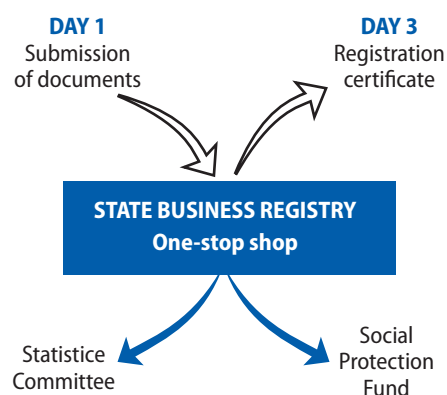


## How to reform in 3 months... Azerbaijan registers businesses faster by setting-up a one-stop shop

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Before 2008 entrepreneurs looking to start a business in Azerbaijan had to register at 5 different agencies, complete 15 procedures, and file 33 documents. It took more than 2 months. But in 2008 Azerbaijan launched a new company registration system—and the reform went through in just 3 months. As of 1 January 2008 an entrepreneur can be ready to do business much faster—by submitting 7 documents and completing 6 procedures at the new, one-stop shop State Business Registry. Since January 2008, 3,465 limited liability companies have been registered at 14 different State Business Registries across the country. The electronic registry is linked to one-stop shop secondary agencies, including the State Social Protection Fund and the State Statistics Committee.

FIGURE 1  
**Streamlined procedures  
with the new one-stop shop**



### The challenge—diversify away from oil

Today Azerbaijan is one of the world's fastest growing economies. Thanks to rich hydrocarbon resources and the government's oil and gas strategy, Azerbaijan almost doubled its GDP during last 3 years. Now the goal is to diversify beyond petroleum and to develop sound growth opportunities in the nonoil economy. With 84% of GDP produced by the private sector, reaching that goal required continuously improving the business environment to create favorable conditions for businesses to grow and flourish. Azerbaijan's leadership went for it.

Azerbaijan ranked 96 in *Doing Business 2008*, in part because of the burdensome administrative barriers to doing nonpetroleum business—say, taking an average of 207 days to obtain a construction permit and up to 3 years to close down business.

In 2006 President Ilham Aliyev reviewed *Doing Business 2007*. His reaction: “unacceptable.” “Azerbaijan's position,” said the president, “is not high enough to fulfill our ambition to create a modern economy and to maintain a role of

FIGURE 2

**Timeline of business registration reform in Azerbaijan**

Source: Doing Business database.



regional leader. All necessary measures have to be taken to improve the business environment, to enable economic diversification and job creation.”

On 30 April 2007 Presidential Decree 567 went into force, detailing instructions to the relevant state authorities. A key goal was to improve the business registration system and to reduce the number of procedures required for registration.

### Mobilizing for reform

After receiving directions from the president, the government immediately mobilized for upcoming countrywide reforms. The Ministry of Economic Development was appointed to lead in shaping strategic guidelines. “Our priorities are clear: diversification and sustainability. Reforms should result in immediate impact to encourage businesses to invest, grow, and employ,” says Heydar Babayev, minister of economic development, who coordinated the government’s activities. A working group was established, composed of the Ministry of Economic Development, Ministry of Taxes, Ministry of Justice, Ministry of Labor and Social Protection of Population, the Social Protection Fund, and the Statistics Committee. At the helm was Prime Minister Arthur Rasi-zadeh. As a starting point, the working group set short- and long-term goals for improvements in the business environment.

The short-term goals target improvements over 2 years in business registration, licensing and permits, tax filing and property registration, access to credit, labor and investor protection. The long-term, 3–5 year goals include improving cross-border trade, contract enforcement, and procedures for closing a business.

The government then sought feedback. At the initial stage, the Ministry of Economic Development conducted interviews with entrepreneurs, discussed regulatory roles with government agencies, studied international experience, and assessed recommendations from the World Bank and the International Finance Corporation. The working group, with help from the International Finance Corporation experts, proposed creating a one-stop shop for business registration by introducing a unified coding system. Analysis showed the great potential for improving the business registration system—and the steps to make it happen.

