

# **MICRO-ENTERPRISE SUPPORT PROJECT**

**Progress Report for Year 2**  
**May 1, 2013 – April 30, 2014**

**Picture Caption: Global Entrepreneurship Week conference, November 21, 2013,  
Baku Business Center**

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# **MICRO-ENTERPRISE SUPPORT PROJECT (MESP)**

## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

## ACRONYMS

USAID	United States Agency for International Development
MESP	Micro Enterprise Support Project
EDF	Entrepreneurship Development Foundation
ERC	Economic Research Center
SEI	Support to Economic Initiatives
SMEDS	Small and Medium Enterprise Development Support
BF	Bridge to Future
WCA	World Carpet Association
TA	Transparency Azerbaijan
MSE	Micro Small Enterprise
WTO	World Trade Organization
M&E	Monitoring and Evaluation
NGO	Non Governmental Organization
GEW	Global Entrepreneurship Week

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# 1. Project Overview

EDF is pleased to present the **Micro-Enterprise Support Project (MESP)** Annual Report Year 2 in accordance with **USAID Cooperative Agreement Number: AID-112-A-12-00001**. This report Project activities completed during May 1, 2013 – April 30, 2014.

The MESP began operations in May 2012 and mostly builds on the work of institutional Development of EDF, preparing detailed working plans for first and second years, development and signing agreements with five project partners: Economic Research Center, Support for Economic Initiatives Public Union, Small and Medium Enterprise Development Support Center, Bridge to the Future Youth Public Union (Ganja city), and World of Carpet Association (Guba city). Program activities SMEs launched in February 2013.

The MESP objectives are:

- improved dialogue and interaction between the state and civil society on the issues of the development of micro and small businesses in the country;
- improved legislative and institutional framework for MSE enabling environment;
- practical assistance to micro and small businesses, in particular for women family business to improve their viability and successful development is provided.

Formally, the Project is divided into the seven interconnected and interdependent components:

- 1) Study of the problems of MSE and policy recommendations;
- 2) Legislative framework on business enabling environment;
- 3) Institutional framework on business enabling environment;
- 4) Mechanism of the protection of MSE from bureaucratic arbitrariness;
- 5) Increased competitiveness and efficiency of MSE;
- 6) Enhanced women's family business;
- 7) Access to financial sources for MSE.

In the reporting year, a number of activities have been performed the components: 1, 2, 3, 4, 5 and 6. Completed work on these components are described in this report.

During the 2-year total spent 209,901.16 USD.

## 2. An executive summary

This report describes the work carried out in the reporting year, within the framework of MESP. Description of work linked to the indicators described in M & E (Annex #1):

- *Number of people reached by the Program's messages on problems faced by MSE;*
- *Number of businessmen involved to study of problems faced MSE;*
- *Number of government representatives participated at program related discussions at round tables;*
- *Number of Policy Recommendations Package;*
- *Number of Round Table Discussions, Conferences, Business Forums on MSE;*
- *Number of Survey among 1000 micro and small enterprises;*
- *Number of Focus Groups Group aims to identify sectoral problems faced by MSE;*
- *Number of Deep Interviews with business leaders;*
- *Number of Articles;*
- *Number of Brochures;*
- *Number of draft of new Law;*
- *Number of MSE area covered by Registry of administrative barriers;*
- *Number of analyzed laws;*
- *Number of virtual education pages for businessmen at EDF Website.*

During the year, a significant work, the result of which can be recognized by the following achievements:

- Developed a variety of sets of recommendations for the government to improve the business climate in the country and the development of entrepreneurship (the list of Policy Recommendations Packages in paragraph 3.4) ;
- MESP project became known in the circles of all stakeholders in the development of micro and small enterprises;
- A coalition of NGOs, is implementing the project, has become known among all stakeholders in the development of micro and small enterprises in Azerbaijan, as



a new civil institution, contributing to improve the business climate in the country and the development of micro and small businesses;

- In the community began to circulate more information about the problems of micro and small businesses, and ways to resolve them;
- Help the United States Government for the development of micro and small enterprises in Azerbaijan has become more apparent and clear to society, and other stakeholders.

## 3. Activities

### 3.1. Component 1. Study of the problems of MSE and policy recommendations

#### 3.1.1. Preparing the draft State Program on the development of micro and small enterprises

Draft state program is developing on the base of results of research carried out on a different sectors of small business. Also, the experience of other countries is studied. The draft of State Program for 2016-2020 on the development of micro and small enterprises will be ready for discussion in May 2015, once will be completed the main researches of problems of small business development.

