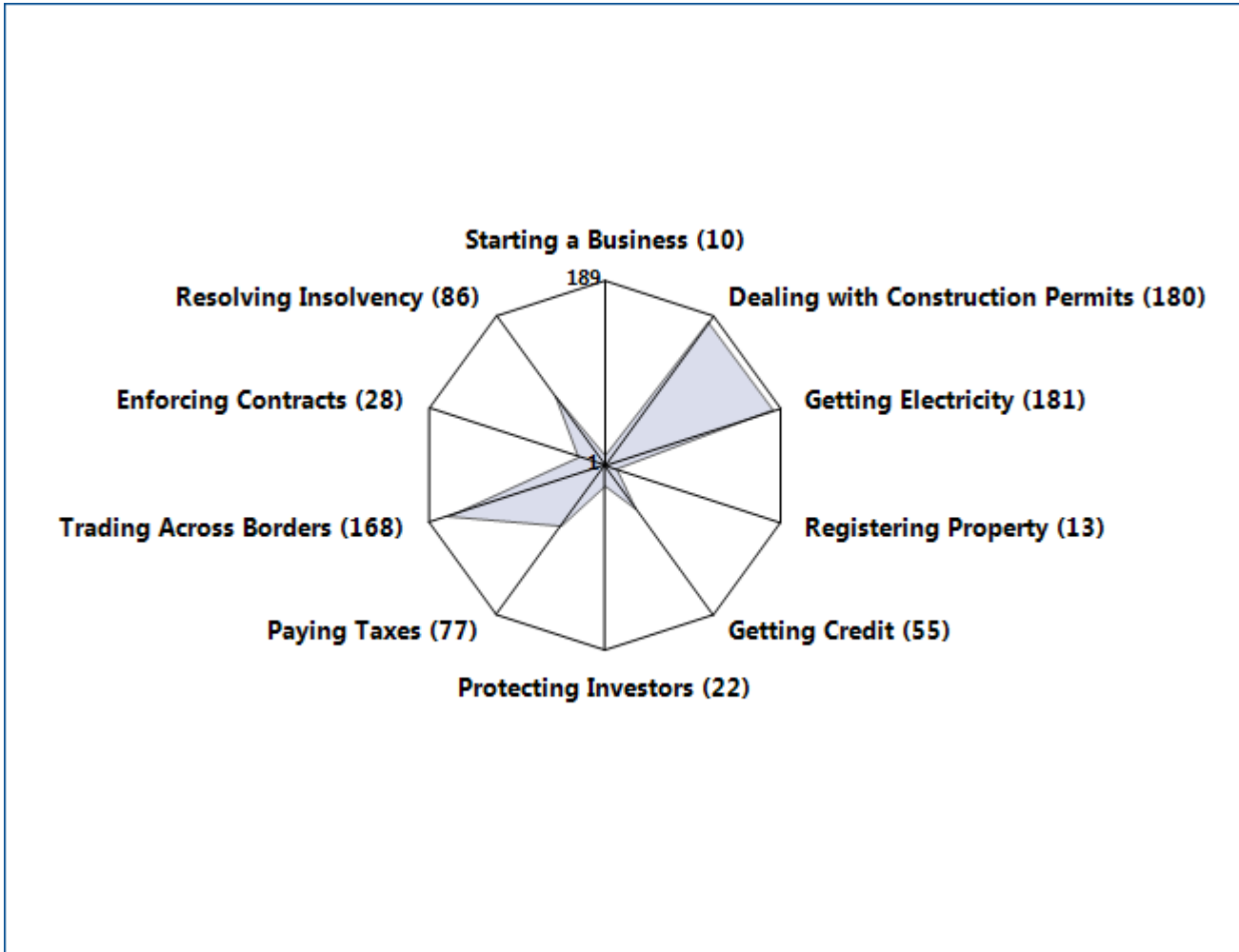
Figure 1.2 How Azerbaijan and comparator economies rank on the ease of doing business



Source: Doing Business database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How Azerbaijan ranks on *Doing Business* topics



Source: *Doing Business* database.



## THE BUSINESS ENVIRONMENT

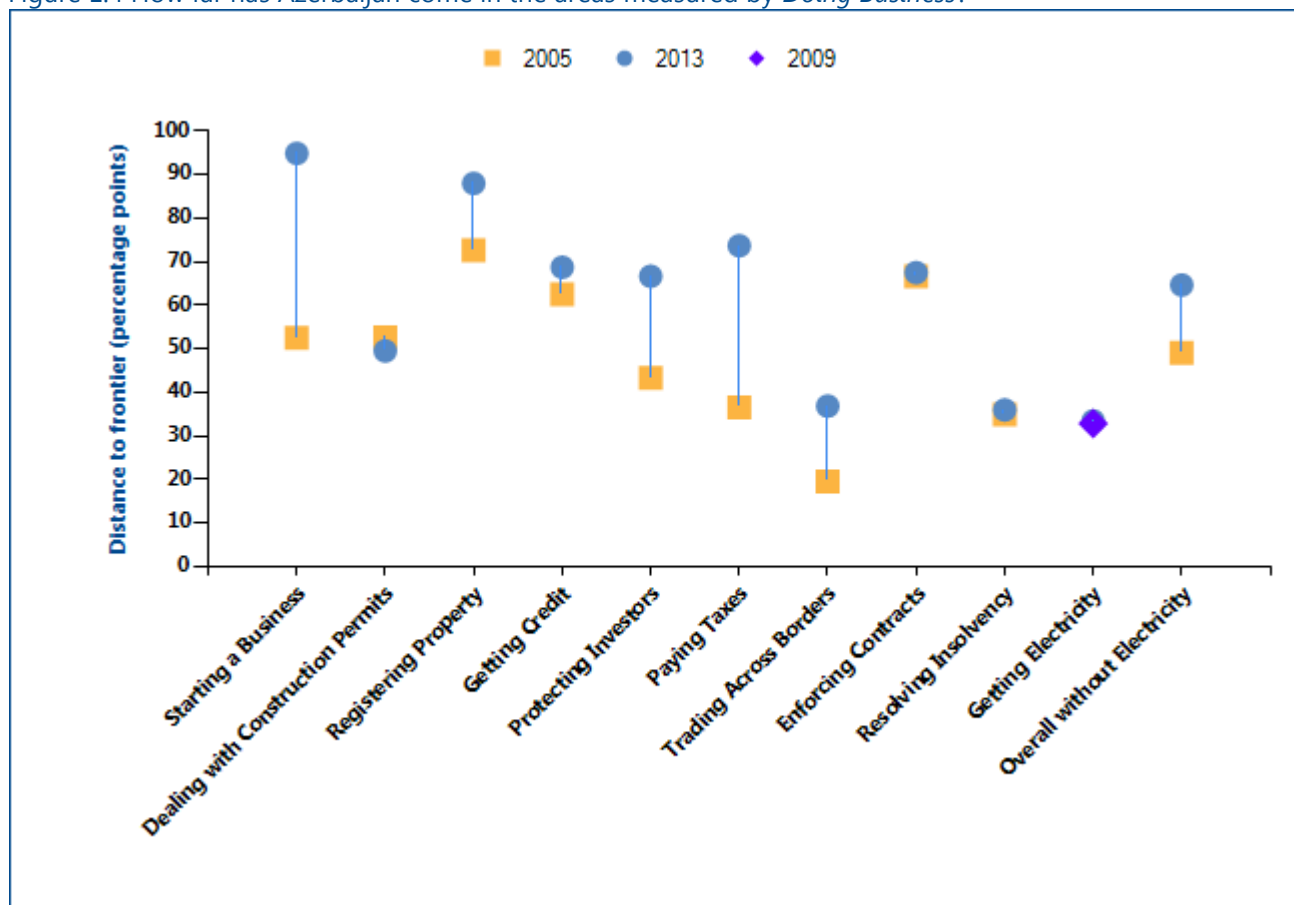
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

*Doing Business* introduced the distance to frontier measure. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4).

Figure 1.4 How far has Azerbaijan come in the areas measured by *Doing Business*?



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005, except for the getting electricity indicators, which were introduced in 2009. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the first 9 indicator sets shown in the figure and does not include getting electricity. Data on the overall distance to frontier including getting electricity is available at <http://www.doingbusiness.org/data/distance-to-frontier>. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of

business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Azerbaijan

Indicator	Azerbaijan DB2014	Azerbaijan DB2013	Armenia DB2014	Bulgaria DB2014	Poland DB2014	Romania DB2014	Russian Federation DB2014	Turkey DB2014	Best performer globally DB2014
<b>Starting a Business (rank)</b>	10	16	6	65	116	60	88	93	New Zealand (1)
<b>Procedures (number)</b>	3	6	2	4	4	5	7	6	New Zealand (1)*
<b>Time (days)</b>	7.0	8.0	4.0	18.0	30.0	8.5	15.0	6.0	New Zealand (0.5)
<b>Cost (% of income per capita)</b>	1.0	2.3	1.1	1.0	14.3	2.4	1.3	12.7	Slovenia (0.0)
<b>Paid-in Min. Capital (% of income per capita)</b>	0.0	0.0	0.0	0.0	12.6	0.7	1.2	13.2	112 Economies (0.0)*
<b>Dealing with Construction Permits (rank)</b>	180	179	79	118	88	136	178	148	Hong Kong SAR, China (1)
<b>Procedures (number)</b>	28	28	21	18	18	15	36	20	Hong Kong SAR, China (6)
<b>Time (days)</b>	212.0	212.0	84.0	104.0	161.0	287.0	297.0	164.0	Singapore (26.0)

Indicator	Azerbaijan DB2014	Azerbaijan DB2013	Armenia DB2014	Bulgaria DB2014	Poland DB2014	Romania DB2014	Russian Federation DB2014	Turkey DB2014	Best performer globally DB2014
Cost (% of income per capita)	282.3	292.4	68.4	222.9	10.6	71.2	89.0	142.5	Qatar (1.1)
Getting Electricity (rank)	181	179	109	135	137	174	117	49	Iceland (1)
Procedures (number)	9	9	5	6	6	7	5	4	10 Economies (3)*
Time (days)	241	241	242	130	161	223	162	70	Germany (17)
Cost (% of income per capita)	570.8	591.2	98.9	320.0	205.2	534.0	293.8	475.3	Japan (0.0)
Registering Property (rank)	13	11	5	62	54	70	17	50	Georgia (1)
Procedures (number)	4	4	3	7	6	8	4	6	4 Economies (1)*
Time (days)	11.0	11.0	7.0	14.0	35.0	20.0	22.0	6.0	New Zealand (1.0)*
Cost (% of property value)	0.5	0.5	0.1	2.9	0.4	1.6	0.1	4.0	5 Economies (0.0)*
Getting Credit (rank)	55	52	42	28	3	13	109	86	Malaysia (1)*
Strength of legal rights index (0-10)	6	6	6	9	9	9	3	4	10 Economies (10)*
Depth of credit information index (0-6)	5	5	6	4	6	5	5	5	31 Economies (6)*
Public registry coverage (% of adults)	23.0	17.7	21.9	61.0	0.0	11.8	0.0	27.0	Portugal (100.0)*
Private bureau coverage (% of adults)	0.0	0.0	63.8	0.0	82.8	46.9	59.2	71.7	22 Economies (100.0)*
Protecting Investors (rank)	22	21	22	52	52	52	115	34	New Zealand (1)
Extent of disclosure	7	7	6	10	7	9	6	9	10 Economies (10)*

Indicator	Azerbaijan DB2014	Azerbaijan DB2013	Armenia DB2014	Bulgaria DB2014	Poland DB2014	Romania DB2014	Russian Federation DB2014	Turkey DB2014	Best performer globally DB2014
index (0-10)									
Extent of director liability index (0-10)	5	5	6	2	2	5	2	5	Cambodia (10)
Ease of shareholder suits index (0-10)	8	8	8	6	9	4	6	5	3 Economies (10)*
Strength of investor protection index (0-10)	6.7	6.7	6.7	6.0	6.0	6.0	4.7	6.3	New Zealand (9.7)
Paying Taxes (rank)	77	79	103	81	113	134	56	71	United Arab Emirates (1)
Payments (number per year)	18	18	10	13	18	39	7	11	Hong Kong SAR, China (3)*
Time (hours per year)	214	214	380	454	286	200	177	226	United Arab Emirates (12)
Trading Across Borders (rank)	168	169	117	79	49	76	157	86	Singapore (1)
Documents to export (number)	9	9	5	4	5	5	9	7	Ireland (2)*
Time to export (days)	28	29	16	20	17	13	22	13	5 Economies (6)*
Cost to export (US\$ per container)	3,540	3,430	1,885	1,375	1,050	1,485	2,615	990	Malaysia (450)
Documents to import (number)	11	11	8	5	4	6	10	8	Ireland (2)*
Time to import (days)	25	26	18	17	14	13	21	14	Singapore (4)
Cost to import (US\$ per container)	3,560	3,490	2,175	1,365	1,025	1,495	2,810	1,235	Singapore (440)
Enforcing Contracts (rank)	28	27	112	79	55	53	10	38	Luxembourg (1)

Indicator	Azerbaijan DB2014	Azerbaijan DB2013	Armenia DB2014	Bulgaria DB2014	Poland DB2014	Romania DB2014	Russian Federation DB2014	Turkey DB2014	Best performer globally DB2014
<b>Time (days)</b>	237	237	570	564	685	512	270	420	Singapore (150)
<b>Cost (% of claim)</b>	18.5	18.5	19.0	23.8	19.0	28.9	13.4	24.9	Bhutan (0.1)
<b>Procedures (number)</b>	40	40	49	38	33	32	36	36	Singapore (21)*
<b>Resolving Insolvency (rank)</b>	86	95	76	92	37	99	55	130	Japan (1)
<b>Time (years)</b>	2.3	2.7	1.9	3.3	3.0	3.3	2.0	3.3	Ireland (0.4)
<b>Cost (% of estate)</b>	8	8	11	9	15	11	9	15	Norway (1)
<b>Outcome (0 as piecemeal sale and 1 as going concern)</b>	0	0	0	0	1	0	0	0	
<b>Recovery rate (cents on the dollar)</b>	34.0	30.6	36.4	32.6	54.8	30.0	42.8	22.3	Japan (92.8)

Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

\* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city and is 100% domestically owned.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.

### WHAT THE STARTING A BUSINESS

#### INDICATORS MEASURE

#### Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city

Postregistration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are an exception to this rule.

Procedure completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

#### Paid-in minimum capital (% of income per capita)

Deposited in a bank or with a notary before registration (or within 3 months)

- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.

## STARTING A BUSINESS

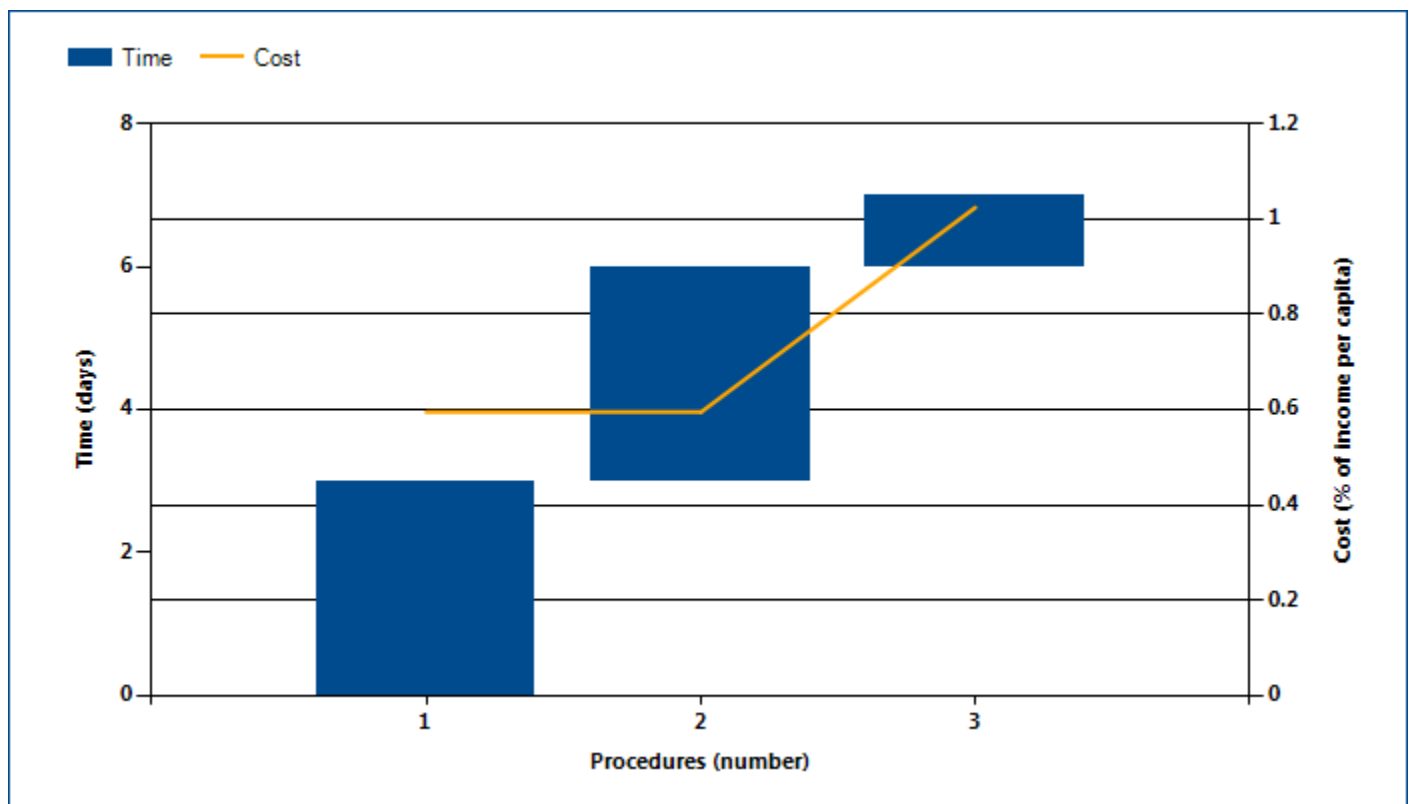
### Where does the economy stand today?

What does it take to start a business in Azerbaijan? According to data collected by *Doing Business*, starting a business there requires 3 procedures, takes 7.0 days,

costs 1.0% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Azerbaijan

Paid-in minimum capital (% of income per capita): 0.0



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

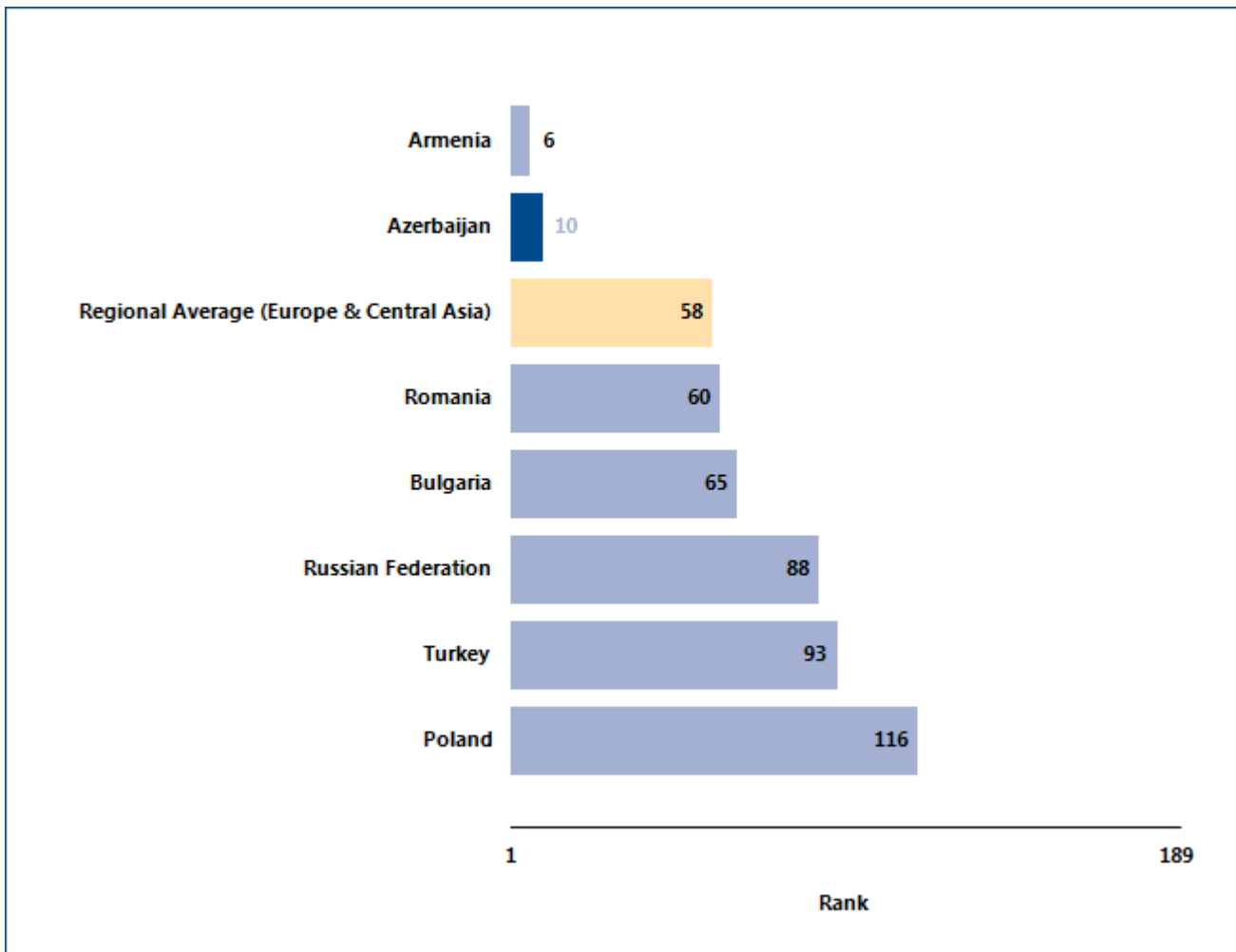
Source: *Doing Business* database.

## STARTING A BUSINESS

Globally, Azerbaijan stands at 10 in the ranking of 189 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Azerbaijan to start a business.

Figure 2.2 How Azerbaijan and comparator economies rank on the ease of starting a business



Source: Doing Business database.