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### **Looking for best practices**

From that starting point, the working group searched for best practices to guide it. According to Samir Nuriyev, Head of the Entrepreneurship Development Department in the Ministry of Economic Development, the working group reviewed “almost every one-stop shop registration system deemed successful.” According to Zaur Fati-zadeh, head of the State Registration of Commercial Legal Entities and Economic Analysis in the Ministry of Taxes, the reformers “looked everywhere, from Europe to Asia and the Commonwealth of Independent States.” Representatives also visited Latvia and Georgia, the top-ranked reformers at the time, to get a closer view of their registration processes.

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### **Thinking hard about institutional architecture**

The next step was to think carefully about institutional architecture, best practices, legislation, information technology solutions, and human resource requirements.

Before the reform, registering an enterprise required 5 government agencies: the Ministry of Taxes, the Ministry of Justice, the Ministry of Labor and Social Protection of Population, the Social Protection Fund, and the Statistics Committee. One would become the primary agency for the new one-stop shop, with the others moving into a secondary role without further direct contact with the registrant. The question was which one.

Organizing the single window required a delicate, reasoned approach. One should keep in mind that the burdens are not always eliminated but are shifted from business to the government. Robust coordination system capacity would be needed, putting 2 candidates under the spotlight: the Ministry of Taxes and the Ministry of Justice.

On 1 January 2006 the Ministry of Taxes had established a consolidated, state-of-the-art taxpayer database system. The system provided online tax filing, taxpayer information, compliance guidelines, filing forms, and more. With some adjustments, that system could easily become a unified business registry. Robust coordination system capacity would be needed, putting the candidate under the spotlight: the Ministry of Taxes.

On 25 October 2007 a presidential decree appointed the Ministry of Taxes as a State Registration Authority. The Minister of Taxes, Fazil Mammadov, identified the stakes:

*Introducing a one-stop shop in Azerbaijan will become a starting point for building e-government. The glass of this single window must be so transparent as to leave no doubt.*

According to a cross-ministerial agreement, the Ministry of Taxes receives the unified registration form, covering all information required by the State Statistics Committee and Social Protection Fund. The agreement specified which information should be forwarded to the other institutions through an electronic message, with the taxpayer identification number used to identify the registering entities. The registration certificates previously issued by the State Statistics Committee are to be eliminated.

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### **No additional fees and less time to register**

Before January 2008 most companies engaged lawyers for pre-registration, submission, and follow-up with the registration agencies. Most registrants also needed to pay additional fees to speed the cumbersome process—an unnecessary burden on business and unacceptable for modern, good governance. To make matters worse, the registration requirements were regulated in 13 pieces of legislation.

Thankfully, all that is now in the past. The simplicity and directness of the new registration system make additional assistance from professionals unnecessary. The process is regulated by only 2 pieces of legislation, and the minimum charter capital to establish a company is just 10 manats.