In June 2013 an educational visit to Turkey was made to learn experience of the neighbouring country in the field of micro and small enterprise development. Heads of partner organizations - Entrepreneurship Development Fund (EDF), Small and Medium Enterprises Development Support Centre (SMEDS), Support for Economic Initiatives Public Union (SEI) and Economic Research Center (ERC) participated in the trip. During the visit we studied the experience of KOSGEB state body, got acquainted with two industrial zones and met with many small business owners. The results of study tour were published in newspaper "525": *Entrepreneurship in Turkey: Examples for Azerbaijan*. August 14, 15, 2013

<http://online.ekspress.az/2013/08/14/get=101330>

<http://online.ekspress.az/2013/08/15/get=101456>

### **3.1.2. Study of general problems on development of SME**

On July 24, 2013 the results of the survey conducted among 1000 small and micro enterprise owners were presented for the roundtable discussion. The activity was executed by SMEDS.



Report on round table and results of survey can be found on the website:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-3.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-3.htm)

### **3.1.3. Analysis of the challenges for business in connection with membership of Azerbaijan in WTO and development**

Experience of Commonwealth of Independent States (formerly the USSR) with World Trade Organization was studied and policy recommendations on this issue has been prepared.

On September 30<sup>th</sup> round table discussion on topic of “Membership of Azerbaijan in WTO experience of Commonwealth of Independent States and results that can be drawn” was conducted by ERC. Representatives of Agriculture Ministry, USAID as well as independent experts and scholars participated at the discussion. Results of the research and policy analysis were presented, participants were able to express their

point of view regarding the topic and give their recommendations. The activity was executed by ERC.

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-4.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-4.htm)



#### **3.1.4. Analysis of possibilities to create conditions that encourage employers to enter into mutually beneficial to the employees of the labor agreement**

On promotion of employment contracts: 1) in-depth survey was conducted among experts and entrepreneurs in Baku (at the same time, Bridge to the Future (Ganja) and World Carpet Association (Guba) were involved into the research of regional aspects of this problem in Ganja and Guba). The results were summarized, and the necessary information for the investigation were prepared, 2) work on the research document about the reforms that can promote employment contracts has been completed.

On the base of research the policy recommendations was prepared.

On October 2, 2013 roundtable discussion was organized. Representatives of state agencies, international organizations, members of parliament, independent experts and entrepreneurs attended and actively participated at the discussion. Rovshan Agayev, the author of the research and policy recommendations made the presentation "Mechanisms governing the implementation of labor contracts: problems and the ways of improvement". The activity was executed by SEI. Information about round table is available on:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-7.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-7.htm)

Five articles were published on this issue:

- 1) **In Azerbaijan, only one third of employed workers have labor contracts.**  
October 15, 2013

- a. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-18.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-18.htm)
  - b. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-16.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-16.htm)
  - c. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-15.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-15.htm)
  - d. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-11.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-11.htm)
- 2) **In Azerbaijan, only one third of employed workers have labor contracts (in Russian).** October 15, 2013
- a. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-14.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-14.htm)
- 3) **When officials are engaged in entrepreneurial activity, this is costly for state .** October 15, 2013
- a. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-17.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-17.htm)
- 4) **Labor contracts: offers of public association.** October 15, 2013.
- a. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-13.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-13.htm)
- 5) **Why workers do not have employment contracts.** October 15, 2013
- a. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-12.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-12.htm)
- 6) **Out of the situation with mass employment without employment contracts.** September 16, 2013
- a. [http://www.contact.az/docs/2013/Social/091600049771az.htm#.U9\\_Wa\\_mSyOV](http://www.contact.az/docs/2013/Social/091600049771az.htm#.U9_Wa_mSyOV)
  - b. [http://www.mediaforum.az/korrupsiya/articles.php?lang=az&page=08&article\\_id=20130910024524355#.U9\\_V2\\_mSyOW](http://www.mediaforum.az/korrupsiya/articles.php?lang=az&page=08&article_id=20130910024524355#.U9_V2_mSyOW)

The recommendations on improving the situation with labor contracts were included to Package of Recommendations and sent to president of Azerbaijan on January 15, 2014. Package of Recommendations can be found here:

[http://edf.az/ts\\_general/azl/ksid/tovsiyeler/tovsiyeler.htm](http://edf.az/ts_general/azl/ksid/tovsiyeler/tovsiyeler.htm)

### **3.1.5. Analyses the problem of massive hiding from declaration of income and study of whether introduction of a tax patent system**

Research methodology, research and first draft of the policy recommendations on the base of analyses of the problem of massive hiding from declaration of income and efficiency of introduction of tax patent system has been completed and discussed with stakeholders on August 30, 2013 at Park Inn Hotel, Nasimi Room. Information about this round table can be found on the website:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-4.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-4.htm)



Final version of recommendations was presented at the conference on November 21, 2013:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-9.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-9.htm)

Two articles were published on this issue:

[http://edf.az/ts\\_general/azl/ksid/media/2013/media-32.htm](http://edf.az/ts_general/azl/ksid/media/2013/media-32.htm)

[http://edf.az/ts\\_general/azl/ksid/media/2013/media-31.htm](http://edf.az/ts_general/azl/ksid/media/2013/media-31.htm)

The activity was executed by ERC.