## STARTING A BUSINESS

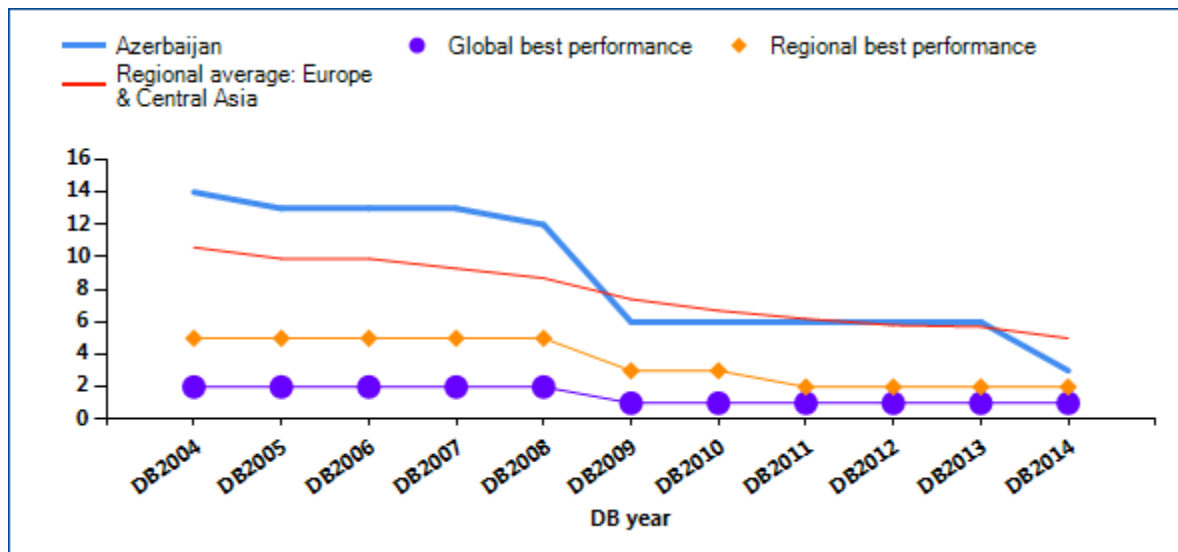
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure

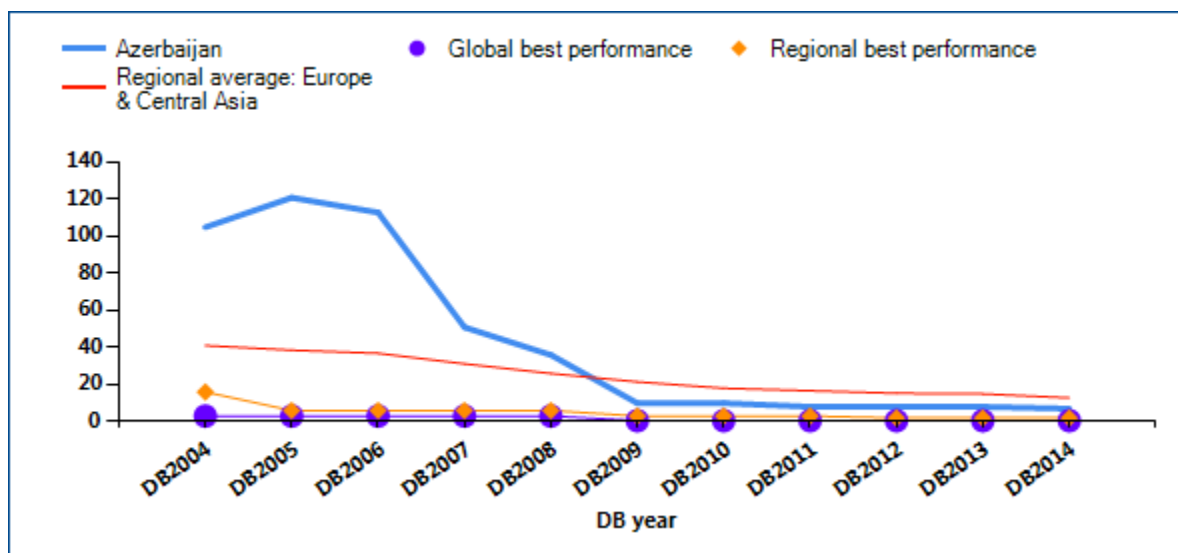
2.3) can help show what is possible in making it easier to start a business. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

#### Procedures (number)

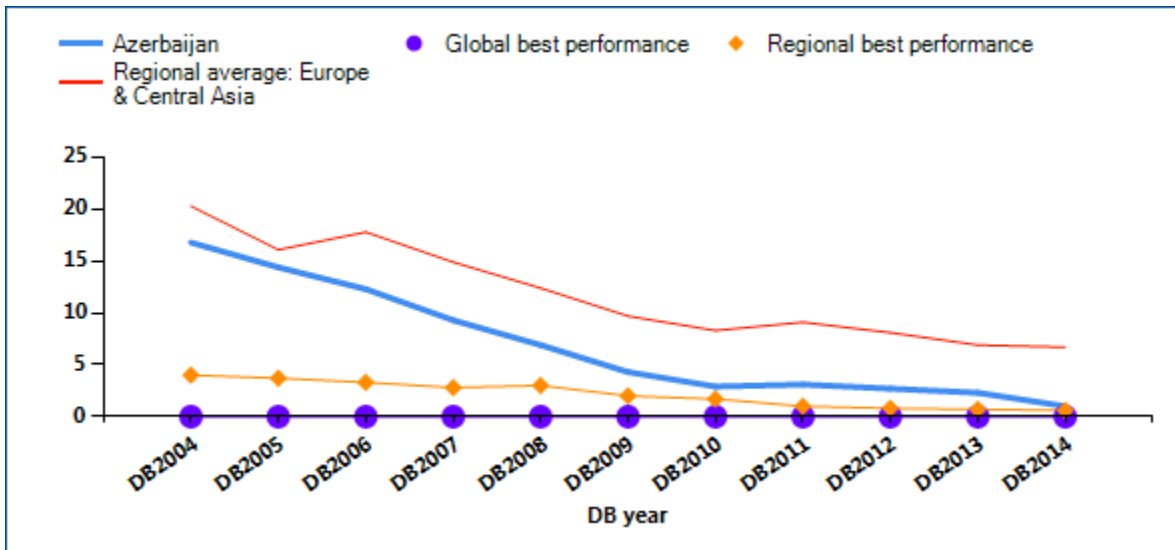


#### Time (days)

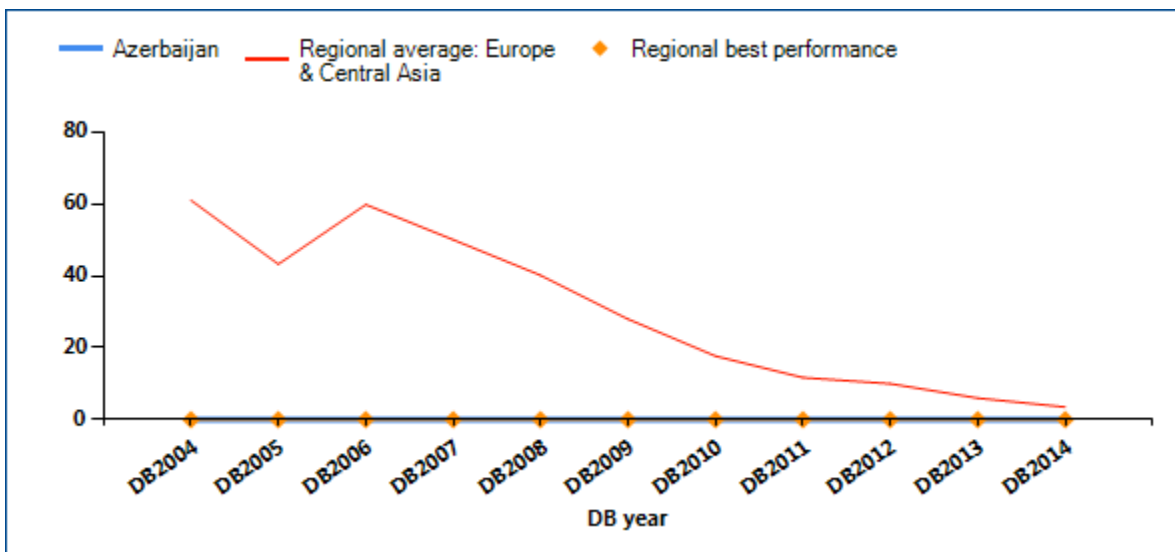


## STARTING A BUSINESS

### Cost (% of income per capita)



### Paid-in minimum capital (% of income per capita)



Note: Ninety economies globally have no paid-in minimum capital requirement. DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: Doing Business database.

## STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been

greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Azerbaijan (table 2.1)?

Table 2.1 How has Azerbaijan made starting a business easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	One stop shop for completing registration requirement was created reducing the number of procedures, days and cost.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Azerbaijan made starting a business easier by introducing free online registration services and eliminating preregistration formalities.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## STARTING A BUSINESS

## What are the details?

Underlying the indicators shown in this chapter for Azerbaijan is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

## STANDARDIZED COMPANY

**City:** Baku

**Legal Form:** Limited Liability Company (LLC)

**Paid in Minimum Capital Requirement:** None

**Start-up Capital:** 10 times GNI per capita

## Summary of procedures for starting a business in Azerbaijan—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain electronic signature for online registration</b></p> <p>An electronic signature is a pre-requisite to online registration. An electronic signature is issued by the State Certificate Center under the Ministry of Communications and Information Technologies within 10 days of application date at the following costs:</p> <ul style="list-style-type: none"> <li>-   for individuals – AZN 30 ( approx. USD 38);  </li> <li>-   for state authorities - AZN 135 (approx. USD 172); and  </li> <li>-   for legal entities – AZN 168 (approx. USD 214).  </li> </ul>	3 days	AZN 30
2	<p><b>Complete online registration; obtain TIN number and register for VAT</b></p> <p>Online registration is available since 30 December 2011 (Article 5-1. has been added to the Law of Azerbaijan Republic "On state registration of legal entities and state registry.")</p>	3 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>Online registration has been exempted from state fee and is completely free (Article 20-1.3 of the Law of Azerbaijan Republic "On State Fee").</p> <p>Registration occurs within 3 days. (Article 7-1. of the Law of Azerbaijan Republic "On state registration of legal entities and state registry" dated 12 December 2003 No. 560-IIQ)</p> <p>Documents required for submission are as follows:</p> <ul style="list-style-type: none"> <li>-Standard application form</li> <li>- Founding documents – the charter of the entity approved by the founder or his/her legal representative, minutes of the foundation meeting;</li> <li>- If the founder is an individual – copy of his/her identity card;</li> <li>- A document confirming the legal address of the entity</li> </ul>		
3	<p><b>Obtain a company seal</b></p> <p>No state duty is charged. The cost of the stamp depends on the price of the private contractor and varies between AZN 4 and AZN 40. Various companies produce the seals, and the law does not restrict a company to any particular producer.</p>	1 day	may vary between AZN 4 and AZN 40

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records the procedures, time and cost for a business in the construction industry to obtain all the necessary approvals to build a warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect or engineer.

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a land telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

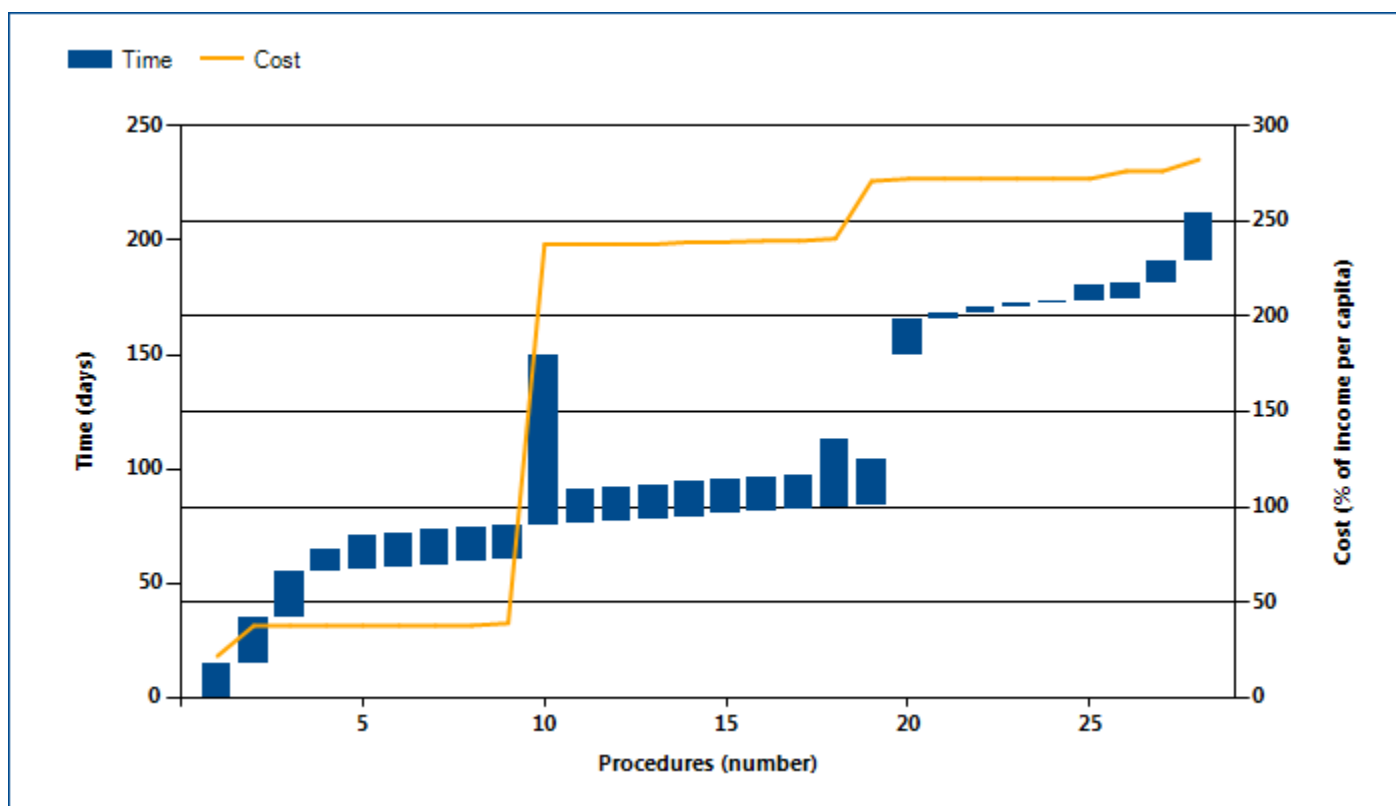
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Azerbaijan? According to data collected by *Doing Business*, dealing with construction

permits there requires 28 procedures, takes 212.0 days and costs 282.3% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Azerbaijan



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

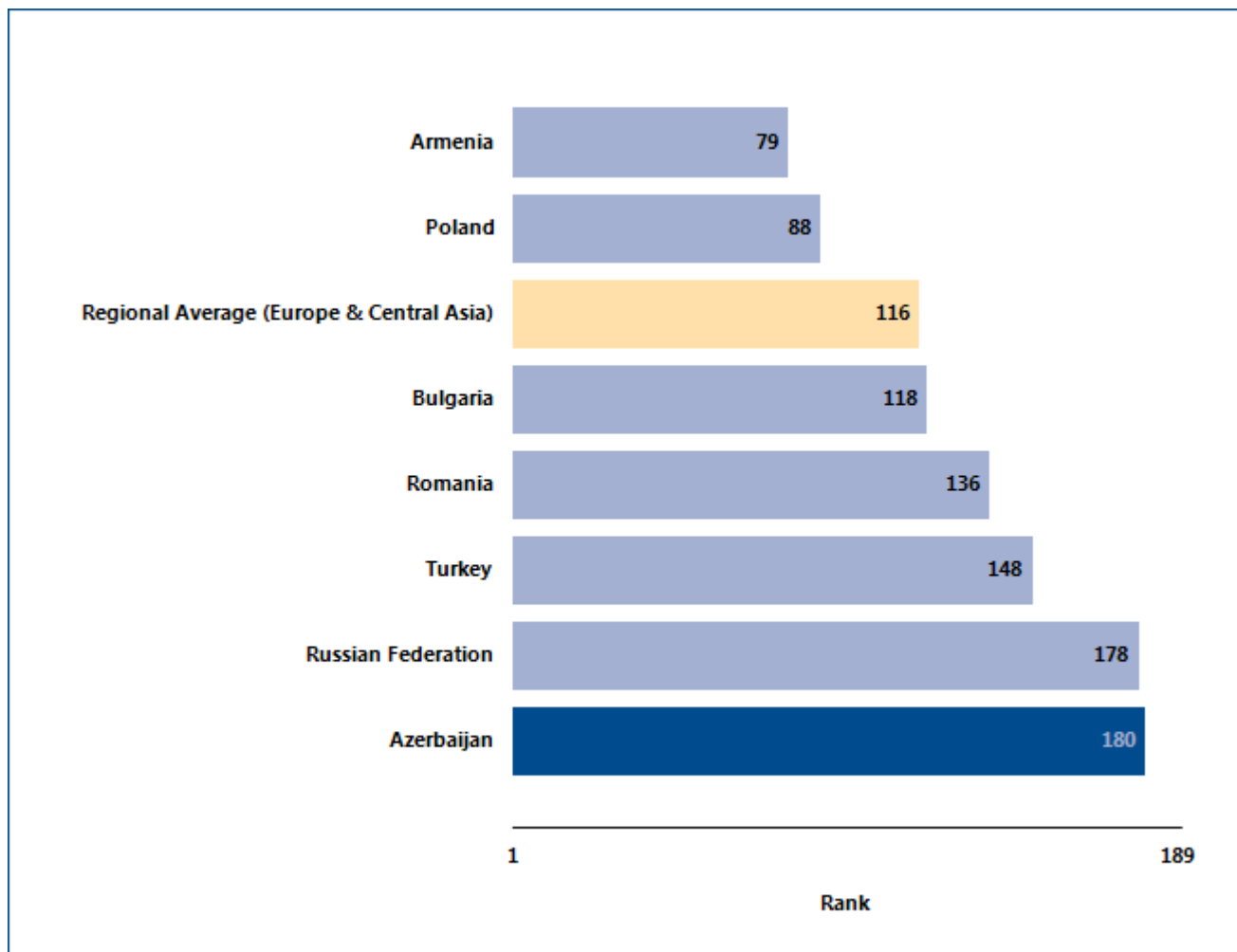
Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Globally, Azerbaijan stands at 180 in the ranking of 189 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Azerbaijan to legally build a warehouse.

Figure 3.2 How Azerbaijan and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.



## DEALING WITH CONSTRUCTION PERMITS

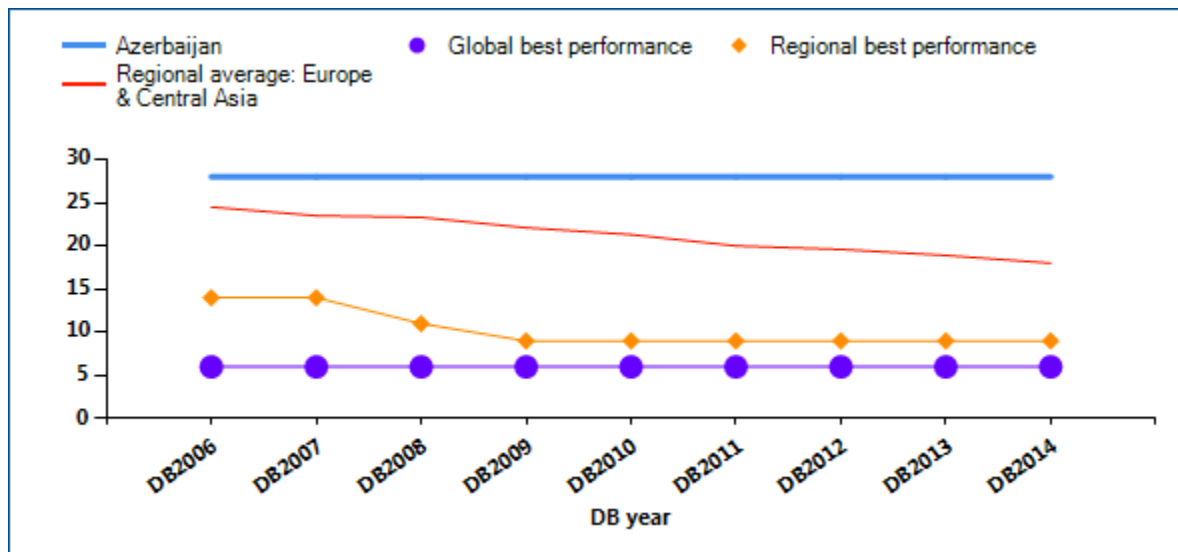
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3) help show

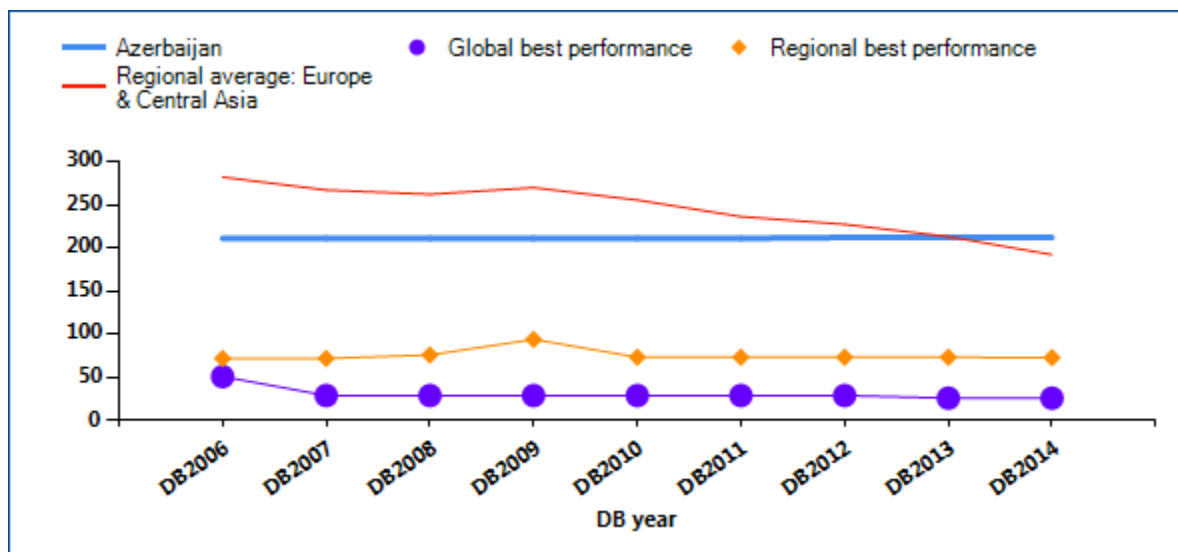
what is possible in making it easier to deal with construction permits. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

#### Procedures (number)

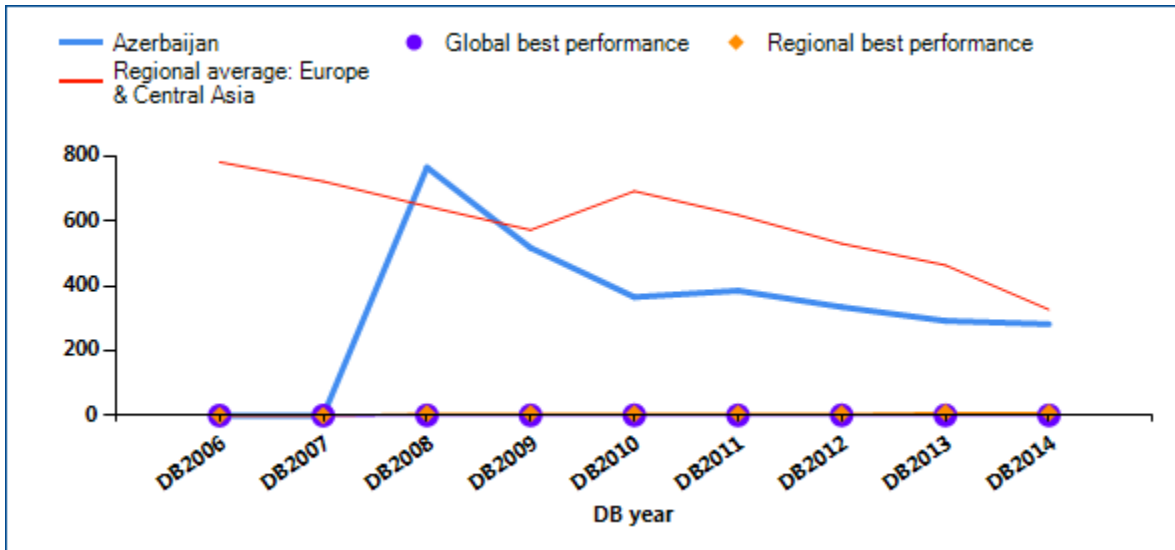


#### Time (days)



## DEALING WITH CONSTRUCTION PERMITS

### Cost (% of income per capita)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Azerbaijan (table 3.1)?

Table 3.1 How has Azerbaijan made dealing with construction permits easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Azerbaijan adopted a new construction code that streamlined procedures relating to the issuance of building permits and established official time limits for some procedures.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the details?