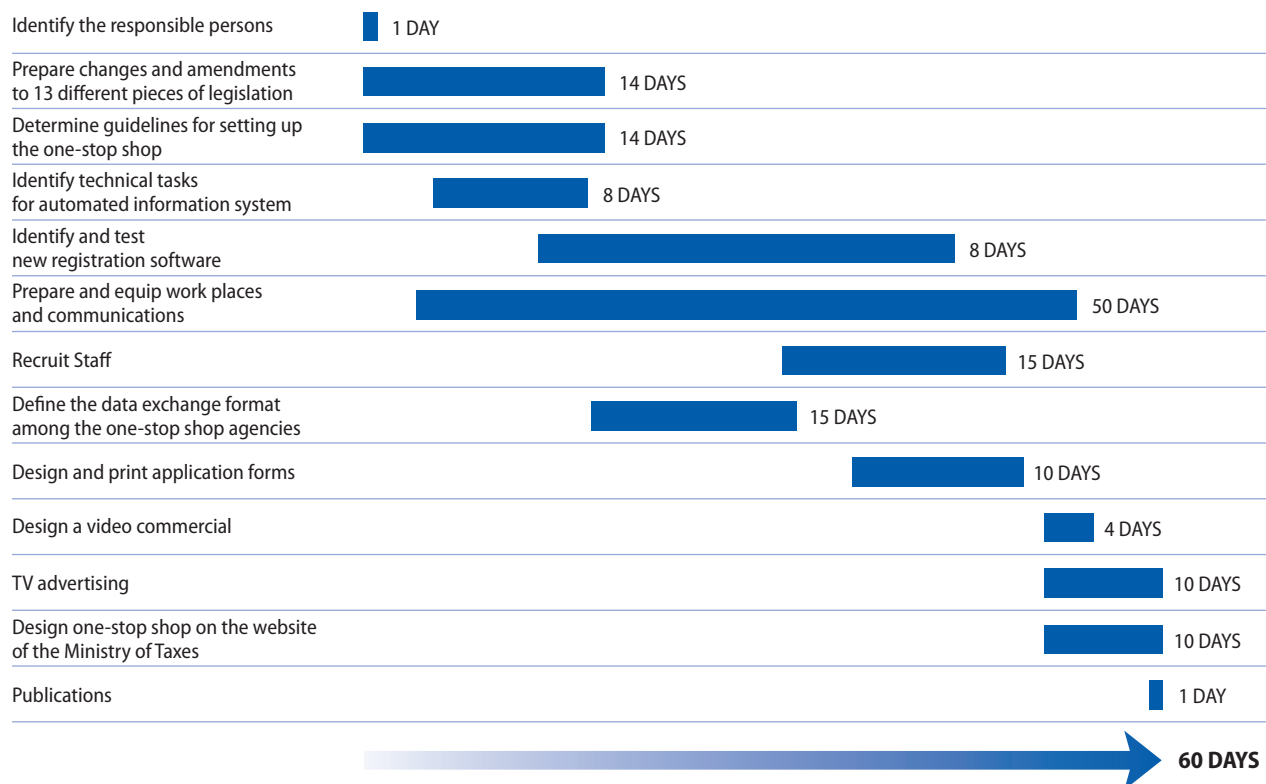
## Giving customers what they want—information and ease of use

To guide registrants through the streamlined registration process, the government produced a standardized, 2-page corporate charter guide, obtainable without charge from the State Business Registry, in hard and electronic copies. The most popular application form is for limited liability companies. “There is no need to re-invent the wheel,” says Nuriyev.

A consolidated application form was designed to enable an effective single-window service, addressing all information required for registration with the Ministry of Taxes, the Social Protection Fund, and the State Statistics Committee. The new form is the only form needed to register a new legal entity, or to amend or update previously registered information. All mandatory information for the specific type of entity is noted in the application to register a new legal entity. Only the fields being revised need to be completed when the application is to amend information on an existing entity. To further boost efficiency, the taxpayer number is used as a unique identification number for all commercial legal entities.

FIGURE 3

### Azerbaijan creates a one-stop shop in 60 days



Within 3 days of concluding the registration process, the register provides the applicant with an abstract from the State Register. The applicant then has 3 weeks to inform the registrar of any discrepancies or corrections needed.

The Ministry of Taxes set up 14 regional offices, including in Nakhchivan, connected to the central system and database established at the state level by the Ministry of Taxes. The system communicates with the Social Protection Fund, and the State Statistics Committee, and other public institutions for the information exchange. For registration, the system also had to communicate with the actual offices of the Ministry of Taxes. So, lowering the burden on businesses can take lots of work from the government.

A Help Desk was created at each registration station to guide registrants through the new process, providing advice about necessary documents, filling out the application forms, and providing standardized corporate charters—any assistance needed through the whole process. The staff answers questions and e-mail inquiries, providing pre-reviews and comments from the registration officer before submission, for example. Each regional office provides the service.

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### Human resources

The Training Department of the Ministry of Taxes tailored a training program for new and existing registration staff to prepare them before the launch. It took 15 days to recruit and train the staff.

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### Cutting the Ribbon

On 29 December 2007 the president cut the ribbon on the new one-stop shop, commenting “I want to assure all the entrepreneurs that the government will render all possible assistance to the development of entrepreneurship. Their investments will be under reliable protection in all parts of the country.”

Public reaction was swift and positive. After the announcement of the new one-stop shop, the country’s leading economists, government representatives, businessmen, entrepreneurs, unions, and others spoke in the media, hailing the progressiveness of the new system and its stimulating impact on developing business in the country. Within the first 6 working days, 572 businesses registered.

Spurred by the President’s directive, the government spared no effort to reform. The 5 agencies once required for registering a new business all worked together to bring the one-stop shop to fruition. Azerbaijan proved that reform is about cooperation rather than competition—and about learning from the experience of others.