The recommendations on tax-patent system included to Package of Recommendations and sent to president of Azerbaijan on January 15, 2014. Package of Recommendations can be found here:

[http://edf.az/ts\\_general/azl/ksid/tovsiyeler/tovsiyeler.htm](http://edf.az/ts_general/azl/ksid/tovsiyeler/tovsiyeler.htm)

**3.1.6. Increasing awareness of how to start a business and resolving operation problems of the micro and small business in various sectors. The series of brochures will be published**

During reporting period the guide on beauty salons was prepared and published:

[http://edf.az/ts\\_general/azl/ksid/downloads/Salon\\_Barbarxana.pdf](http://edf.az/ts_general/azl/ksid/downloads/Salon_Barbarxana.pdf)

The activity was executed by SEI.

Also two other brochures were developed:

- 1) On bakeries (by ERC);
- 2) On pharmacy shop (by SEI).



### 3.1.7. Simplification of e-registration of businesses

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals to reduce the number of procedures and time for the e-registration of new businesses (legal entity and individuals). NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 4, 2014 and also at conference May 1 2014.



The Package of Recommendations, including the suggestions on improving situation with e-registration of new businesses was sent to country's president on May 8, 2014.

More information on round table (April 4, 2014) and conference (May 1, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-4.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-4.htm)

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-8.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-8.htm)

### **3.1.8. Reducing the number of procedures and time for the dealing with construction permits**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals to reduce the number of procedures and time for the dealing with construction permits. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 23, 2014 and also at conference May 1 2014.



The Package of Recommendations, including the suggestions on improving situation with the dealing with construction permits was sent to country's president on May 8, 2014.

More information on round table (April 23, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-7.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-7.htm)

### **3.1.9. Reducing the number of procedures, time and cost for the getting electricity**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals to reduce the number of procedures, time and cost for the getting electricity. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 4, 2014 and also at conference May 1 2014.

The Package of Recommendations, including the suggestions on improving situation with the getting electricity was sent to country's president on May 8, 2014.

More information on round table (April 4, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-4.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-4.htm)

### **3.1.10. Reducing the number of procedures, time and cost for the registration of rights to real estate**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals to reduce the number of procedures, time and cost for the registration of rights to real estate. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 16, 2014 and also at conference May 1 2014.



The Package of Recommendations, including the suggestions on improving situation with registration of rights to real estate was sent to country's president on May 8, 2014.

More information on round table (April 16, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-6.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-6.htm)

### **3.1.11. Improving the performance of institutions lending business**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals for the improving the performance of institutions lending business. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 16, 2014 and also at conference May 1 2014.





The Package of Recommendations, including the suggestions on improving the performance of institutions lending business was sent to country's president on May 8, 2014.

More information on round table (April 16, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-6.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-6.htm)

### **3.1.12. Improving corporate governance and investor protection**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals for the improving corporate governance and investor protection. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 9, 2014 and also at conference May 1 2014.



The Package of Recommendations, including the suggestions on improving corporate governance and investor protection was sent to country's president on May 8, 2014.

More information on round table (April 9, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-5.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-5.htm)

### **3.1.13. Reducing the number of documents required at the time of import and export of goods**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals to reduce the number of documents required at the time of import and export of goods, time and cost of operations. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 9, 2014 and also at conference May 1 2014.

The Package of Recommendations, including the suggestions on reducing the number of documents required at the time of import and export of goods, time and cost of operations was sent to country's president on May 8, 2014.

More information on round table (April 9, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-5.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-5.htm)

### **3.1.14. Improving of the law of bankruptcy**

According to Presidential decree of March 3, 2014 the relevant government authorities have been requested to develop proposals for the improvement of the law of bankruptcy. NGO Consortium on project MESP, have prepared alternative proposals in this area and presented them at a round table with the participation of all stakeholders (government officials, companies, business associations) on April 23, 2014 and also at conference May 1 2014.

The Package of Recommendations, including the suggestions on improving the law of bankruptcy was sent to country's president on May 8, 2014.