The indicators reported here for Azerbaijan are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE	
City :	Baku
Estimated Warehouse Value :	AZN 415,678

The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for dealing with construction permits in Azerbaijan —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Apply for the allotment of land for construction from the Baku city executive authority (in reality Construction Permit)</b></p> <p>An application is required for the allotment of land for the construction only if that land is already owned by a builder. A preliminary permit for the project is granted and eligibility of the land plot for construction is determined.</p> <p>The application for the allotment of land must include the following information, as applicable to BuildCo:</p> <ul style="list-style-type: none"> <li>• Architectural peculiarities of the planned construction.</li> <li>• Scope and terms of the planned construction.</li> <li>• Dimensions of the land.</li> <li>• Land ownership documents.</li> </ul> <p>Note that these informational requirements are based on the assumption that the land is already legally owned by and registered in BuildCo’s name.</p> <p>The application must also include an attestation to BuildCo’s legal status and to its land plot ownership, the “certificate of state registration.”</p>	15 days	AZN 1,100

No.	Procedure	Time to complete	Cost to complete
2	<p><b>The Department of Architecture and City Building of the Baku city executive authority verifies the plot dimensions on site</b></p> <p>After 15 days from the date of submission of the land allotment application (see Procedure 1), the Department of Architecture and City Building and BuildCo representatives examine the land plot to determine the allocation of the construction. This procedure is carried out in compliance with the General Plan and other municipal building regulations. For land plot allocation, the department verifies all information in the application, as well as the following: the area's land economic and management plan, its populated area general plan, and its planning and construction projects (area plans). The Department of Architecture and City Building carries out an on-site inspection of the land plot. The application can be approved if the land plot complies with the area plans. If authorities deny the land plot allocation, they should notify the owner or file a complaint.</p> <p>If that application is approved, the application to prepare the relevant drawings must be filed within 5 days with the corresponding executive authority. Within 10 days of allotting the land plot, the executive authority determines the location (the place and the zone, to determine the standard price of the plot). Subsequently, the executive authority carries out land management tasks (planning) and prepares the plan (drawing) of the plot on the required scale (1:500, 1:2,000, 1:5,000, or 1:10,000), depending on the area dimensions. The land owner pays the cost of these procedures. Prices are not stipulated in the law. There is no fixed charge, but as for other service costs, costs can range from AZN 2 million to AZN 10 million, depending on the land plot and other variables.</p>	20 days	AZN 800
3	<p><b>Obtain decree on allotment of land for construction by the Baku City Executive Authority</b></p> <p>The Decree on the Allotment of the Land does not authorize the construction itself. It just permits BuildCo to start the procedure to obtain a construction passport or building permit. The permit is valid for 1 year and may be revoked if no construction activity has been commenced within that period.</p> <p>After the review of the documents obtained from the relevant executive authority, a decision is made within 5 days on the allotment of the land plot to ownership, use, or rent for construction (if the land plot is allotted for ownership or property, the decision is made after the associated fee has been paid).</p> <p>After the order or decree is passed, the area's boundaries must be fixed on the site, according to land management regulations. The order or decree authorizes the procedure of projecting construction on the land plot and the start of construction activity, after the project is deemed to be in good order.</p> <p>The order or decree and the land plot sketch are sent within 5 days to the relevant executive authority to prepare an entitlement.</p>	20 days	AZN 6

No.	Procedure	Time to complete	Cost to complete
	<p>At BuildCo's expense, the relevant executive authority prepares a certificate of right to land within 10 days. The executive authority also registers the right at the Public Land Cadastre and the Public Land Register in BuildCo's name and submits the related documents to the company. The right must also be registered at the State Registry of Real Estate.</p> <p>Before beginning construction on the allotted land plot, the design and engineering-communication passports are prepared and approved. The construction cannot begin without that approval.</p> <p>If the land plot, subject to unreasonable excuse, is not used for its intended purpose, the authorization may be withdrawn and the order or decree shall be considered invalid. There is no statutory time limit.</p>		
4	<p><b>Obtain consent/opinion/terms from the water and sewage authority (Azersu OJSC)</b></p> <p>Under the law "On Water Supply and Waste Waters", the water and sewage authority will grant a permit and issue guidelines for the construction design and implementation phases. In doing so, the authorities must consider prohibitions and limitations for the water system and wastes. Connection to the main lines is permitted after construction is done.</p>	10 days	no charge
5	<p><b>* Obtain consent/opinion/terms from the Baku City Sanitation and Epidemiology Center</b></p> <p>Under the law "On Sanitary and Epidemiology Safety", the authority shall grant a permit and, if necessary, issue guidelines for the construction design and implementation phases.</p>	15 days	no charge
6	<p><b>* Obtain consent/opinion/terms from the State Fire Control Service of the Ministry for Emergency Situations (MES)</b></p> <p>Under the law "On Fire Safety" and according to other norms of Azerbaijan, the authorities (taking into account prohibitions and limitations) shall grant a permit and, if necessary, present specific guidelines for the construction design and implementation phases. A fire inspection must be carried out. According to a presidential order (dated December 16, 2005), the fire department of the Ministry of Internal Affairs has been placed under the subordination of the Ministry of Extraordinary Situations (established early 2006).</p>	15 days	no charge
7	<p><b>* Obtain consent/opinion/terms from the Ministry of Ecology and Natural Resources</b></p> <p>According to the law "On Environmental Protection", a permit shall be granted and the conditions adjusted to meet environmental protection regulations, land reclamation, rehabilitation and efficient use of natural resources, improvement of territories, and enhancement of the</p>	15 days	no charge

No.	Procedure	Time to complete	Cost to complete
	environment.		
8	<p><b>* Obtain consent/opinion/terms from the Baku city Heating Systems production unit (subordinate to the Baku city Executive Authority)</b></p> <p>Upon considering prohibitions and limitations, the authorities grant a permit for centralized heating systems, according to "Regulations on State Energy Control in the Republic of Azerbaijan". If necessary, further technical specifications are indicated.</p>	15 days	no charge
9	<p><b>* Obtain permission from the Baku city Telephone Network</b></p> <p>The Baku City Telephone Network grants a permit, considering prohibitions and limitations on the exploitation and security of communications networks, and indicates technical specifications if necessary.</p>	15 days	AZN 60
10	<p><b>Obtain Construction Passport from the Department of Architecture and City-building of the Baku city executive authority</b></p> <p>The construction passport application includes the following:</p> <ul style="list-style-type: none"> <li>• An evaluation of the construction work. BuildCo inquires with different local executive authorities and supply and supervisory organizations to assess their opinions and conclusions</li> <li>• Architectural and planning instructions, including information on land surface, existing buildings, plants, communication and utilities lines, scope of the project, and other construction specifications. These instructions shall be signed by the chief of the Architecture and the City Building Department of Baku City or a deputy</li> <li>• The drawing of the land plot, indicating adjacent streets and crossroads. The drawing must be extracted from the city's General Plan and from the district's Development Plan</li> <li>• The verification of dimensions and marking of the land plot (as accepted on-site by the applicant)</li> <li>• The locations and directions of the engineering communication lines (utilities and the like), indicating their marking and placement on existing buildings, streets, crossroads, and so forth</li> <li>• Copies of consents, opinions, and technical conditions issued by all relevant agencies and utility operators</li> <li>• A topographic plan of the land plot</li> </ul> <p>Three copies of the construction passport will be issued: two for the applicant and one for the municipality. After the construction passport has been issued, BuildCo may incur an additional fee if extra work was needed for this process.</p> <p>The construction passport authorizes BuildCo to draw the building's technical project documentation (TPD). Pursuant to Article 77 of the Construction Code, the construction passport is valid for 3 years. The passport can be renewed, upon request. However, the renewal is</p>	75 days	AZN 10,000

No.	Procedure	Time to complete	Cost to complete
	subject to additional inspections by the Architecture and City Building Department.		
11	<p><b>* Obtain technical project documentation (TPD) clearance from the Fire Control Service (Ministry for Emergency Situations)</b></p> <p>Upon its issuance, the construction passport authorizes technical project documentation (TPD) preparation. The passport does not constitute a permit to start construction. Showing only architectural peculiarities, the TPD provides clearance for a 2-year term in compliance with the technical terms set by the utilities operators and other relevant agencies. Any change proposed by BuildCo while preparing the TPD must be reviewed by the Baku City Executive Authority's Architecture and City Building Department.</p> <p>The fire inspection is conducted at no cost by the Main State Fire Service Department. The department determines the procedure time at its discretion.</p>	15 days	no charge
12	<p><b>* Obtain project (TPD) clearance from the Sanitation and Epidemiology Center</b></p> <p>The TPD gives its consent based on sanitary and hygienic standards, regulations considering the clearance in the construction passport, and public health requirements (sanitary conditions, epidemiological safety) prescribed by the law.</p>	15 days	no charge
13	<p><b>* Obtain project (TPD) clearance from the Water and Sewage Authority (Azersu OJSC)</b></p> <p>The TPD gives consent, which is valid for 2 years. It is based on clearance included in the construction passport and on regulatory wastewater and water supply requirements.</p>	15 days	no charge
14	<p><b>* Obtain project (TPD) clearance from telephone provider</b></p> <p>The TPD gives consent based on the clearance in the construction passport and regulatory requirements for general electrical and communication networks.</p>	15 days	AZN 60
15	<p><b>* Obtain project (TPD) clearance from the Ministry of Ecology and Natural Resources</b></p> <p>This procedure is required under the Decree of the Cabinet of Ministers No. 41 (dated February 22, 2001).</p>	15 days	no charge



No.	Procedure	Time to complete	Cost to complete
16	<p><b>* Obtain expert opinion of project safety from the State Supervision Agency for Construction Safety of the Ministry of Emergency Situations</b></p> <p>The expert opinion is a prerequisite for obtaining project design approval from the Architecture and City Building Department of the Baku City Executive Authority. Obtaining expert opinion of project safety from the State Supervision Agency for Construction Safety of the Ministry of Emergency Situations is now fee based and costs AZN 30.00.</p>	15 days	AZN 30
17	<p><b>* Obtain Engineering-geological opinion from the Ministry of Emergencies</b></p> <p>The engineering/geological opinion is a prerequisite for obtaining the project design approval from the Architecture and City Building Department of the Baku City Executive Authority.</p>	15 days	no charge
18	<p><b>* Obtain approval of the project designs from the Architecture and City-building Department of the Baku City Executive Authority</b></p> <p>The TPD is investigated under the requirements and instructions in the construction passport, and the decision is made in compliance with regulatory requirements for architecture and city building terms and conditions.</p>	30 days	AZN 60
19	<p><b>* State examination of Technical Project Documentation, mainly on seismic stability, by the Ministry for Emergency Situations</b></p> <p>The Ministry for Emergency Situations grants consent upon checking the TPD for appropriate seismic stability and for compliance with construction regulations and normative standards. For private projects, approval takes only 20 days (and for public projects, 30 days). The approval cost is 0.2 -- 0.5% of the project cost, depending on project size. In the example here, the cost is under 0.4% and assumed to be 0.3%.</p>	20 days	AZN 1,520
20	<p><b>Register the project documentation with the Chief Agency of Supervision on Safety at Construction under the Ministry for Emergency Situations (MES)</b></p> <p>The registration is valid for 2 years and may be renewed. After obtaining all necessary consents, BuildCo will register the TPD with the state.</p>	15 days	AZN 60
21	<p><b>Receive Examination from Labor Inspection - Examinations by state authorities in the order of control during construction works</b></p> <p>All examinations, except for tax, may be carried out only with the participation of a representative from the Azerbaijan Republic Ministry of Economic Development. Pursuant to the Labor Code and its</p>	3 days	no charge

No.	Procedure	Time to complete	Cost to complete
	implementing rules and regulations, the state labor authorities may examine the workplace and labor protection and technical security policies. These examinations are uncommon for new companies. A report is issued with the examination results.		
22	<p><b>Receive inspection from Ministry of Ecology and Natural Resources</b></p> <p>If environmental standards were not in full compliance during construction, the Ministry of Ecology and Natural Resources could inspect the site. An act or statement is issued with the examination results. This procedure involves facilitation fees.</p>	3 days	no charge
23	<p><b>The State Supervision Agency for Construction Safety of Ministry of Emergency Situations inspects compliance to construction safety rules</b></p> <p>The inspection for compliance with construction safety rules covers mainly employees' places of eating and sanitary facilities.</p>	1 day	no charge
24	<p><b>Receive inspection from State Fire Control Service of the Ministry of Emergency Situations</b></p> <p>Fire inspections could be conducted to check if fire prevention measures are in order. A report is issued with the examination results.</p>	1 day	no charge
25	<p><b>Obtain water and sewage connection</b></p>	7 days	no charge
26	<p><b>* Obtain telephone line</b></p>	7 days	AZN 200
27	<p><b>Obtain approval of construction and put it into operation</b></p> <p>After BuildCo completes construction, a commission will examine the building quality and determine the feasibility of putting the building into operation. The commission consists of representatives from the state control authorities, especially the Architecture and City Building Department, and representatives of organizations for ecology, energy, sanitation, supply, and fire inspection.</p>	10 days	no charge
28	<p><b>Register building with Real Estate Registry</b></p> <p>This procedure is governed by the Civil Code of the Azerbaijan Republic and the Law of the Azerbaijan Republic on State Registry of Real Estate. Attached to the application must be the documents defining the</p>	21 days	AZN 305

No.	Procedure	Time to complete	Cost to complete
	company status, construction documents, and a copy of the act or the statement on the operation license. Relevant fees must also be paid. The State Registry of Real Estate registers the building (warehouse) within 20 days and provides the company with a private property right certificate. BuildCo will obtain the complete property right (ownership, order, and use) over the building (warehouse) from the date the certificate is registered.		

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: *Doing Business* database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

### What do the indicators cover?

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is 150 meters long and is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

### WHAT THE GETTING ELECTRICITY

#### INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Requires crossing of a 10-meter road but all the works are carried out in a public land, so there is no crossing into other people's private property.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

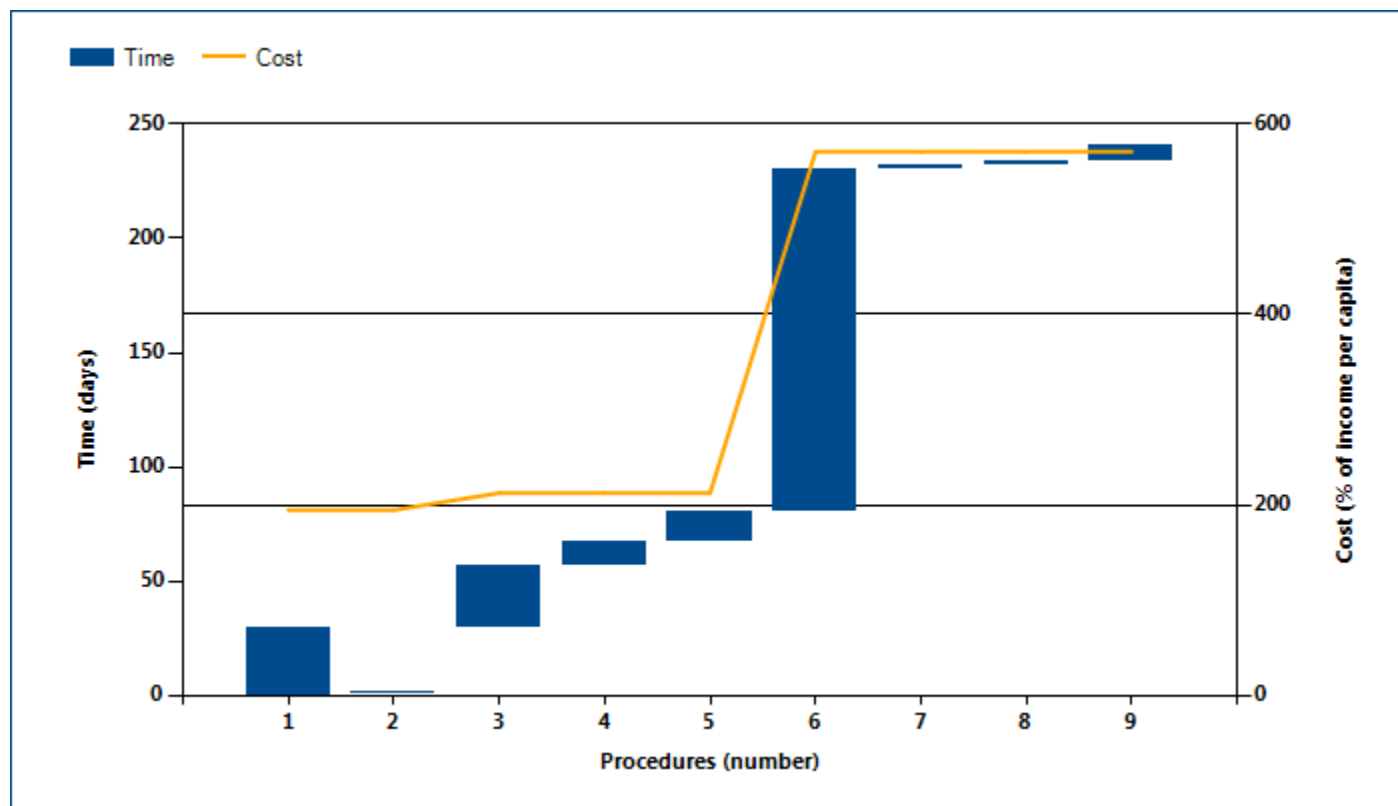
## GETTING ELECTRICITY

### Where does the economy stand today?

What does it take to obtain a new electricity connection in Azerbaijan? According to data collected by *Doing Business*, getting electricity there requires 9

procedures, takes 241 days and costs 570.8% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Azerbaijan



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

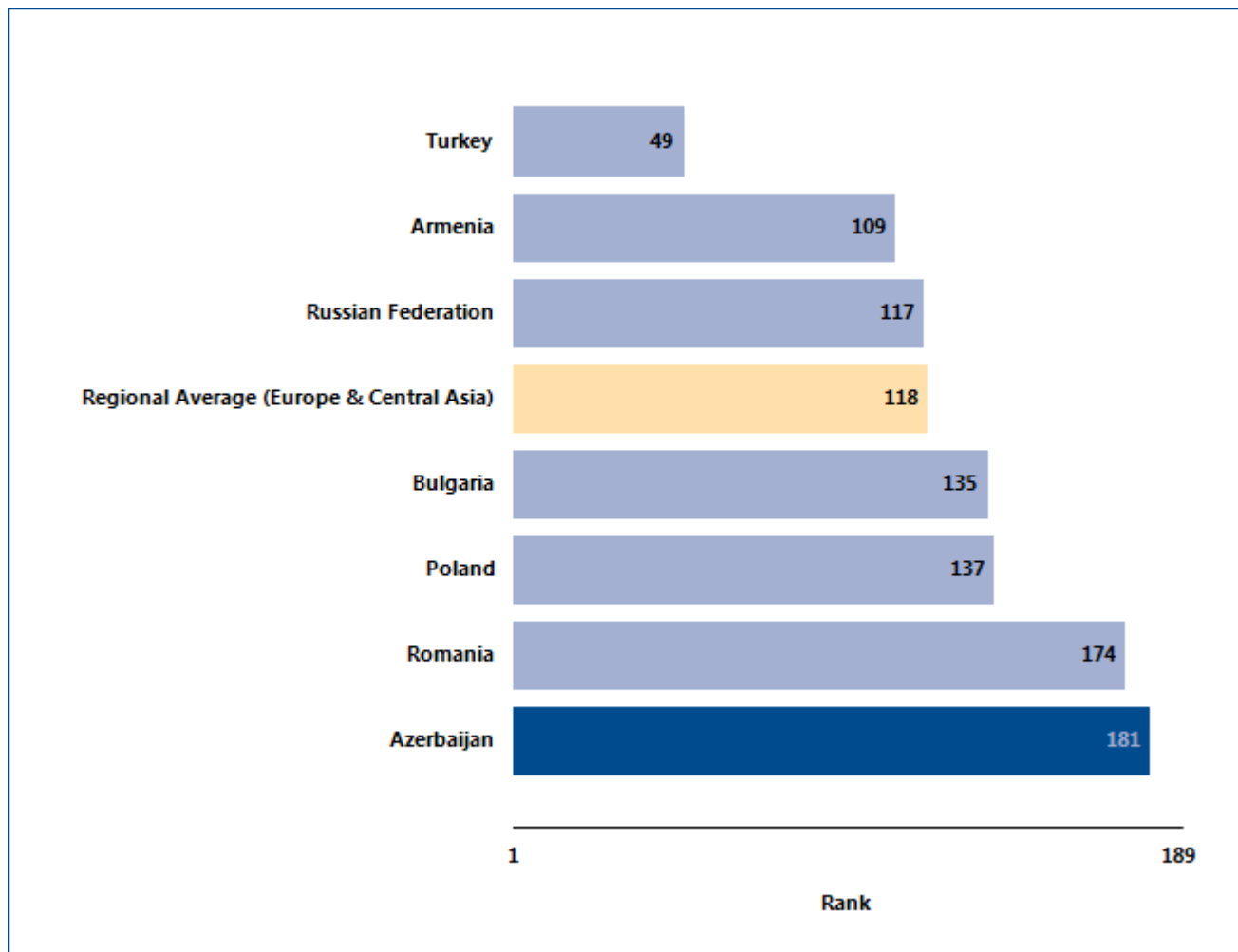
Source: *Doing Business* database.

### GETTING ELECTRICITY

Globally, Azerbaijan stands at 181 in the ranking of 189 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the

regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Azerbaijan to connect a warehouse to electricity.

Figure 4.2 How Azerbaijan and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

## GETTING ELECTRICITY

Even more helpful than rankings on the ease of getting electricity may be the indicators underlying those rankings (table 4.1). And regional and global best performers on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Azerbaijan

Indicator	Azerbaijan DB2014	Azerbaijan DB2013	Best performer in Europe & Central Asia DB2014	Best performer globally DB2014
Rank	181	179	San Marino (10)	Iceland (1)
Procedures (number)	9	9	San Marino (3)	10 Economies* (3)
Time (days)	241	241	San Marino (45)	Germany (17)
Cost (% of income per capita)	570.8	591.2	Lithuania (48.1)	Japan (0.0)

*Note:* DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

\* Two or more economies share the top ranking on this indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

*Source:* *Doing Business* database.

## GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure

safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Azerbaijan (table 4.2)?

Table 4.2 How has Azerbaijan made getting electricity easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Source: *Doing Business* database.



## GETTING ELECTRICITY

### What are the details?

The indicators reported here for Azerbaijan are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

#### OBTAINING AN ELECTRICITY CONNECTION

**City:** Baku

**Name of Utility:** Bakielektrikshebeke OJSC

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for getting electricity in Azerbaijan—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Submit an application for an electricity connection to Baku Electric Shabaka and await issuance of technical conditions</b></p> <p>The following documents are submitted to the office of Baku Electric Shabaka in paper format:</p> <ul style="list-style-type: none"> <li>• copy of state registration certificate of legal entity;</li> <li>• copy of document proving the right of ownership or use of a facility and a land plot where the facility is situated;</li> <li>• the permit of local executive power authority on the construction of a facility;</li> <li>• break down of the power load required;</li> </ul> <p>The fee for connection (technical conditions) would be 82.6 AZN (net of VAT 70 AZN) per kW. One can pay the fees at Bakielektrikshebeke or at the bank.</p>	30 calendar days	AZN 9,800.0
2	<p><b>Baku Electric Shabaka inspects the site for preparation of technical conditions</b></p> <p>If the requested load is more than 20kW, a network engineer from Baku Electric Shabaka will visit the site to determine arrangements for an optimal connection. Someone from the applicant's party must be present during the inspection.</p>	1 calendar day	no charge

No.	Procedure	Time to complete	Cost to complete
3	<p><b>Await completion of the external connection project design by a private electrical design company</b></p> <p>Based on the technical conditions issued by Baku Electric Shabaka the customer requests from a project planning organization a design of the external electrical connection. The fee for the design is normally 5 to 8 percent of the cost of external connection works.</p>	27 calendar days	AZN 900.0
4	<p><b>Submit the project design to Bakielektrikshebeke and await approval of the design</b></p> <p>The applicant submits the completed project to Baku Electric Shabaka for concurrence.</p>	10 calendar days	no charge
5	<p><b>Obtain an excavation permit at the Ministry of Transport</b></p> <p>Depending on the connection contract or agreement either the utility or electrical contractor obtains an excavation permit. In addition depending on where the road is it might be required to get permits from the municipality (if in the center of the city), communal services, gas, water, etc.</p>	13 calendar days	no charge
6	<p><b>Baku Electric Shabaka or private electrical contractor complete the external connection works</b></p> <p>Baku Electric Shabaka can carry out the external connection works or the customer can sign a contract with a licensed electrical installation organization.</p>	150 calendar days	AZN 18,007.2

No.	Procedure	Time to complete	Cost to complete
7	<p><b>Ministry of Emergency Situations inspects the external connection works</b></p> <p>After the external connection works are completed the Ministry for Emergency Situations (Министерство Чрезвычайных Ситуаций) checks if the completed external connection works are in compliance with fire protection standards.</p>	2 calendar days	no charge
8	<p><b>Energy Inspectorate inspects the external connection works and internal wiring and issues an operation permit (разрешение на эксплуатацию)</b></p> <p>After the completion of the external connection works there is a final inspection by Energonadzor (State Energy Inspectorate) which issues an operation permit. Energonadzor checks compliance with the technical conditions.</p>	2 calendar days	no charge
9	<p><b>Conclude a supply contract with Baku Electric Shabaka and await final connection</b></p> <p>After the operation permit is submitted to Baku Electric Shabaka the customer can conclude a supply contract and be connected to the electrical network and the electricity starts flowing.</p>	7 calendar days	no charge

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastral, or both, and is free of title disputes.
- Is located in a periurban commercial zone,

### WHAT THE REGISTERING PROPERTY

#### INDICATORS MEASURE

#### Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are an exception to this rule.

Procedure considered completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

and no rezoning is required.

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system. The property will be transferred in its entirety.

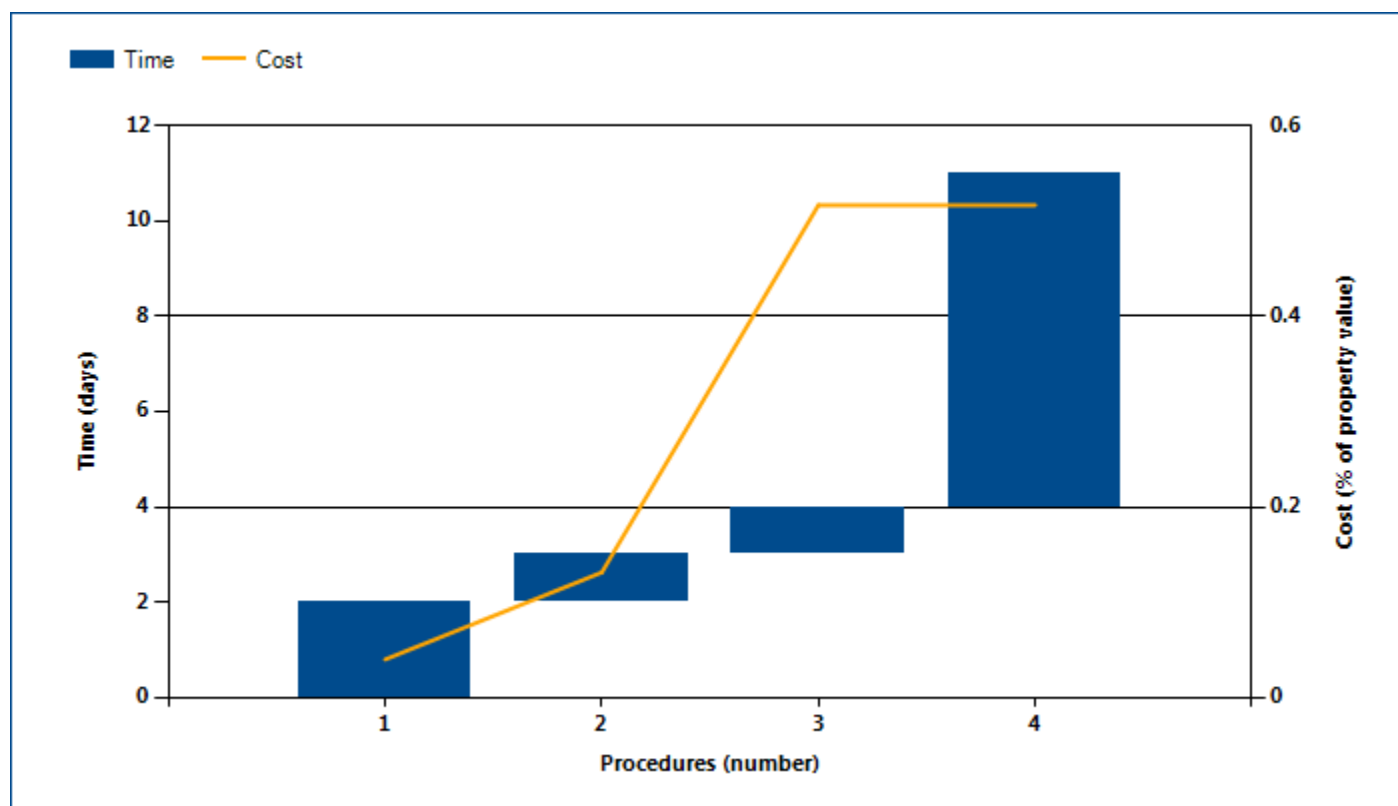
## REGISTERING PROPERTY

### Where does the economy stand today?

What does it take to complete a property transfer in Azerbaijan? According to data collected by *Doing Business*, registering property there requires 4

procedures, takes 11.0 days and costs 0.5% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Azerbaijan



Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

Source: *Doing Business* database.

## REGISTERING PROPERTY

Globally, Azerbaijan stands at 13 in the ranking of 189 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Azerbaijan to transfer property.

Figure 5.2 How Azerbaijan and comparator economies rank on the ease of registering property



Source: Doing Business database.

## REGISTERING PROPERTY

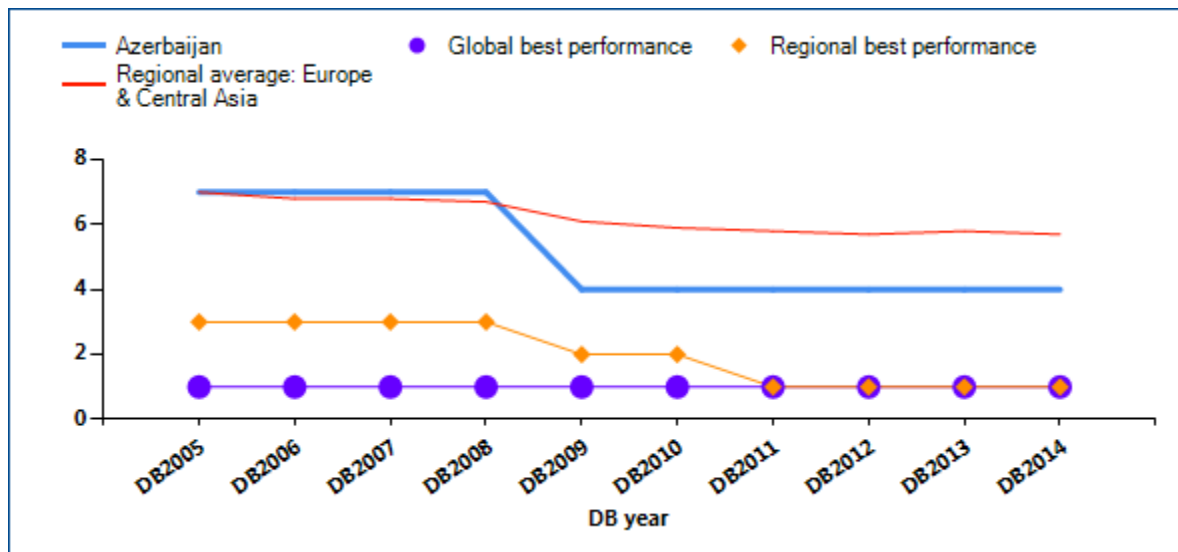
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3) help show

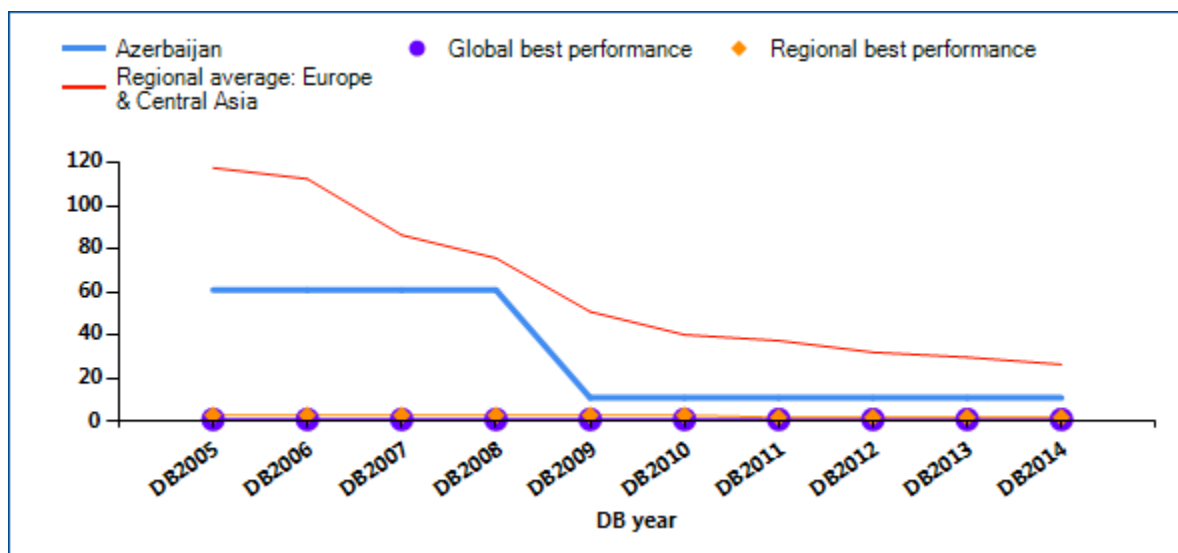
what is possible in making it easier to register property. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

#### Procedures (number)

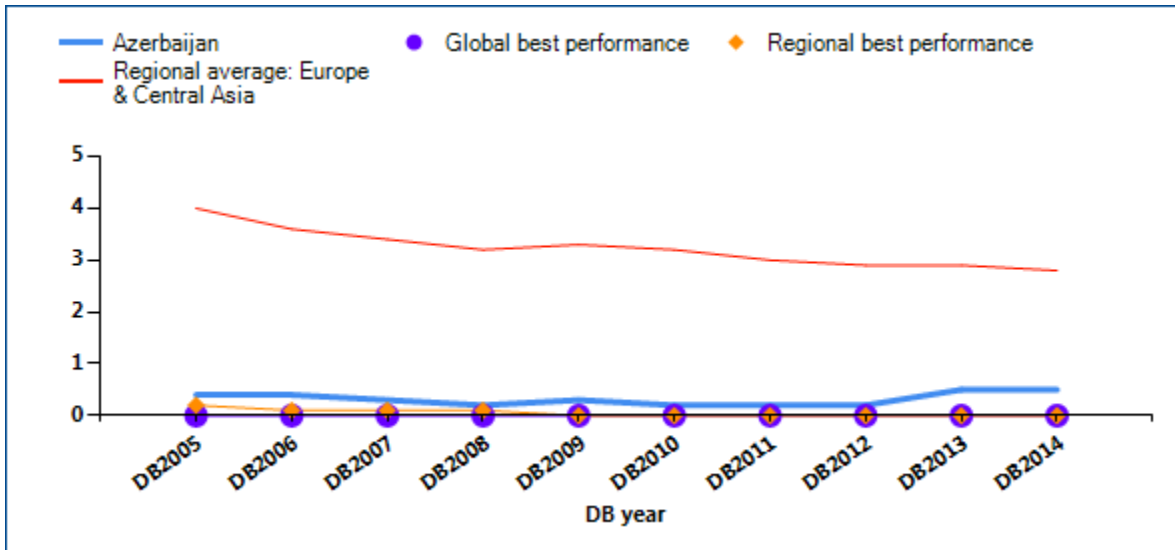


#### Time (days)



## REGISTERING PROPERTY

### Cost (% of property value)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: Doing Business database.



## REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many

have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Azerbaijan (table 5.1)?

Table 5.1 How has Azerbaijan made registering property easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Azerbaijan introduced a new unified registry reducing the number of procedures from 7 to 4. The State Register Service also introduced the option of expediting 2 out of 4 procedures, it is now possible to register property in 11 days.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## REGISTERING PROPERTY

### What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer’s name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

#### STANDARD PROPERTY TRANSFER

**City:** Baku

**Property Value:** AZN 251,485

The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for registering property in Azerbaijan—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Verification of a title and obtaining a non-encumbrance certificate at the Real Estate State Register</b></p> <p>The buyer should request from the seller or from the Service of State Registry of Real Estate of the Republic of Azerbaijan an updated extract, which allows the buyer to verify the title of a seller and the legal rights attached to the building. According to the Law on the State Registry of Real Estate description of the real estate and /or information about its legal owner and /or limitation of rights related to such real estate may be disclosed only to the legal owner of the real estate; the person authorized by the legal owner; legal owner's heirs at law or heirs by will; and relevant state authorities or municipalities in connection with their competences given by legislation.</p> <p>The cost of the procedure is AZN 90.88, which includes only state duties for obtaining extract from the State Registry of Real Estate, verifying the title of the Seller, technical documentation related to the real estate (passport or plans) and non-encumbrance certificate. The regular procedure takes 5 days, however an expedited version is available for a fee of 100.88 and is completed in 2 days.</p> <p>The documentation shall include:                      (a) Standard application form                      (b) Fee for the issuance of the certificates</p>	5 days (regular procedure) or 2 days (expedited procedure)	AZN 100.88
2	<p><b>Notarization of a sale-purchase agreement</b></p> <p>Under the law, the sale-purchase agreement and the transfer and acceptance act duly signed by both parties must be notarized. In order to get the agreement notarized the seller must provide evidence</p>	1 day	AZN 200 (notary fee) + AZN 30 (official serves fee)

No.	Procedure	Time to complete	Cost to complete
	<p>of his title to the property, i.e. registration certificates (see Procedure 2 and 3). In addition to the above, both the seller and the buyer must provide the notary public with other documents certifying their powers to enter into the sale-purchase agreement, i.e. corporate documents, powers of attorney, etc.</p> <p>There is no legal requirement for the agreement to be prepared by a lawyer. Accordingly, the parties are free to prepare the agreement themselves.</p> <p>The stamp duty is paid to the notary, which in turn he shall transfer to the Treasury within 2 banking days since the date of receipt of the duty. However, in practice the stamp duty can be paid at a commercial bank. If the parties pay at the bank, receipt of payment should be submitted.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> <li>(1) Sale-purchase agreement and transfer and acceptance act</li> <li>(2) Registration certificates (Obtained in Procedure 1)</li> <li>(3) Seller's cadastral package of documents</li> <li>(4) Corporate documents of the parties, i.e. charters, foundation agreements, powers of attorney</li> <li>(5) Technical passport of the property (according to Article 144.2 of the Civil Code, amended by the law of the Republic of Azerbaijan No. 201-IVQD dated September 30, 2011 "On Making Amendments to the Civil Code of the Republic of Azerbaijan", the notary certifies the agreement, which transfers immovable property in accordance with the technical specifications of such immovable property as recorded in the Real Estate State Register Service.)</li> <li>(6) Deposit slip (where the buyer presents a deposit slip from the bank, confirming that the funds were properly deposited before notary notarizes the transfer agreement. After the completion of transaction, the notary write a cheque payable to the seller to be presented to the bank to collect the purchase price for the property).</li> </ul>		
<p><b>3</b></p>	<p><b>Buyer applies to the Real Estate State Register Service to register the property</b></p> <p>Registration of the land as well as the property takes place simultaneously at the State Register Service of Real Estate of the Republic of Azerbaijan. As of December 30, 2008 and according to Article 26 of the Law "On State Duties" dated December 4, 2001, as amended, the state duty for obtaining (i) the extract from the State Real Estate Registry Service is AZN 30; (ii) the technical documentation related to the real estate (technical passport/plans) is AZN 50.</p> <p>Additionally, according to Articles I-1.2.1 to I-1.2.11 and Articles I-2.3.1-3.2 of Decision of Tariff Council No. 04 dated July 31, 2009, AZN 797.4 is payable for the registration of title transfer of the warehouse (929 square meters) and AZN 92.02 for the registration of title transfer of the land (557.4 square meters).</p> <p>A state duty in the amount of AZN 11 that was set forth in Article 9.3 of</p>	<p>1 day</p>	<p>AZN 969.42 (AZN 797.40 payable for the registration of a title transfer for the warehouse/929 square meters of the total area + AZN 92.02 payable for the registration of a title transfer for the land/557.4 square meters of the total land area + AZN 30 state duty for an extract</p>

No.	Procedure	Time to complete	Cost to complete
	Decision of Tariff Council No. 05 dated April 12, 2006 has been abolished by its subsequent Decision No. 1 dated June 30, 2009.		+ AZN 50 state duty for the technical passport)
4	<p><b>Registration of buyer's title for land and building at the State Service for Registration of Real Estate</b></p> <p>Upon completion of this procedure, the new legal owner (the Buyer) will receive an extract from the State Registry of Real Estate, evidencing his title and technical documentation as to the real estate, issued in his/her name.</p>	20 days (regular procedure), 14 days (faster procedure) or 7 days (fastest expedited procedure)	Already paid in procedure 3

\* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders' rights to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, incorporated, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–10)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

#### Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

#### Private credit bureau coverage (% of adults)

Number of individuals and firms listed in largest private credit bureau as percentage of adult population

- Has up to 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

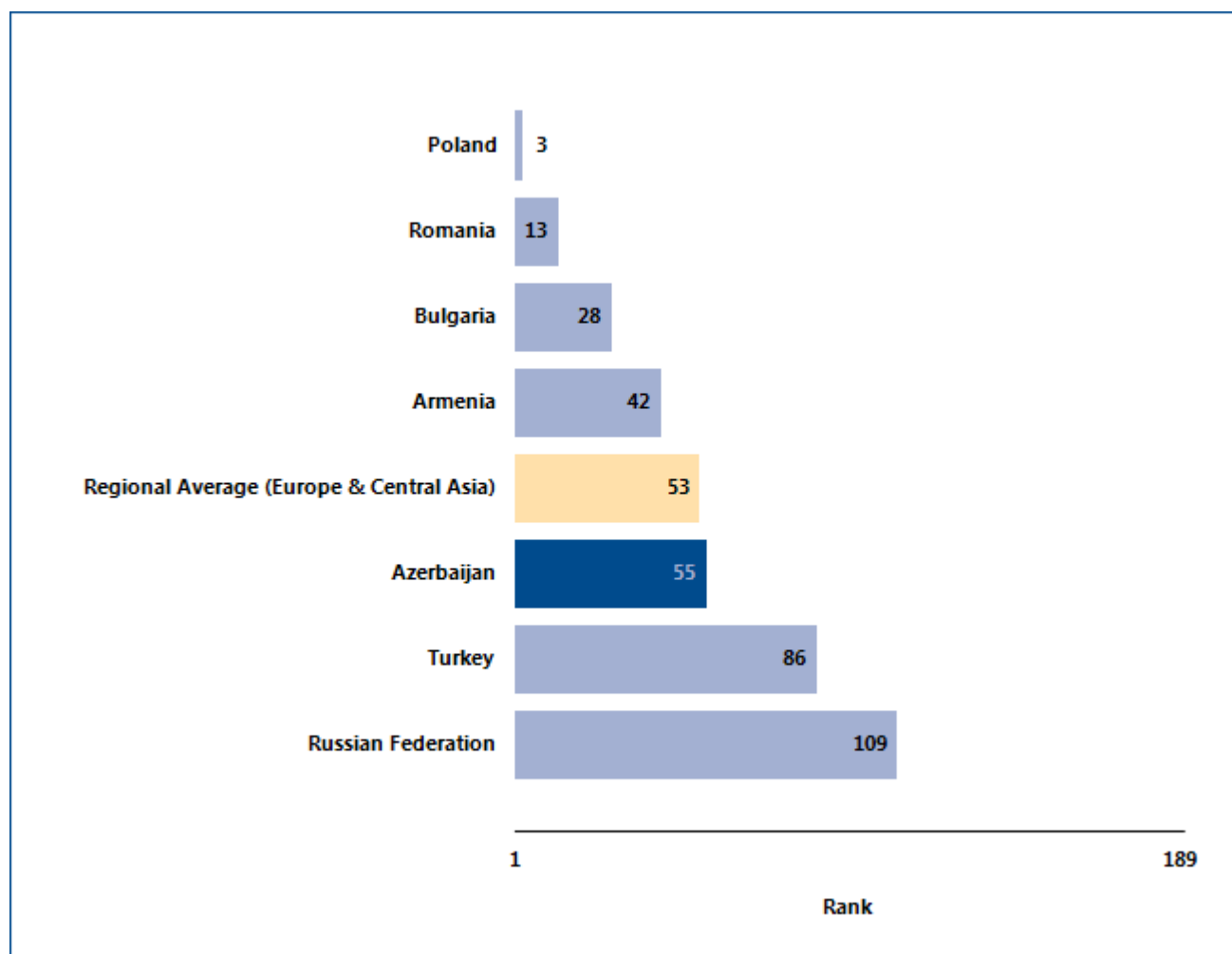
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Azerbaijan facilitate access to credit? The economy has a score of 5 on the depth of credit information index and a score of 6 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Azerbaijan stands at 55 in the ranking of 189 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Azerbaijan support lending and borrowing.

Figure 6.1 How Azerbaijan and comparator economies rank on the ease of getting credit



Source: Doing Business database.

## GETTING CREDIT

### What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Azerbaijan support lending and borrowing today, data over time can help show where

institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Azerbaijan over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	..	52	55
Strength of legal rights index (0-10)	6	6	6	6	6	6	6	6	6	6
Depth of credit information index (0-6)	0	4	4	4	5	5	5	5	5	5
Public registry coverage (% of adults)	0.0	0.4	1.1	1.4	3.1	6.9	7.0	15.6	17.7	23.0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: *Doing Business* database.

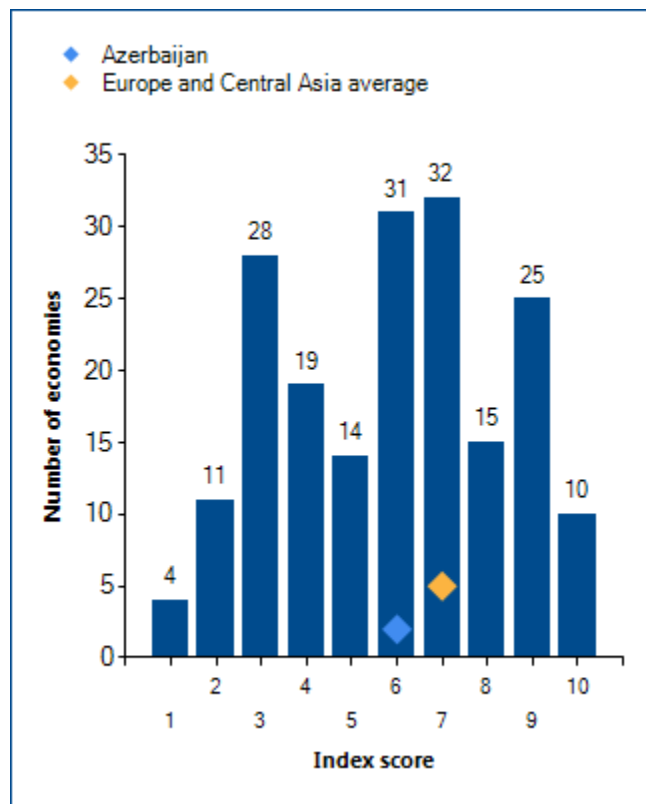
## GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal rights index for Azerbaijan in 2013

and shows the number of economies with this score in 2013 as well as the regional average score. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Number of economies with each score on strength of legal rights index (0–10), 2013

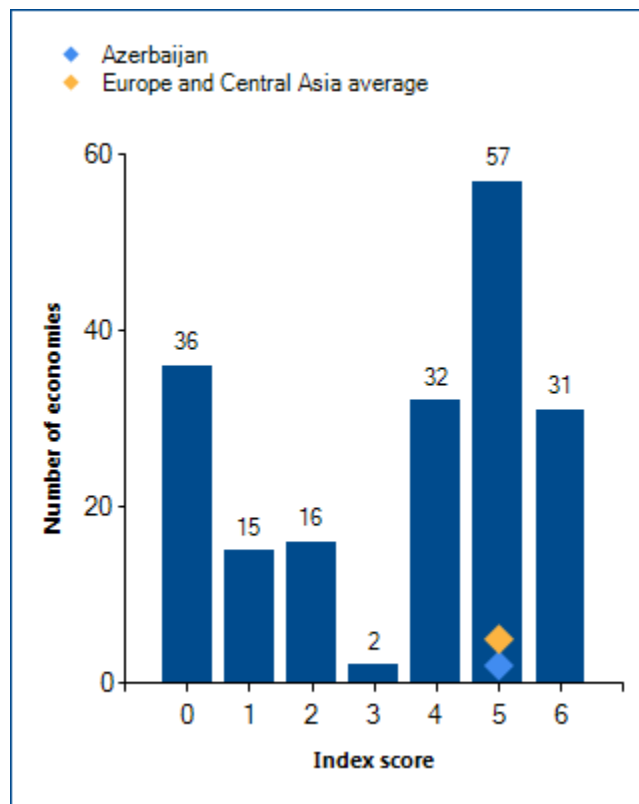


Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Number of economies with each score on depth of credit information index (0–6), 2013



Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. Regional averages for the depth of credit information index exclude economies with no credit registry or credit bureau.

Source: Doing Business database.



## GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Azerbaijan (table 6.2)?

Table 6.2 How has Azerbaijan made getting credit easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	The National Bank of Azerbaijan eliminated the minimum loan threshold to report loans to the public credit registry in September 2007. The public registry now records information on all loans extended by the financial system, thus more than doubling the coverage of borrowers with a credit history.
<b>DB2010</b>	The Public Credit Registry in Azerbaijan enhanced access to credit information by allowing online access of the database to banks, more data available on borrowers, and introduced penalties for banks that send information that is late or incorrect.
<b>DB2011</b>	Azerbaijan improved access to credit by establishing an online platform allowing financial institutions to provide information to, and retrieve it from, the public credit registry.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## GETTING CREDIT

### What are the details?

The getting credit indicators reported here for Azerbaijan are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

#### Summary of scoring for the getting credit indicators in Azerbaijan

Indicator	Azerbaijan	Europe & Central Asia average	OECD high income average
<b>Strength of legal rights index (0-10)</b>	6	7	7
<b>Depth of credit information index (0-6)</b>	5	5	5
<b>Public registry coverage (% of adults)</b>	23.0	33.9	42.9
<b>Private bureau coverage (% of adults)</b>	0.0	48.2	73.9

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once. Regional averages for the depth of credit information index exclude economies with no credit registry or credit bureau. Regional averages for the credit registry coverage exclude economies with no credit registry. Regional averages for the credit bureau coverage exclude economies with no credit bureau.

<b>Strength of legal rights index (0-10)</b>	Index score: 6
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	No
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	No

<b>Strength of legal rights index (0–10)</b>	Index score: 6
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors either not subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure, or does the law provide secured creditors with grounds for relief from an automatic stay or/and sets a time limit to it?	Yes
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	Yes

<b>Depth of credit information index (0–6)</b>	Credit bureau	Credit registry	Index score: 5
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	Yes	1
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	Yes	1

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

<b>Coverage</b>	Credit bureau (% of adults)	Credit registry (% of adults)
<b>Number of firms</b>	0	23,912
<b>Number of individuals</b>	0	1,516,184

Source: Doing Business database.

## PROTECTING INVESTORS

Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not protect minority shareholders, investors may be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and minority shareholders' access to evidence before and during trial (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that

### WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

Approval process for related-party transactions

Disclosure requirements in case of related-party transactions

#### Extent of director liability index (0–10)

Ability of minority shareholders to file a direct or derivative lawsuit

Ability of minority shareholders to hold interested parties and members of the approving body liable for prejudicial related-party transactions

Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)

#### Ease of shareholder suits index (0–10)

Access to internal corporate documents (directly or through a government inspector)

Documents and information available during trial

#### Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

the company purchase used trucks from another company he owns.

- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

## PROTECTING INVESTORS

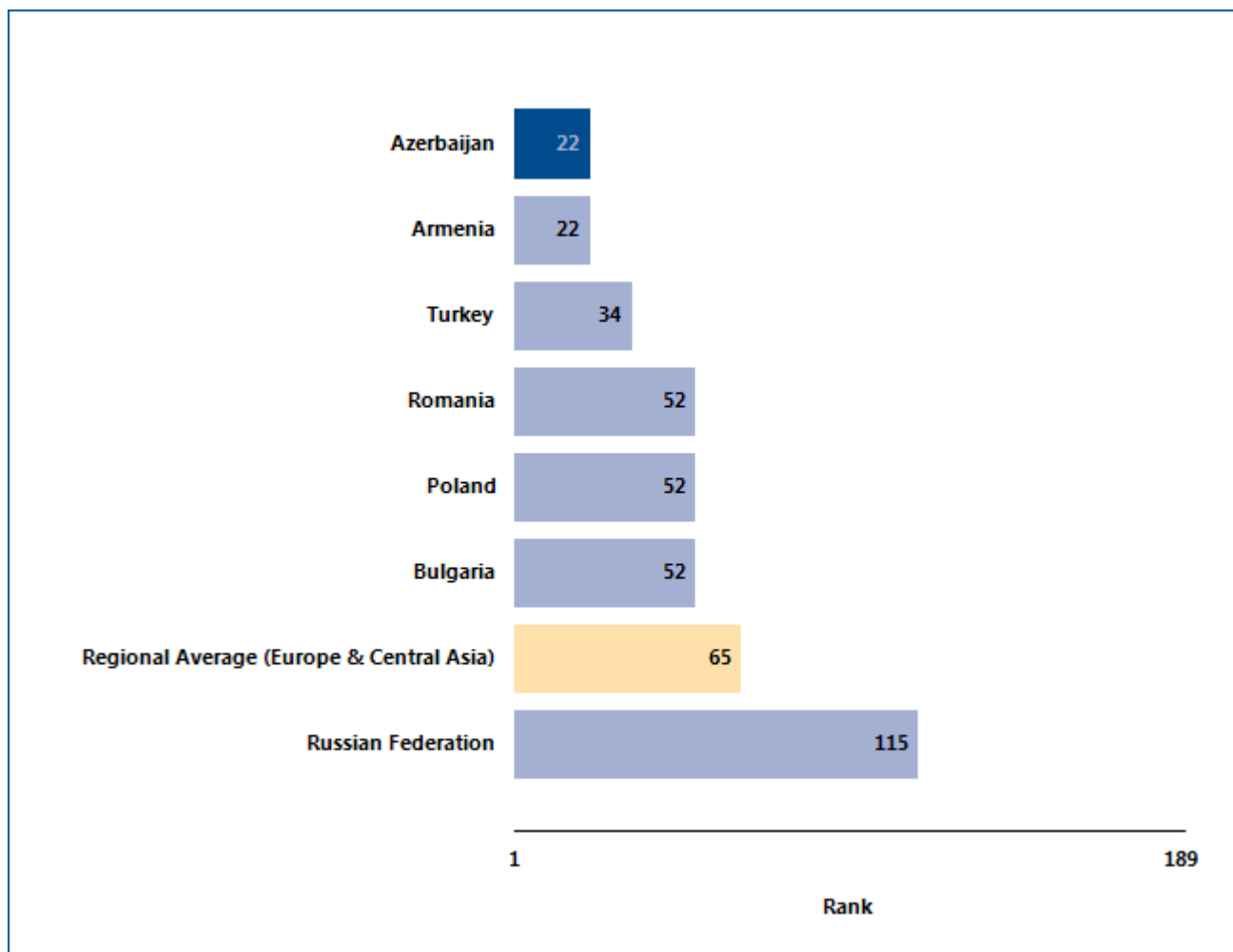
### Where does the economy stand today?

How strong are investor protections against self-dealing in Azerbaijan? The economy has a score of 6.7 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Azerbaijan stands at 22 in the ranking of 189 economies on the strength of investor protection

index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Azerbaijan and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

## PROTECTING INVESTORS

### What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Azerbaijan protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And

the global ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Azerbaijan over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013	DB2014
Rank	..	..	..	..	..	..	..	21	22
Extent of disclosure index (0-10)	4	4	4	7	7	7	7	7	7
Extent of director liability index (0-10)	1	1	1	5	5	5	5	5	5
Ease of shareholder suits index (0-10)	8	8	8	8	8	8	8	8	8
Strength of investor protection index (0-10)	4.3	4.3	4.3	6.7	6.7	6.7	6.7	6.7	6.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: *Doing Business* database.

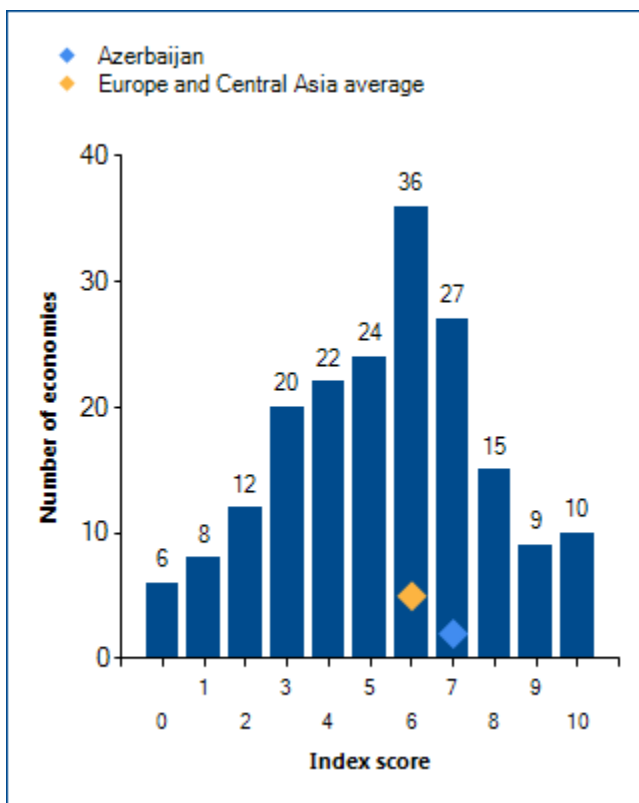
## PROTECTING INVESTORS

One way to put an economy's scores on the protecting investors indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 7.2 highlights the score on the extent of disclosure index for Azerbaijan in 2013 and

shows the number of economies with this score in 2013 as well as the regional average score. Figure 7.3 applies to the extent of director liability index, and figure 7.4 to the ease of shareholder suits index.

Figure 7.2 How strong are disclosure requirements?

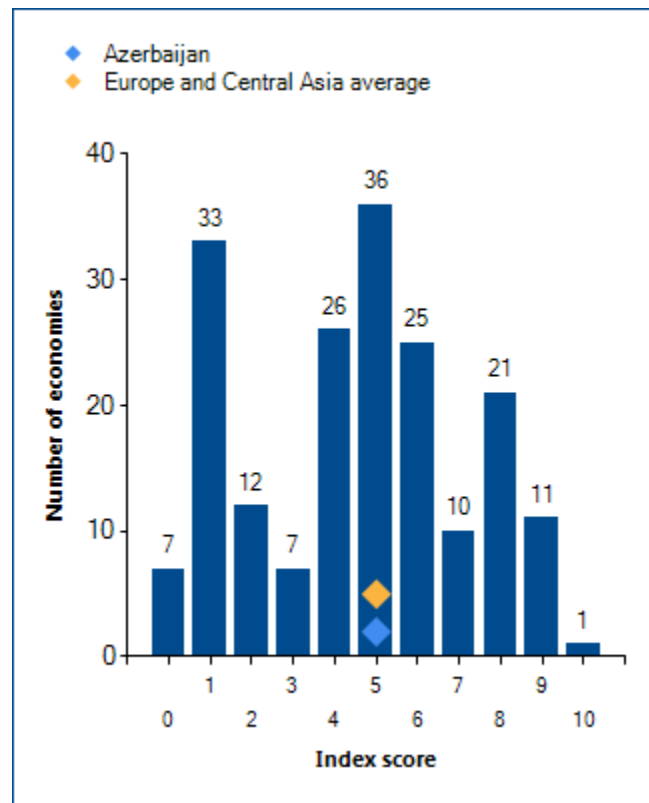
Number of economies with each score on the extent of disclosure index (0–10), 2013



Note: Higher scores indicate greater disclosure.  
Source: Doing Business database.

Figure 7.3 How strong is the liability regime for directors?

Number of economies with each score on the extent of director liability index (0–10), 2013

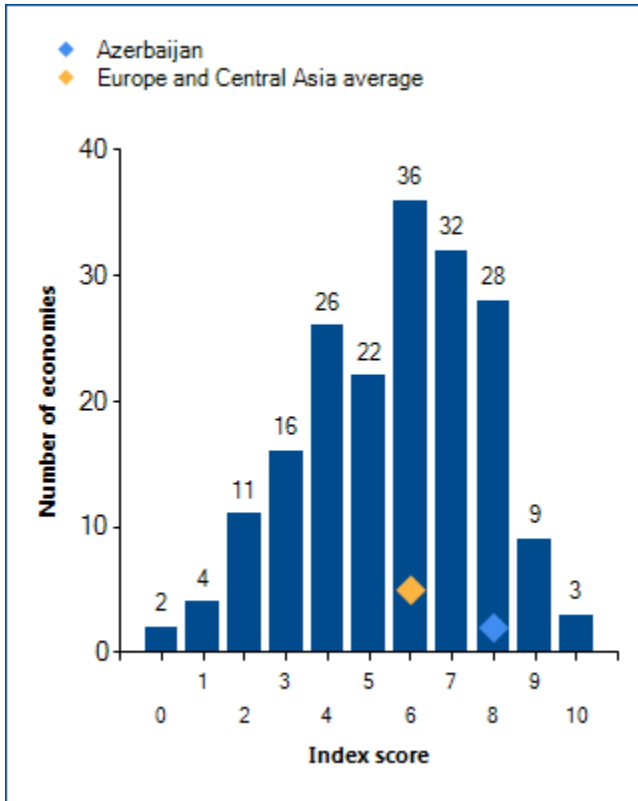


Note: Higher scores indicate greater liability of directors.  
Source: Doing Business database.

## PROTECTING INVESTORS

Figure 7.4 How easy is accessing internal corporate documents?

Number of economies with each score on the ease of shareholder suits index (0–10), 2013



Note: Higher scores indicate greater minority shareholder access to evidence before and during trial.

Source: *Doing Business* database.



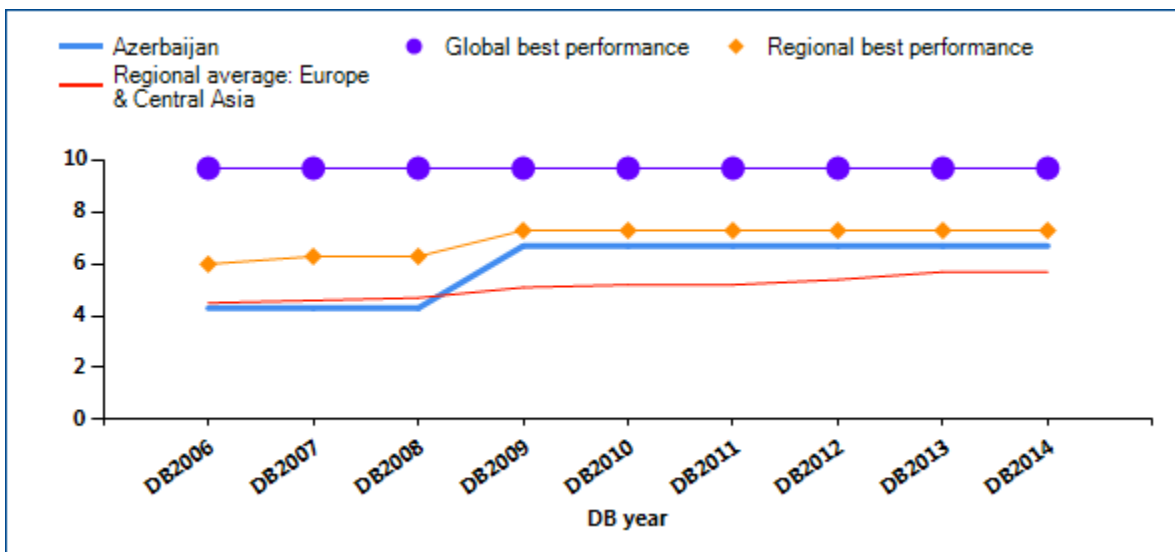
## PROTECTING INVESTORS

The scores recorded over time for Azerbaijan on the strength of investor protection index may also be revealing (figure 7.5). Equally interesting may be the

changes over time in the regional average score on this index.

Figure 7.5 Have investor protections become stronger over time?

### Strength of investor protection index (0–10)



Note: The higher the score, the stronger the protections.  
 Source: Doing Business database.

## PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a

reasonable time. As a result, reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Azerbaijan (table 7.2)?

Table 7.2 How has Azerbaijan strengthened investor protections—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Azerbaijan strengthened investor protections by regulating the approval of related-party transactions and expanding remedies available against liable directors.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PROTECTING INVESTORS

### What are the details?

The protecting investors indicators reported here for Azerbaijan are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the extent of disclosure, extent of director liability and

ease of shareholder suits indices, scores are assigned to each based on a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the data notes at the end of this chapter). The summary below shows the details underlying the scores for Azerbaijan.

#### Summary of scoring for the protecting investors indicators in Azerbaijan

Indicator	Azerbaijan	Europe & Central Asia average	OECD high income average
<b>Extent of disclosure index (0-10)</b>	7	6	7
<b>Extent of director liability index (0-10)</b>	5	5	5
<b>Ease of shareholder suits index (0-10)</b>	8	6	7
<b>Strength of investor protection index (0-10)</b>	6.7	5.7	6.2

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

	Score	Score description
<b>Extent of disclosure index (0-10)</b>	7	
What corporate body provides legally sufficient approval for the transaction?	1	Shareholders meeting and Mr. James is allowed to vote
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2	Full disclosure of all material facts
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2	Disclosure on the transaction and Mr. James' conflict of interest
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2	Disclosure on the transaction and Mr. James' conflict of interest
Whether an external body must review the terms of the transaction before it takes place?	0	No
<b>Extent of director liability index (0-10)</b>	5	
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1	Liable for negligence or influencing the approval of the transaction
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1	Liable for negligence

	Score	Score description
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0	Not possible or only in case of Seller's fraud or bad faith
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1	Yes
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	1	Yes
Whether fines and imprisonment can be applied against Mr. James?	0	No
<b>Ease of shareholder suits index (0-10)</b>	<b>8</b>	
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0	No
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1	Yes
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4	Any information that may lead to the discovery of relevant information
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0	No
Whether the plaintiff can directly question the defendant and witnesses during trial?	2	Yes, without approval from the judge
Whether the level of proof required for civil suits is lower than that of criminal cases?	1	Yes
<b>Strength of investor protection index (0-10)</b>	<b>6.7</b>	

Source: Doing Business database.

## PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

### What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.<sup>1</sup> To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2011.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2012 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

<sup>1</sup> The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.5%.

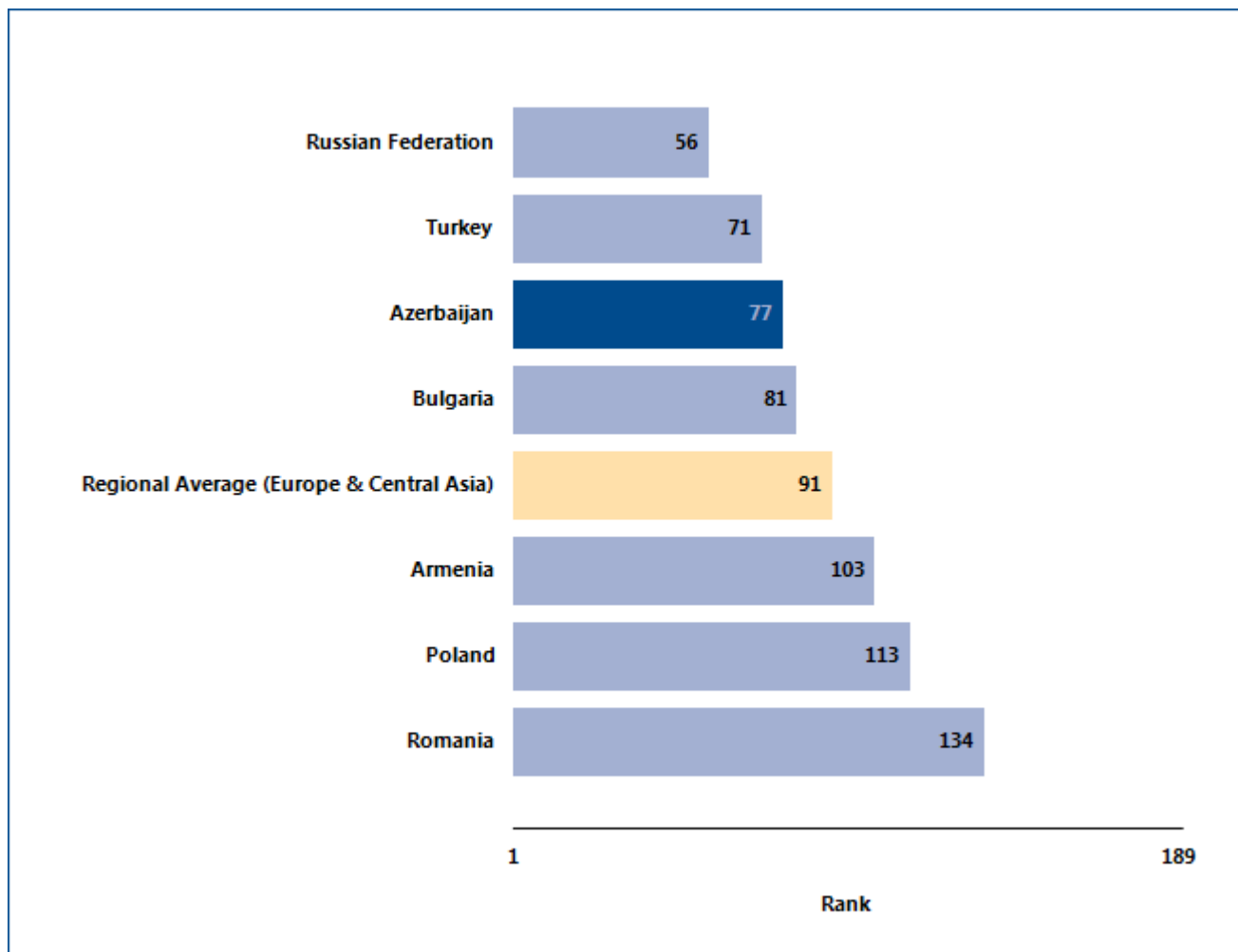
## PAYING TAXES

### Where does the economy stand today?

What is the administrative burden of complying with taxes in Azerbaijan—and how much do firms pay in taxes? On average, firms make 18 tax payments a year, spend 214 hours a year filing, preparing and paying taxes and pay total taxes amounting to 40.0% of profit (see the summary at the end of this chapter for details).

Globally, Azerbaijan stands at 77 in the ranking of 189 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Azerbaijan.

Figure 8.1 How Azerbaijan and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

## PAYING TAXES

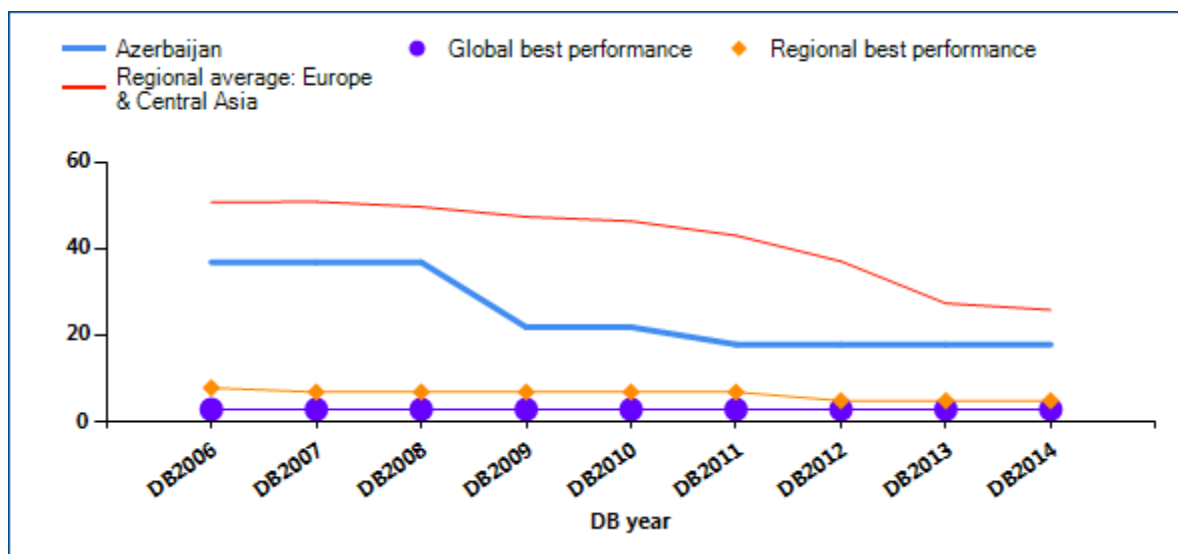
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2) help

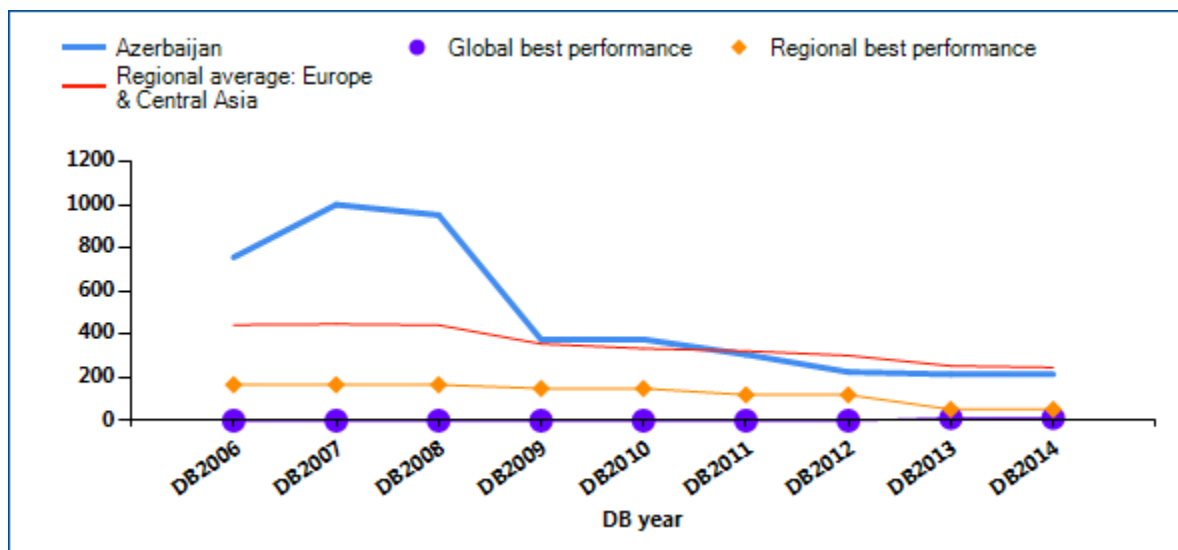
show what is possible in easing the administrative burden of tax compliance. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

#### Payments (number per year)

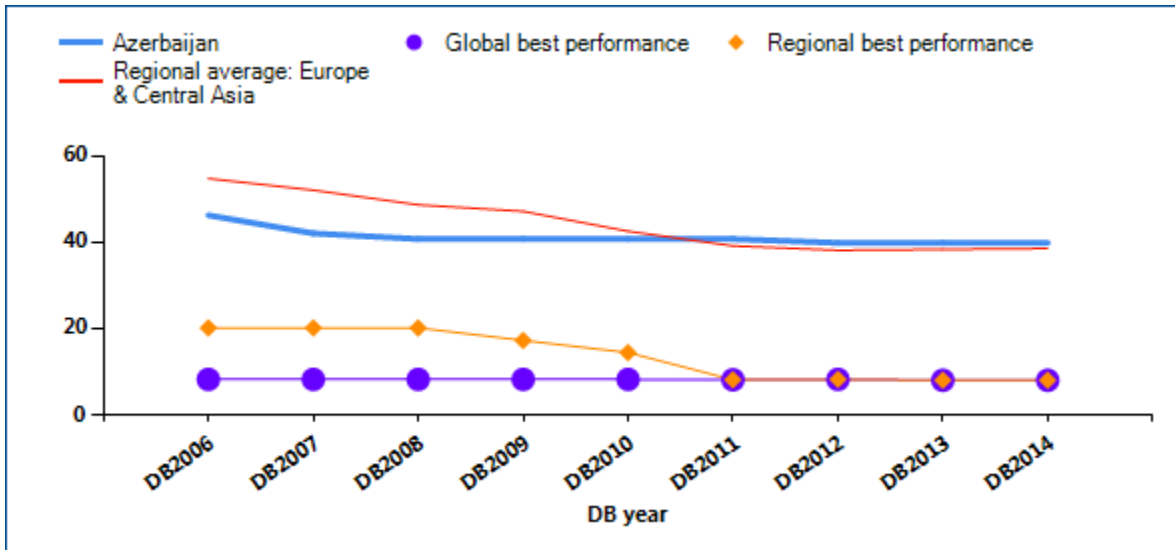


#### Time (hours per year)



## PAYING TAXES

### Total tax rate (% of profit)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.5% applied in DB2014, the total tax rate is set at 25.5% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.



## PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Azerbaijan (table 8.1)?

Table 8.1 How has Azerbaijan made paying taxes easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Online filing and payment system introduced with advanced accounting software systems for calculation. Computer stations provided for users without computer facilities.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	A revision of Azerbaijan's tax code lowered several tax rates, including the profit tax rate, and simplified the process of paying corporate income tax and value added tax.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

*Note:* For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## PAYING TAXES

### What are the details?

The indicators reported here for Azerbaijan are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.

#### LOCATION OF STANDARDIZED COMPANY

**City: Baku**

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

#### Summary of tax rates and administrative burden in Azerbaijan

Indicator	Azerbaijan	Europe & Central Asia average	OECD high income average
<b>Payments (number per year)</b>	18	26	12
<b>Time (hours per year)</b>	214	246	175
<b>Profit tax (%)</b>	12.9	9.0	16.1
<b>Labor tax and contributions (%)</b>	24.8	22.6	23.1
<b>Other taxes (%)</b>	2.2	7.0	2.0
<b>Total tax rate (% profit)</b>	40.0	38.7	41.3

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
<b>Social security contributions</b>	12		97	22%	gross salaries	24.8	
<b>Corporate income tax</b>	1	online filing	60	20%	taxable profit	12.9	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
<b>Property Tax</b>	1	online filing	0	1%	Annual average tax written down value of Fixed Assets	2	
<b>Tax on interest</b>	0		0	10%	interest income	0.3	included in other taxes
<b>Vehicle tax</b>	1	online filing	0	AZN 0.02	per cubic meter of engine size	0.2	
<b>Land tax</b>	1	online filing	0	AZN 10	land area per 100 square meters	0.1	
<b>Value added tax (VAT)</b>	1	online filing	57	18%	goods and services	0	not included
<b>Fuel tax</b>	1		0		included in price of fuel	0	small amount
<b>Totals</b>	<b>18</b>		<b>214</b>			<b>40.0</b>	

Source: Doing Business database.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

### What do the indicators cover?

*Doing Business* measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include

### WHAT THE TRADING ACROSS BORDERS

#### INDICATORS MEASURE

#### Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

military items.

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

## TRADING ACROSS BORDERS

### Where does the economy stand today?

What does it take to export or import in Azerbaijan? According to data collected by *Doing Business*, exporting a standard container of goods requires 9 documents, takes 28 days and costs \$3540. Importing the same container of goods requires 11 documents, takes 25 days and costs \$3560 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Azerbaijan stands at 168 in the ranking of 189 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Azerbaijan to export and import goods.

Figure 9.1 How Azerbaijan and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

## TRADING ACROSS BORDERS

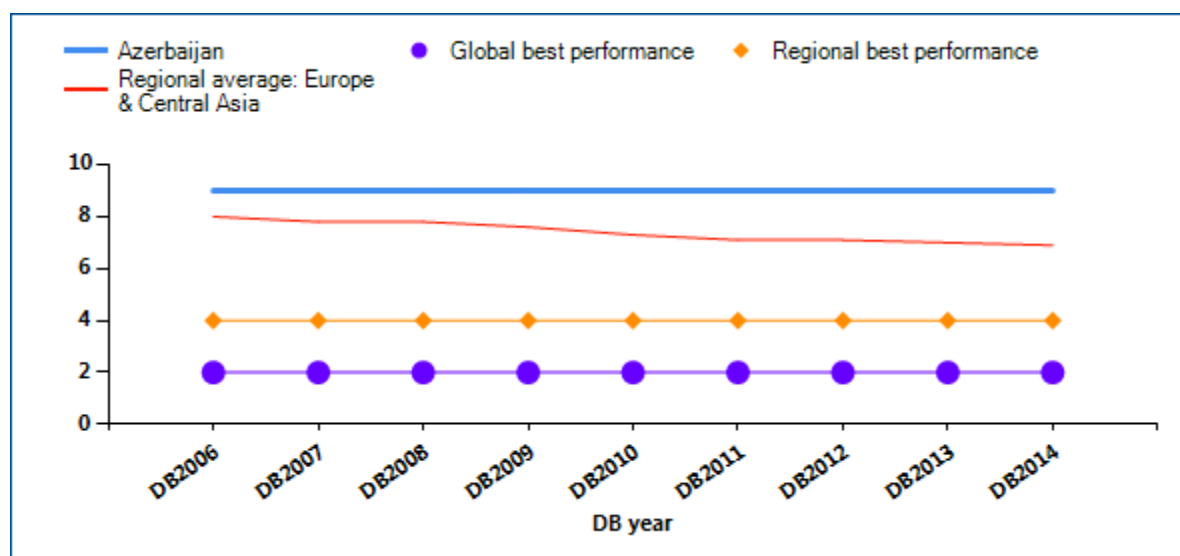
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2) help show what is

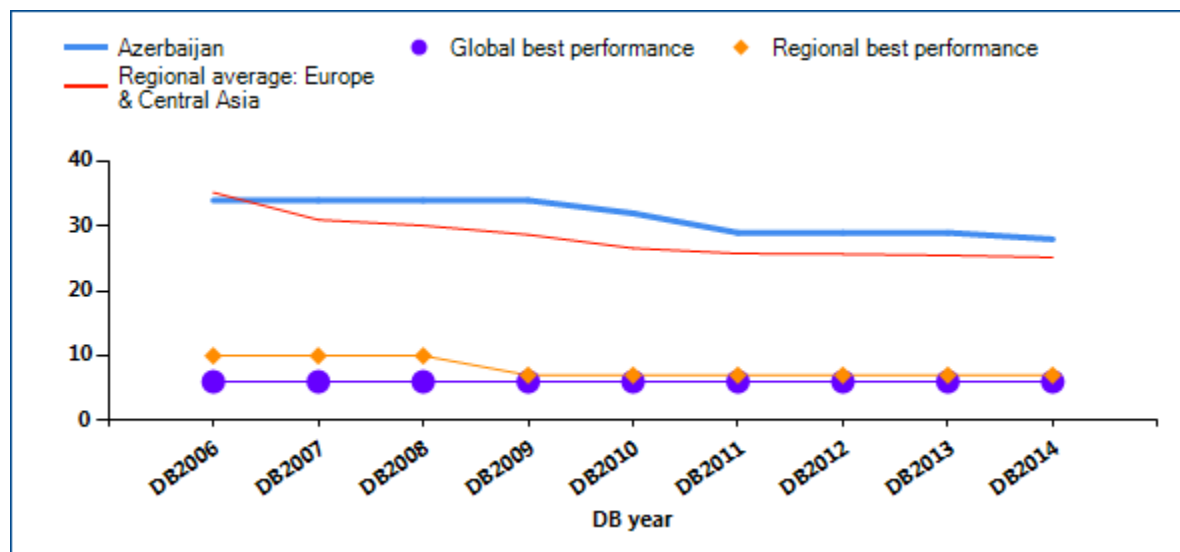
possible in making it easier to trade across borders. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 9.2 Has trading across borders become easier over time?

#### Documents to export (number)

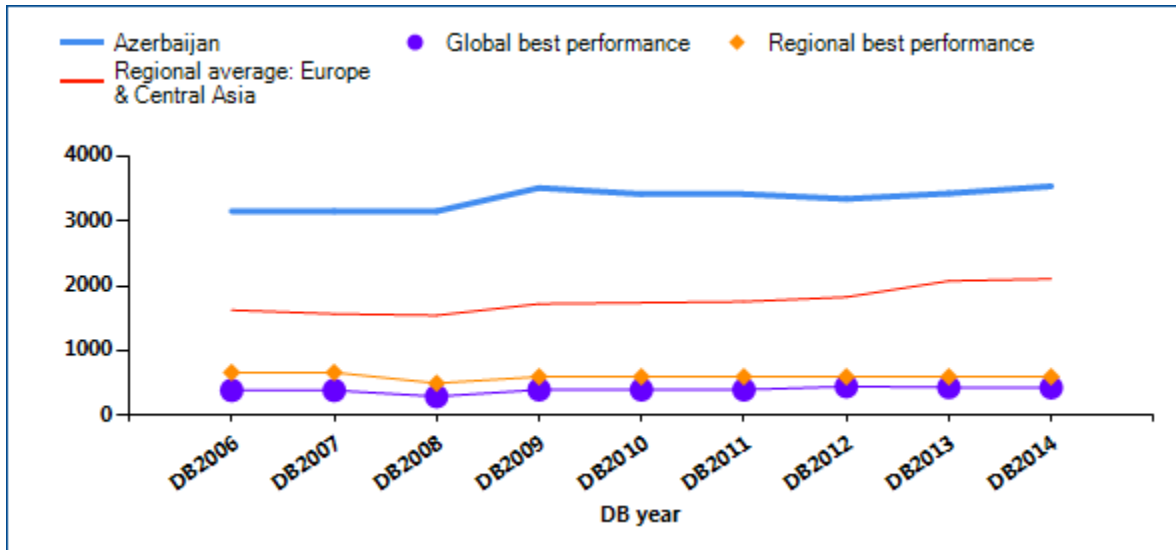


#### Time to export (days)

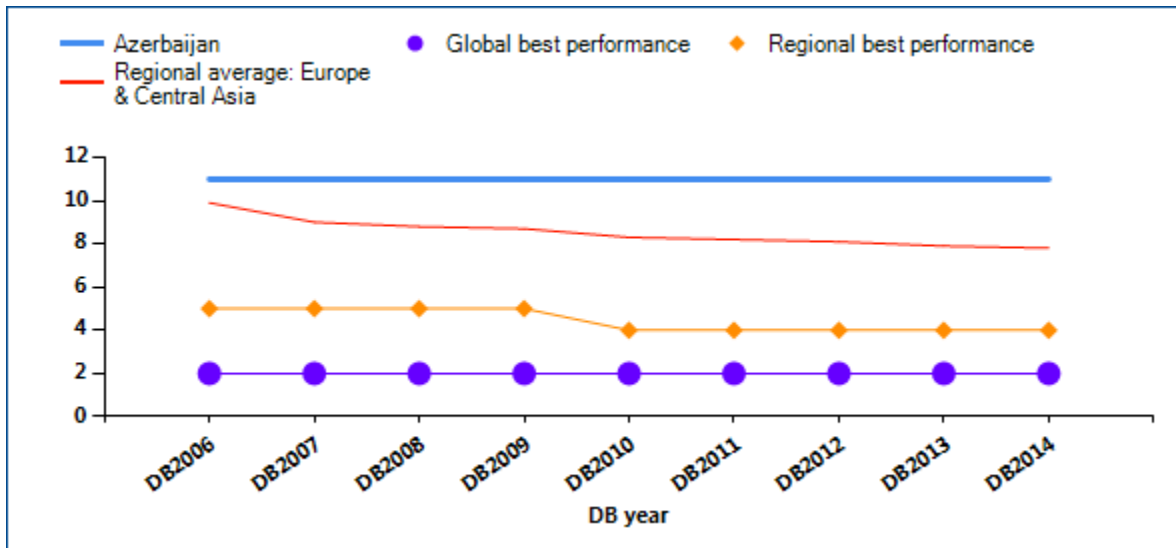


### TRADING ACROSS BORDERS

#### Cost to export (US\$ per container)

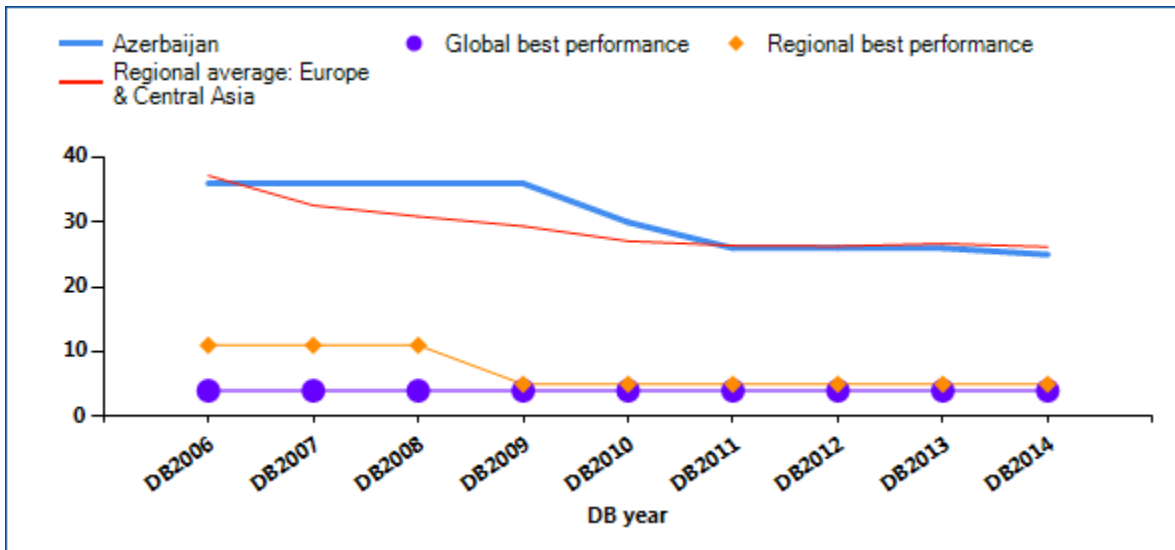


#### Documents to import (number)

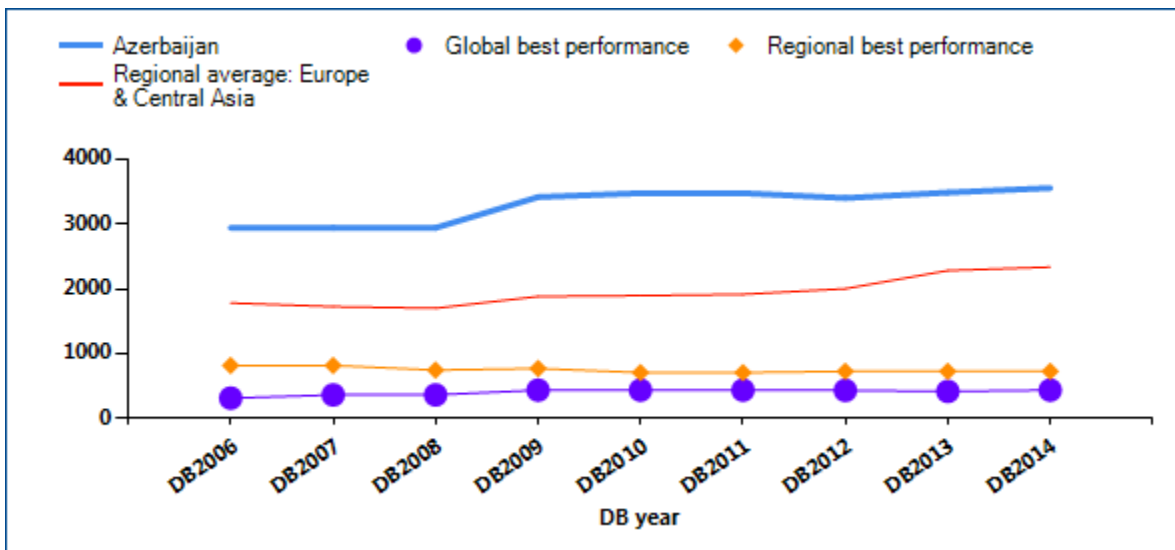


## TRADING ACROSS BORDERS

### Time to import (days)



### Cost to import (US\$ per container)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: Doing Business database.



## TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Azerbaijan (table 9.1)?

Table 9.1 How has Azerbaijan made trading across borders easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	Azerbaijan decreased the time required to clear goods and cross its borders by streamlining and regrouping various agencies behind a single customs service window.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	Azerbaijan made trading across borders easier by streamlining internal customs procedures.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for Azerbaijan are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

#### LOCATION OF STANDARDIZED COMPANY

**City: Baku**

The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

#### Summary of procedures and documents for trading across borders in Azerbaijan

Indicator	Azerbaijan	Europe & Central Asia average	OECD high income average
<b>Documents to export (number)</b>	9	7	4
<b>Time to export (days)</b>	28	25	11
<b>Cost to export (US\$ per container)</b>	3,540	2,109	1,070
<b>Documents to import (number)</b>	11	8	4
<b>Time to import (days)</b>	25	26	10
<b>Cost to import (US\$ per container)</b>	3,560	2,339	1,090

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	15	515
Customs clearance and technical control	4	425
Ports and terminal handling	2	300
Inland transportation and handling	7	2,300
<b>Totals</b>	<b>28</b>	<b>3,540</b>

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	14	535

Procedures to import	Time (days)	Cost (US\$)
Customs clearance and technical control	3	425
Ports and terminal handling	2	300
Inland transportation and handling	6	2,300
Totals	25	3,560

Documents to export
Application to start customs clearance (obrashenie v tamojnu)
Bill of Lading
Commercial Invoice
Convention des Marchandises Routiers - CMR (Transport document)
Customs export declaration
Document certifying origin of exported goods/ Certificate of Origin
Packing List
Selling Contract
Transit document (by Georgian customs)

Source: Doing Business database.

Documents to import
Application to start customs clearance (obrashenie v tamojnu)
Bill of lading
Certificate of Conformity
Certificate of Origin
Commercial invoice
Contract with supplier
Convention des Marchandises Routiers -- CMR (Transport document)
Copy of exporter's declaration
Customs import declaration
Document certifying cost of transportation/shipping invoice
Transit document (by Georgian customs)

## ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

### What do the indicators cover?

*Doing Business* measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

### WHAT THE ENFORCING CONTRACTS

#### INDICATORS MEASURE

#### Procedures to enforce a contract through the courts (number)

- Steps to file and serve the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

- Average attorney fees
- Court costs
- Enforcement costs

## ENFORCING CONTRACTS

### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Azerbaijan? According to data collected by *Doing Business*, contract enforcement takes 237 days, costs 18.5% of the value of the claim and requires 40 procedures (see the summary at the end of this chapter for details).

Globally, Azerbaijan stands at 28 in the ranking of 189 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Azerbaijan.

Figure 10.1 How Azerbaijan and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

## ENFORCING CONTRACTS

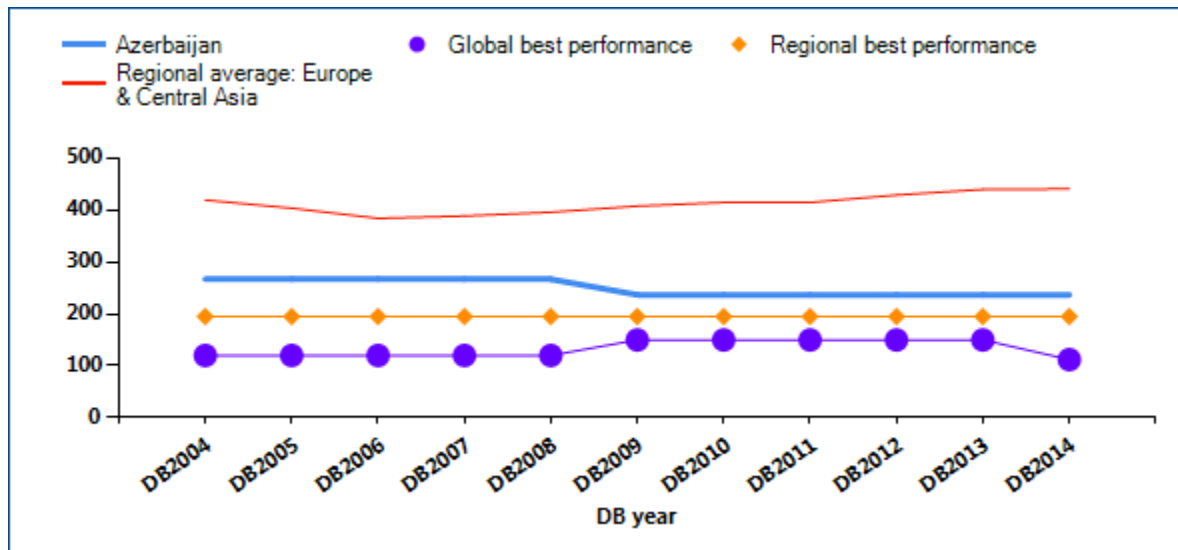
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2)

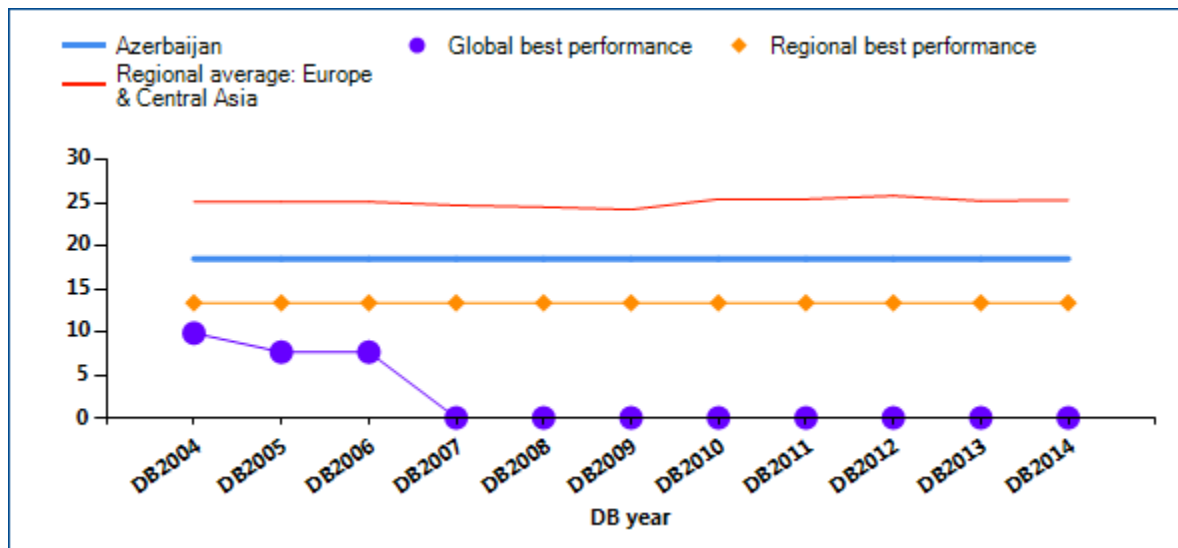
help show what is possible in improving the efficiency of contract enforcement. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

#### Time (days)

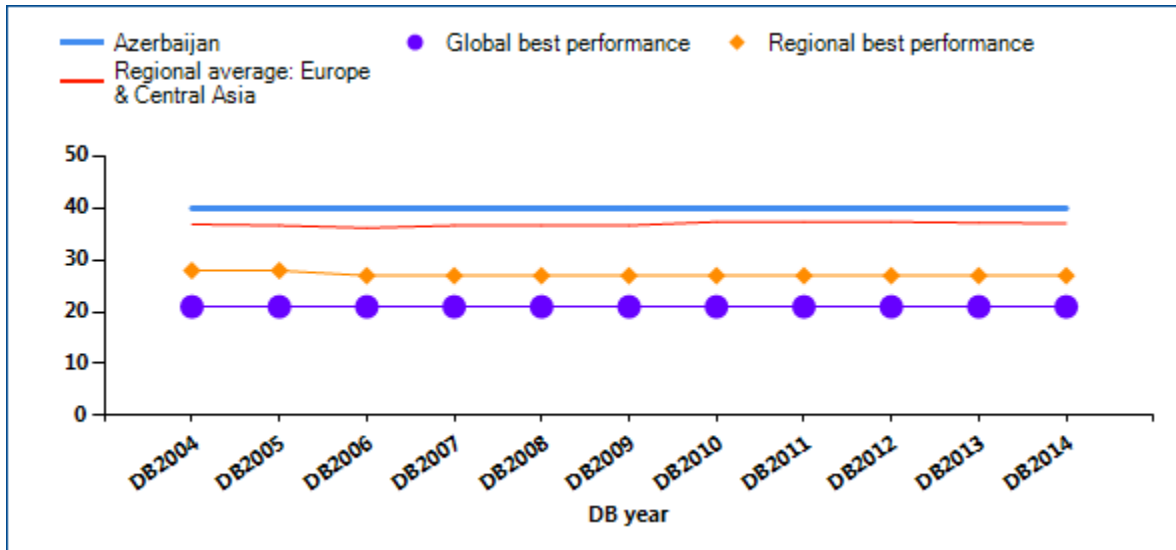


#### Cost (% of claim)



## ENFORCING CONTRACTS

### Procedures (number)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year.

Source: Doing Business database.

## ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies

often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Azerbaijan (table 10.1)?

Table 10.1 How has Azerbaijan made enforcing contracts easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	Azerbaijan created a second commercial court in Baku, increasing the number of specialized judges from 5 to 9. The time to enforce a contract through the courts decreased from 267 to 237 days.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.



## ENFORCING CONTRACTS

### What are the details?

The indicators reported here for Azerbaijan are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

#### COURT NAME

**City:** Baku

**Claim Value LCU:** 9712

**Court Name:** Baku Administrative Commercial Court

The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

#### Summary of procedures for enforcing a contract in Azerbaijan—and the time and cost

Indicator	Azerbaijan	Europe & Central Asia average	OECD high income average
<b>Time (days)</b>	<b>237</b>	<b>441</b>	<b>529</b>
<b>Filing and service</b>	27		
<b>Trial and judgment</b>	120		
<b>Enforcement of judgment</b>	90		
<b>Cost (% of claim)</b>	<b>18.5</b>	<b>25.3</b>	<b>21.0</b>
<b>Attorney cost (% of claim)</b>	16.4		
<b>Court cost (% of claim)</b>	1.1		
<b>Enforcement Cost (% of claim)</b>	1.0		
<b>Procedures (number)</b>	<b>40</b>	<b>37</b>	<b>31</b>
<b>Number of procedures (without bonus points)</b>	41		
<b>Specialized commercial courts</b>	-1		
<b>Total number of procedures (including bonus points)</b>	40		

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

## ENFORCING CONTRACTS

No.	Procedure
	<b>Filing and service:</b>
1	Plaintiff requests payment: Plaintiff or his lawyer asks Defendant orally or in writing to comply with the contract.
2	Plaintiff's hiring of lawyer: Plaintiff hires a lawyer to represent him before the court.
*	Plaintiff's filing of summons and complaint: Plaintiff files his summons and complaint with the court, orally or in writing.
*	Plaintiff's payment of court fees: Plaintiff pays court duties, stamp duties, or any other type of court fee.
3	Registration of court case: The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.
*	Assignment of court case to a judge: The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.
4	Court scrutiny of summons and complaint: A judge examines Plaintiff's summons and complaint for formal requirements.
*	Judge admits summons and complaint: After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.
5	Plaintiff's request for service: Plaintiff makes a written request to the court that process be served on Defendant.
6	Court order for service: Upon Plaintiff's request, judge orders process be served on Defendant.
7	Delivery of summons and complaint to person authorized to perform service of process on Defendant: The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
*	Arrangements for physical delivery of summons and complaint: Plaintiff takes whatever steps are necessary to arrange for physical service of process on Defendant, such as instructing a court officer or a (private) bailiff.
*	Mailing of summons and complaint: Court or process server, including (private) bailiff, mails summons and complaint to Defendant.
8	First attempt at physical delivery: A first attempt to physically deliver summons and complaint to Defendant is successful in the majority of cases.
*	Proof of service: Plaintiff submits proof of service to court.
*	Application for pre-judgment attachment: Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)

No.	Procedure
*	Decision on pre-judgment attachment: The judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision. This step may include requesting that Plaintiff submit guarantees or bonds to secure Defendant
9	Guarantees securing attached property: Plaintiff typically submits guarantees or bonds to secure Defendant against possible damages to attached property. (see assumption 5)
10	Pre-judgment attachment.: Defendant's property is attached prior to judgment. Attachment is either physical or achieved by registering, marking, debiting or separating assets. (see assumption 5)
11	Report on pre-judgment attachment: Court enforcement officer or (private) bailiff issues and delivers a report on the attachment of Defendant's property to the judge. (see assumption 5)
12	Hearing on pre-judgment attachment: A hearing takes place to resolve the question of whether Defendant's assets can be attached prior to judgment. This process may include the submission of separate summons and petitions. (see assumption 5)
<b>Trial and judgment:</b>	
*	Defendant's filing of preliminary exemptions: Defendant presents preliminary exemptions to the court. Preliminary exemptions differ from answers on the merits of the claim. Examples of preliminary exemptions are statute of limitations, jurisdictions, etc.
*	Plaintiff's answer to preliminary exemptions: Plaintiff responds to the preliminary exemptions raised by Defendant.
13	Defendant's filing of defense or answer to Plaintiff's claim: Defendant files a written pleading which includes his defense or answer on the merits of the case. Defendant's written answer may or may not include witness statements, expert statements, the documents Defendant relies on as evidence and the legal authori
14	Deadline for Plaintiff to answer Defendant's defense or answer: Judge sets the deadline by which Plaintiff will be allowed to answer Defendant's defense or answer.
15	Plaintiff's written response to Defendant's defense or answer: Plaintiff responds to Defendant's defense or answer with a written pleading. Plaintiff's answer may or may not include a witness statements or expert (witness) statements.
16	Filing of pleadings: Plaintiff and Defendant file written pleadings and submissions with the court and transmit copies of the written pleadings or submissions to one another. The pleadings may or may not include witness statements or expert (witness) statements.
17	Adjournments: Court procedure is delayed because one or both parties request and obtain an adjournment to submit written pleadings.
*	Court appointment of independent expert: Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 6-b of this case)
18	Notification of court-appointment of independent expert: The court notifies both parties that the court is appointing an independent expert. (see assumption 6-b of this case)

No.	Procedure
*	Delivery of expert report by court-appointed expert: The independent expert appointed by the court delivers his or her expert report to the court. (see assumption 6-b of this case)
*	Setting of date(s) for oral hearing or trial: The judge sets the date(s) for the oral hearing or trial.
19	Preliminary hearing aimed at preparing for the oral hearing: The judge meets the parties to make practical arrangements for the oral hearing on the merits of the case.
*	List of (expert) witnesses: The parties file a list of (expert) witnesses with the court. (see assumption 6-a)
20	Summoning of (expert) witnesses: The court summons (expert) witnesses to appear in court for the oral hearing or trial. (see assumption 6-a)
21	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment to prepare for the oral hearing or trial.
22	Oral hearing (prevalent in civil law): The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
23	Adjournments: Court proceedings are delayed because one or both parties request and obtain an adjournment during the oral hearing or trial, resulting in an additional or later trial or hearing date.
24	Closing of the evidence period: The court makes the formal decision to close the evidence period.
*	Final arguments: The parties present their final factual and legal arguments to the court either by oral presentation or by a written submission.
25	Judgment date: The judge sets a date for delivery of the judgment.
26	Notification of judgment in court: The parties are notified of the judgment at a court hearing.
27	Writing of judgment: The judge produces a written copy of the judgment.
28	Registration of judgment: The court office registers the judgment after receiving a written copy of the judgment.
29	Court notification of availability of the written judgment: The court notifies the parties that the written judgment is available at the courthouse.
30	Plaintiff's receipt of a copy of written judgment: Plaintiff receives a copy of the written judgment.
31	Appeal period: By law, Defendant has the opportunity to appeal the judgment during a period specified in the law. Defendant decides not to appeal. Judgment becomes final the day the appeal period ends.
32	Reimbursement by Defendant of Plaintiff's court fees: The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
<b>Enforcement of judgment:</b>	
33	Plaintiff's approaching of court enforcement officer or (private) bailiff to enforce the judgment: To enforce the judgment, Plaintiff approaches a court enforcement officer such as a court bailiff or sheriff, or a private bailiff.
*	Delivery of enforcement order: The court's enforcement order is delivered to a court enforcement officer or a (private) bailiff.

No.	Procedure
34	Request to Defendant to comply voluntarily with judgment: Plaintiff, a court enforcement officer or a (private) bailiff requests Defendant to voluntarily comply with the judgment, giving Defendant a last chance to comply voluntarily with the judgment.
35	Identification of Defendant's assets for attachment by court official or Defendant: Judge, a court enforcement officer, a (private) bailiff or the Defendant himself identifies Defendant's movable assets for attachment.
36	Notification of intent to attach: A court enforcement officer or (private) bailiff notifies other creditors of the intent to attach Defendant's goods.
37	Attachment: Defendant's movable goods are attached (physically or by registering, marking or separating assets).
38	Enforcement disputes before court: The enforcement of the judgment is delayed because Defendant opposes aspects of the enforcement process before the judge.
39	Call for public auction: The judge calls a public auction by, for example, advertising or publication in the newspapers.
40	Sale through public auction: The Defendant's movable property is sold at public auction.
41	Distribution of proceeds: The proceeds of the public auction are distributed to various creditors (including Plaintiff), according to the rules of priority.

\* Not counted in the total number of procedures.

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.

### WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

#### Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

## RESOLVING INSOLVENCY

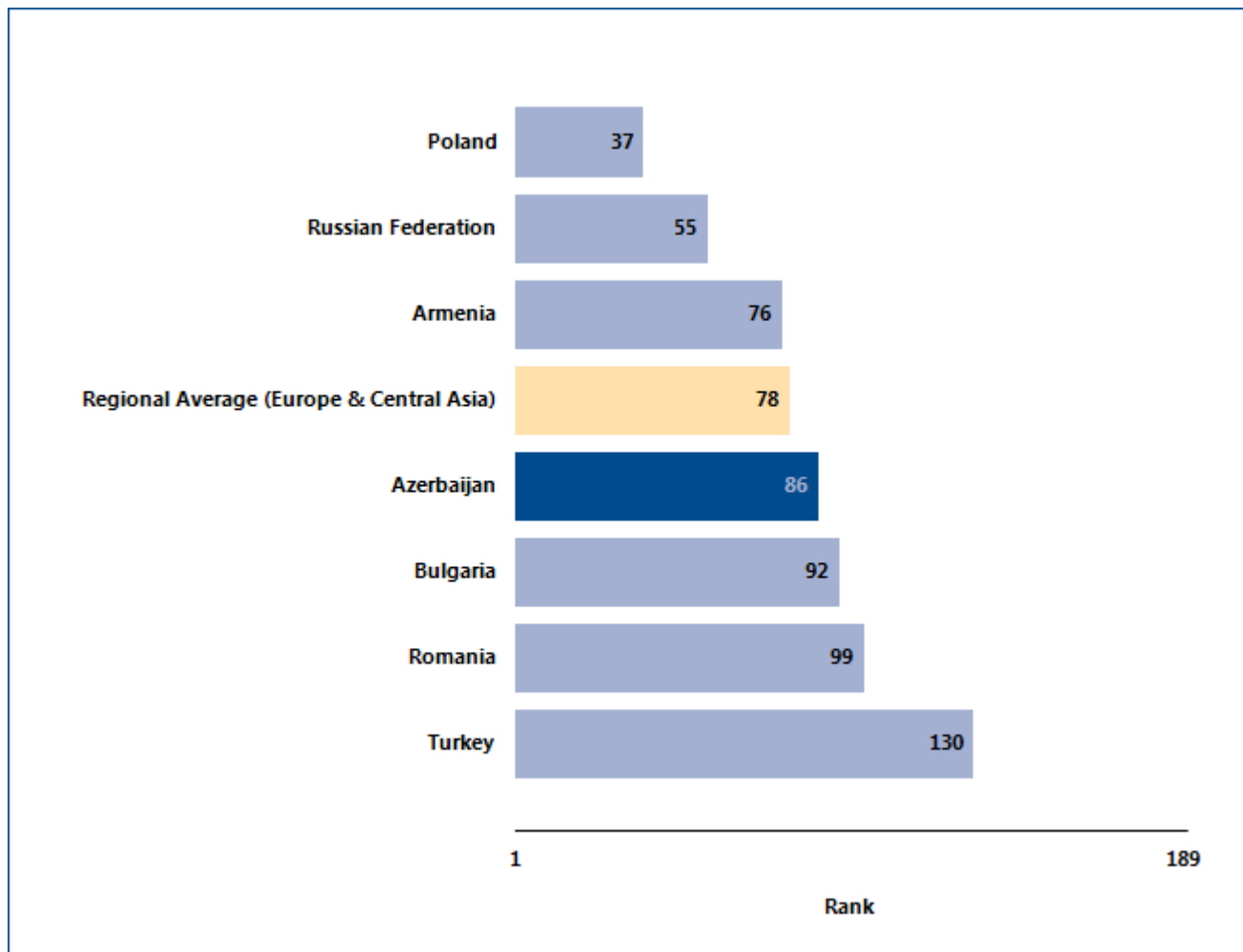
### Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Azerbaijan? According to data collected by *Doing Business*, resolving insolvency takes 2.3 years on average and costs 8% of the debtor’s estate, with the most likely outcome being that the company will be sold as

piecemeal sale. The average recovery rate is 34.0 cents on the dollar.

Globally, Azerbaijan stands at 86 in the ranking of 189 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Azerbaijan.

Figure 11.1 How Azerbaijan and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

## RESOLVING INSOLVENCY

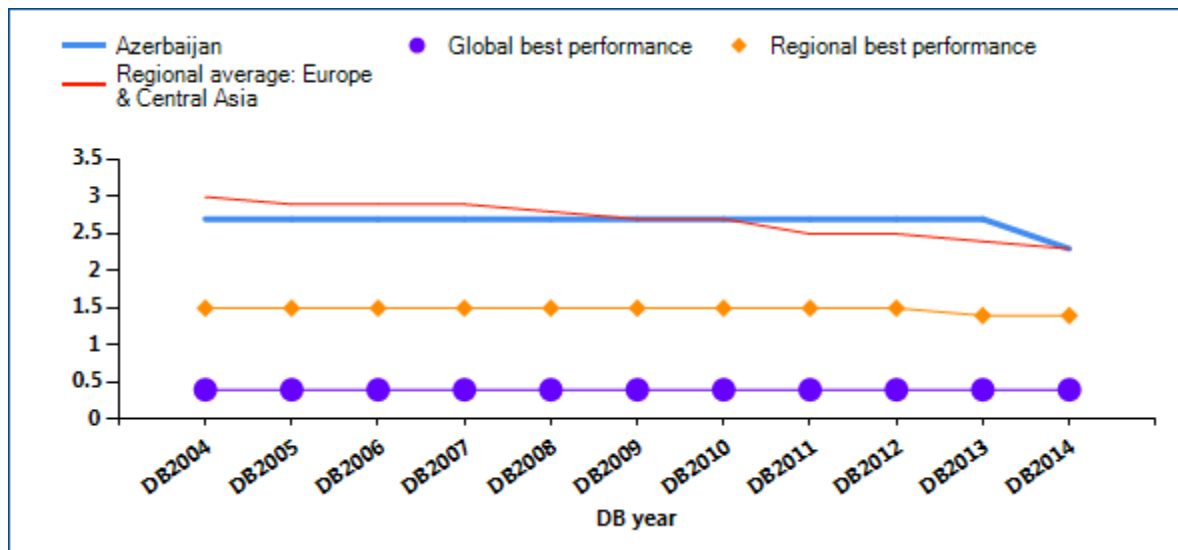
### What are the changes over time?

The benchmarks provided by the economies that over time have had the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2) help show what is

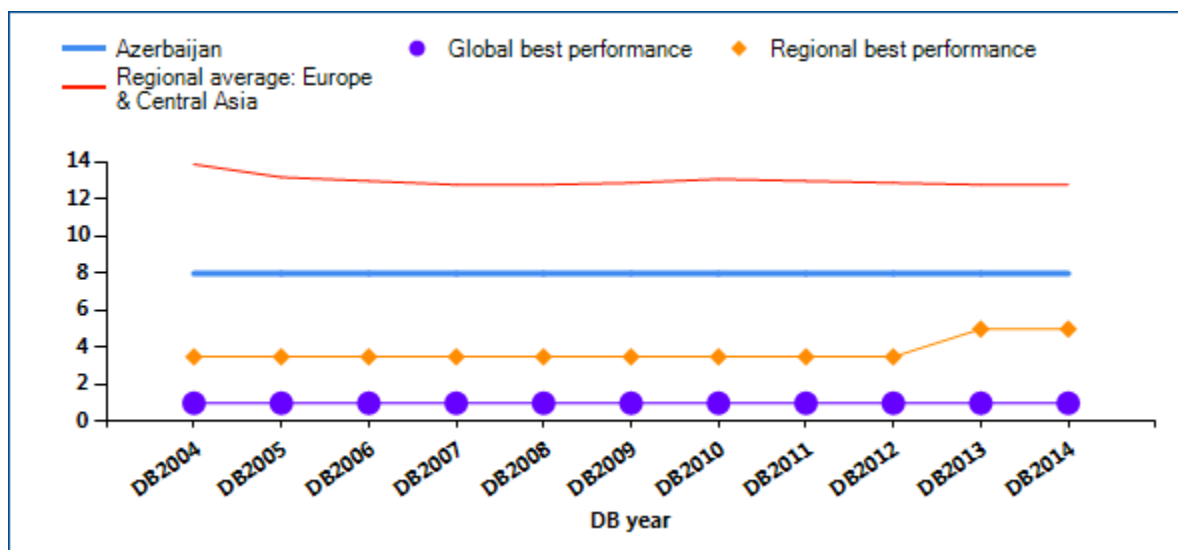
possible in improving the efficiency of insolvency proceedings. And changes in regional averages can show where Azerbaijan is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

#### Time (years)



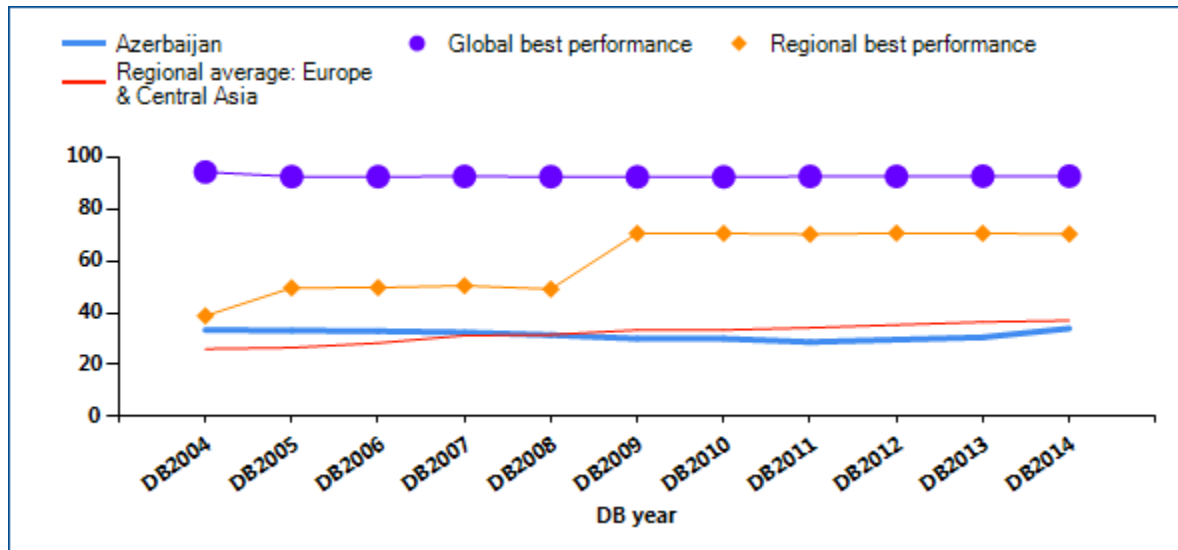
#### Cost (% of estate)





## RESOLVING INSOLVENCY

### Recovery rate (cents on the dollar)



Note: DB2013 rankings shown are not last year's published rankings but comparable rankings for DB2013 that capture the effects of such factors as data corrections and the addition of 4 economies (Libya, Myanmar, San Marino and South Sudan) to the sample this year. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0. Regional averages on time and cost exclude economies with a "no practice" mark.

Source: Doing Business database.

## RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Azerbaijan (table 11.1)?

Table 11.1 How has Azerbaijan made resolving insolvency easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## EMPLOYING WORKERS

*Doing Business* measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. Over the period from 2007 to 2011 improvements were made to align the methodology for the employing workers indicators with the letter and spirit of the International Labour Organization (ILO) conventions. Only 4 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay and night work. The *Doing Business* methodology is fully consistent with these 4 conventions. The ILO conventions covering areas related to the Employing Workers indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, OECD, civil society and the private sector—to review the employing workers methodology and explore future areas of research.<sup>i</sup> A full report with the conclusions of the consultative group is available at <http://www.doingbusiness.org/methodology/employing-workers>.

This year *Doing Business* continued research collecting additional data on regulations covering the probationary period for new employees.

*Doing Business 2014* presents the data on the employing workers indicators in an annex. The report does not present rankings of economies on the employing workers indicators nor include the topic in the aggregate ranking on the ease of doing business. Detailed data collected on labor regulations and the

employing workers methodology proposed by the consultative group are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on employing workers are based on a detailed survey of employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Earns a salary plus benefits equal to the economy's average wage during the entire period of his employment.
- Has a pay period that is the most common for workers in the economy.
- Is a lawful citizen who belongs to the same race and religion as the majority of the economy's population.
- Resides in the economy's largest business city.
- Is not a member of a labor union, unless membership is mandatory.

The business:

- Is a limited liability company.
- Operates in the economy's largest business city.
- Is 100% domestically owned.
- Operates in the manufacturing sector.
- Has 60 employees.
- Is subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.
- Abides by every law and regulation but does not grant workers more benefits than mandated by law, regulation or (if applicable) collective bargaining agreement.

## EMPLOYING WORKERS

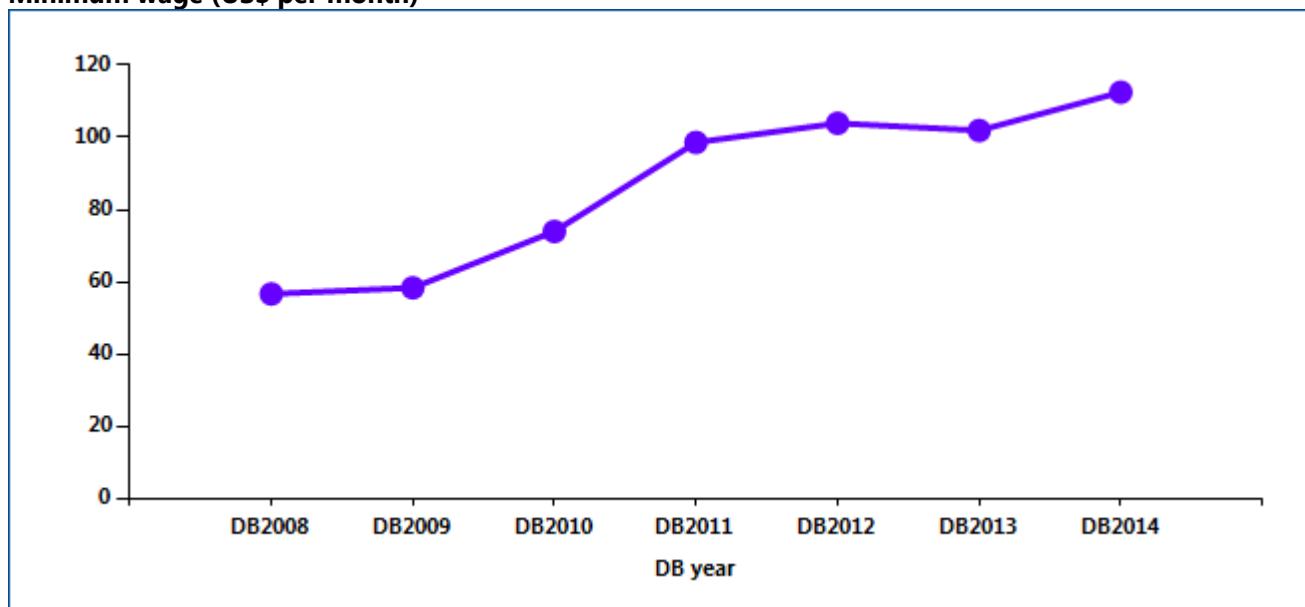
### What do some of the data show?

One of the employing workers indicators is the difficulty of hiring index. This measure assesses, among other things, the minimum wage for a 19-year-old

worker in his or her first job. *Doing Business* data show the trend in the minimum wage applied by Azerbaijan (figure 12.1).

Figure 12.1 Has the minimum wage for a 19-year-old worker or an apprentice increased over time?

#### Minimum wage (US\$ per month)



Note: A horizontal line along the x-axis of the figure indicates that the economy has no minimum wage.

Source: *Doing Business* database.

## EMPLOYING WORKERS

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. Many economies that changed their labor regulations in the

past 5 years did so in ways that increased labor market flexibility. What changes did Azerbaijan adopt that affected the *Doing Business* indicators on employing workers (table 12.1)?

Table 12.1 What changes did Azerbaijan make in employing workers in 2013?

DB year	Reform
<b>DB2009</b>	Azerbaijan allowed fixed-term contracts to be concluded for permanent tasks, eliminated the requirements to notify third parties in cases of redundancy dismissals, and repealed a retraining or reassignment obligation before an employer can make a worker redundant.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.
<b>DB2014</b>	No reform as measured by Doing Business.

Source: *Doing Business* database.

## EMPLOYING WORKERS

### What are the details?

The data on employing workers reported here for Azerbaijan are based on a detailed survey of employment regulations that is completed by local

lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

### Rigidity of employment index

The rigidity of employment index measures 3 areas of labor regulation: difficulty of hiring, rigidity of hours and difficulty of redundancy.

#### Difficulty of hiring index

The difficulty of hiring index measures whether fixed-term contracts are prohibited for permanent tasks; the maximum cumulative duration of fixed-term contracts; and the ratio of the minimum wage for a trainee or first-time employee to the average value added per

worker. (The average value added per worker is the ratio of an economy's gross national income per capita to the working-age population as a percentage of the total population.)

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	60 uninterrupted months is the maximum before turning into an indefinite-term contract (Article 45.5)
Maximum length of fixed-term contracts, including renewals (months)	60
Minimum wage for a 19-year old worker or an apprentice (US\$/month)	112.5
Ratio of minimum wage to value added per worker	0.16

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Rigidity of hours index

The rigidity of hours index has 5 components: whether there are restrictions on night work; whether there are restrictions on weekly holiday work; whether the workweek can consist of 5.5 days or is more than 6 days; whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year to

respond to a seasonal increase in production; and whether the average paid annual leave for a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is more than 26 working days or fewer than 15 working days.

Rigidity of hours index	Data
Standard workday in manufacturing (hours)	8 hours
50-hour workweek allowed for 2 months a year in case of a seasonal increase in production?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay) in case of continuous operations	40%
Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	150%
Major restrictions on night work in case of continuous operations?	Yes
Major restrictions on weekly holiday in case of continuous operations?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	15.0
Paid annual leave for a worker with 5 years of tenure (in working days)	17.0
Paid annual leave for a worker with 10 years of tenure (in working days)	19.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	17.0

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Difficulty of redundancy index

The difficulty of redundancy index has 8 components: whether redundancy is disallowed as a basis for terminating workers; whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; whether the employer needs to notify a third party to terminate a group of 9 redundant workers; whether the employer needs approval from a third party to terminate 1 redundant

worker; whether the employer needs approval from a third party to terminate a group of 9 redundant workers; whether the law requires the employer to reassign or retrain a worker before making the worker redundant; whether priority rules apply for redundancies; and whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	No
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	No
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	Yes
Priority rules for reemployment?	No

Source: *Doing Business* database.



## EMPLOYING WORKERS

### Redundancy cost

The redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. The average value of

notice requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is used to assign the score.

Redundancy cost indicator	Data
Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	8.7
Notice period for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	8.7
Notice period for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	8.7
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	8.7
Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	13.0
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	13.0
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	13.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	13.0

Source: Doing Business database.

## DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation. The 11 sets of indicators measured in *Doing Business* were added over time, and the sample of economies expanded.

The data for all sets of indicators in *Doing Business 2014* are for June 2013.<sup>2</sup>

### Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered to more than 10,200 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements (table 21.2). These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2014* team members visited 33 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous

rounds of verification, leading to revisions or expansions of the information collected.

### ECONOMY CHARACTERISTICS

#### Gross national income per capita

*Doing Business 2014* reports 2012 income per capita as published in the World Bank's *World Development Indicators 2013*. Income is calculated using the Atlas method (current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2012 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan, The Bahamas, Bahrain, Barbados, Brunei Darussalam, Djibouti, the Islamic Republic of Iran, Kuwait, Libya, Myanmar, New Zealand, Oman, San Marino, the Syrian Arab Republic, West Bank and Gaza, and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from other sources, such as the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit, were used.

#### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-classifications>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

#### Population

*Doing Business 2014* reports midyear 2012 population statistics as published in *World Development Indicators 2013*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify

<sup>2</sup> The data for paying taxes refer to January – December 2012.

potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed. Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.

## Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (box 21.1). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2014* would differ from the recollection of

entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

This year *Doing Business* completed subnational studies in Colombia, Italy and the city of Hargeisa (Somaliland) and is currently updating indicators in Egypt, Mexico and Nigeria. *Doing Business* also published regional studies for the g7+ and the East African Community. The g7+ group is a country-owned and country-led global mechanism established in April 2010 to monitor, report and draw attention to the unique challenges faced by fragile states. The member countries included in the report are Afghanistan, Burundi, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, Côte d'Ivoire, Guinea, Guinea-Bissau, Haiti, Liberia, Papua New Guinea, Sierra Leone, the Solomon Islands, South Sudan, Timor-Leste and Togo.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

## Changes in what is measured

The methodology for 2 indicator sets—trading across borders and paying taxes—was updated this year. For trading across borders, documents that are required purely for purposes of preferential treatment are no longer included in the list of documents (for example, a certificate of origin if the use is only to qualify for a preferential tariff rate under trade agreements). For paying taxes, the value of fuel taxes is no longer included in the total tax rate because of the difficulty of computing these taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. Fuel taxes continue to be counted in the number of payments.

In a change involving several indicator sets, the rule establishing that each procedure must take at least 1 day was removed for procedures that can be fully completed online in just a few hours. This change affects the time indicator for starting a business,

dealing with construction permits and registering property.<sup>3</sup> For procedures that can be fully completed online, the duration is now set at half a day rather than a full day.

The threshold for the total tax rate introduced in 2011 for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an “optimal tax rate” that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year the threshold is 25,5%.

## Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website’s “Ask a Question” function at <http://www.doingbusiness.org>.

## Ease of doing business and distance to frontier

*Doing Business 2014* presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies

with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

### Ease of doing business

The ease of doing business index ranks economies from 1 to 189. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2014*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The employing workers indicators are not included in this year’s aggregate ease of doing business ranking.

### Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Denmark it takes 4 procedures, 5.5 days and 0.2% of annual income per capita in fees to open a business. The minimum capital requirement is 24% of annual income per capita. On these 4 indicators Denmark ranks in the 12th, 11th, 1st and 79th percentiles. So on average Denmark ranks in the 25th percentile on the ease of starting a business. It ranks in the 21st percentile on getting credit, 19th percentile on paying taxes, 27th percentile on enforcing contracts, 5th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Denmark’s percentile rankings on all topics is 17th. When all economies are ordered by their average percentile rankings, Denmark stands at 5 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average

<sup>3</sup> For getting electricity the rule that each procedure must take a minimum of 1 day still applies because in practice there are no cases in which procedures can be fully completed online in less than a day. For example, even though in some cases it is possible to apply for an electricity connection online, additional requirements mean that the process cannot be completed in less than 1 day.

used by *Doing Business*.<sup>4</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

#### Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.38, and the coefficients between any 2 sets of indicators range from 0.18 (between getting electricity and getting credit) to 0.58 (between trading across borders and resolving insolvency and between trading across borders and getting electricity). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 19 in the aggregate ranking on the ease of doing business. Its ranking is 2 on starting a business, 4 on protecting investors, and 8 on paying taxes. But its ranking is only

<sup>4</sup> See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, “*Doing Business* Indicators: Why Aggregate, and How to Do It” (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

58 on enforcing contracts, 116 on dealing with construction permits and 145 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

#### Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the “frontier,” and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 10 *Doing Business* indicator sets (excluding the employing workers indicators) by any economy. In starting a business, for example, Canada and New Zealand have achieved the highest performance on the number of procedures required (1) and on the time (0.5 days), Denmark and Slovenia on the cost (0% of income per capita) and Chile, Zambia and 99 other economies on the paid-in minimum capital requirement (0% of income per capita) (table 22.2).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate, each of the 31 component indicators  $y$  is rescaled to  $(\max - y)/(\max - \min)$ , with the minimum value ( $\min$ ) representing the frontier—the highest performance on that indicator across all economies since 2003 or the first year the indicator was collected.<sup>5</sup> For the total tax rate, consistent with the calculation of

<sup>5</sup> Even though scores for the distance to frontier are calculated from 2005, data from as early as 2003 are used to define the frontier

the rankings, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution of total tax rates for all years. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all topics. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2003 and for all years (from 2003 to 2013). To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95<sup>th</sup> percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers. In addition, the cost to export and cost to import for each year are divided by the GDP deflator, so as to take the general price level into account when benchmarking these absolute-cost indicators across economies with different inflation trends. The base year for the deflator is 2013 for all economies.

The difference between an economy's distance to frontier score in any previous year and its score in 2013 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

Take Colombia, which has a score of 70.5 on the distance to frontier measure for 2014. This score indicates that the economy is 29.5 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2009, with a score of 66.2. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Colombia stands at 63 this year in the ease of doing business ranking, while Peru, which is 29.3 percentage points from the frontier, stands at 42.

### Economies that improved the most across 3 or more Doing Business topics in 2012/13

*Doing Business 2014* uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2012/13 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.<sup>6</sup> Twenty-nine economies meet this criterion: Azerbaijan, Belarus, Burundi, Côte d'Ivoire, Croatia, Djibouti, Gabon, Guatemala, Guinea, Italy, Kosovo, Latvia, the former Yugoslav Republic of Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Morocco, Panama, the Philippines, the Republic of Congo, Romania, the Russian Federation, Rwanda, Sri Lanka, Ukraine, Uzbekistan and the United Arab Emirates. Second, *Doing Business* sorts these economies on the increase in their distance to frontier measure from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the distance to frontier measure is intended to highlight economies with ongoing, broadbased reform programs. The criterion for identifying the top improvers was changed from last year. The improvement in ease of doing business ranking is no longer used. The improvement in the distance to frontier measure is used instead because under this measure economies are sorted according to their absolute improvement instead of relative improvement.

<sup>6</sup> *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.



## RESOURCES ON THE *DOING BUSINESS* WEBSITE

### **Current features**

News on the *Doing Business* project  
<http://www.doingbusiness.org>

### **Rankings**

How economies rank—from 1 to 189  
<http://www.doingbusiness.org/rankings/>

### **Data**

All the data for 189 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators  
<http://www.doingbusiness.org/data/>

### **Reports**

Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized economy and regional profiles  
<http://www.doingbusiness.org/reports/>

### **Methodology**

The methodologies and research papers underlying *Doing Business*  
<http://www.doingbusiness.org/methodology/>

### **Research**

Abstracts of papers on *Doing Business* topics and related policy issues  
<http://www.doingbusiness.org/research/>

### ***Doing Business* reforms**

Short summaries of DB2014 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool  
<http://www.doingbusiness.org/reforms/>

### **Historical data**

Customized data sets since DB2004  
<http://www.doingbusiness.org/custom-query/>

### **Law library**

Online collection of business laws and regulations relating to business and gender issues  
<http://www.doingbusiness.org/law-library/>  
<http://wbl.worldbank.org/>

### **Contributors**

More than 10,200 specialists in 189 economies who participate in *Doing Business*  
<http://www.doingbusiness.org/contributors/doing-business/>

### **Entrepreneurship data**

Data on business density for 139 economies  
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

### ***Doing Business* iPhone App**

*Doing Business at a Glance* App presents the full report, rankings and highlights  
<http://www.doingbusiness.org/specialfeatures/iphone>





[WWW.DOINGBUSINESS.ORG](http://WWW.DOINGBUSINESS.ORG)



ISBN 978-0-8213-9984-2



SKU 19984