More information on round table (April 23, 2014) can be found here:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-7.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-7.htm)

## **3.2. Component 2. Legislative framework on business enabling environment**

### **3.2.1. Preparing the recommendations on improving legislative framework on business enabling environment**

During reporting period following laws were analyzed:

- on Entrepreneurship (by SEI);

- on the Support to small entrepreneurship (by SMEDS);
- legislation on land property rights (by SEI). Among the analyzed laws: The Land Code, the Civil Code, the Law on the management of municipal land, law on Notaries Act and other legislation;
- on protection of foreign investment (by ERC).

The round table discussions on the topic of improvement *Law on Entrepreneurship and Law on the Support to Small Entrepreneurship* were held on January 22 at National Confederation for Entrepreneurs (Employers) Organizations of Azerbaijan Republic. The event consisted from two different presentations each dedicated to the separate law. SMEDS and SEI were responsible parties. Participants offered good insights from their point of view on the problems of entrepreneurship and how the laws can be improved. Big number of local entrepreneurs at the event was a pleasant factor which helped to see the problems from the side of acting parties. Information on this event can be found on the website:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-1.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-1.htm)

The suggestions on improving the legislation on land property were presented at roundtable on October 30, 2013:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-8.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-8.htm)

The suggestions on improving the law on protection of foreign investment were presented at the conference on November 21, 2013:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-9.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-9.htm)

### **3.2.2. Development of mechanisms of enhancing public-private partnership**

During the reporting year, a draft of a new law on public-private partnership developed and discussed at the round table on February 11, 2014:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-3.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-3.htm)

Research report on PPP available on the web page:

[http://edf.az/ts\\_general/azl/ksid/siyaset\\_yazilari/siyaset\\_yazilari.htm](http://edf.az/ts_general/azl/ksid/siyaset_yazilari/siyaset_yazilari.htm)

Draft of Law on PPP available on the web page:

[http://edf.az/ts\\_general/azl/ksid/qanun\\_layiheleri/dovlet\\_biznes\\_emekdashligi.pdf](http://edf.az/ts_general/azl/ksid/qanun_layiheleri/dovlet_biznes_emekdashligi.pdf)

### 3.2.3. Global Entrepreneurship Week

Global Entrepreneurship Week (GEW) was celebrated in the framework of MESP project. First event that took place during GEW was *Roadmap on Developing Small Entrepreneurship* conference on November 21. At the event representatives of consortium of public unions implementing MESP project talked about current situation of the entrepreneurship in Azerbaijan, goals of MESP projects, results of implemented researches, plans and so on. Among attendees were representatives of government agencies, public unions, international organizations, embassies, think tanks and universities:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-9.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-9.htm)



Second event that took place during GEW was *Youth Entrepreneurship Development*. The event aimed to increase interest of young people to entrepreneurship and show them possibilities that are available. Theoretical sessions were proceeded by real life examples of young entrepreneurs who came to share their experience:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-10.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-10.htm)





### 3.3. Component 3. Institutional framework on business enabling environment

#### 3.3.1. Creation this institutional conditions for more effective state policy for development of micro and small businesses

The experience of US, Turkey, Kazakhstan on the work of government agencies on development of small businesses have been examined. Preparation of proposals for appropriate public agency will be completed in September.

During the reporting period, has developed the following documents:

- Report on the experiences of other countries in the establishment and operation of government agencies (agencies) to regulate small businesses;
- Draft of Regulations on the State Agency on small business;
- Draft presidential decree on the establishment of the State Agency for small businesses.

These documents were presented at the conference in November 21, 2013.

Report on the experiences of other countries in the establishment and operation of government agencies (agencies) to regulate small businesses is available on:

[http://edf.az/ts\\_general/azl/ksid/downloads/MKS\\_xarici\\_tecrube.pdf](http://edf.az/ts_general/azl/ksid/downloads/MKS_xarici_tecrube.pdf)

The Draft of Regulations on the State Agency on small business can be found at:

[http://edf.az/ts\\_general/azl/ksid/downloads/agentlik\\_esasname.pdf](http://edf.az/ts_general/azl/ksid/downloads/agentlik_esasname.pdf)

Draft presidential decree on the establishment of the State Agency for small businesses can be found at:

[http://edf.az/ts\\_general/azl/ksid/downloads/agentlik\\_ferman.pdf](http://edf.az/ts_general/azl/ksid/downloads/agentlik_ferman.pdf)

The recommendations on creating the State Agency on small business were included to Package of Recommendations and sent to president of Azerbaijan on January 15, 2014. Package of Recommendations can be found here:

[http://edf.az/ts\\_general/azl/ksid/tovsiyeler/tovsiyeler.htm](http://edf.az/ts_general/azl/ksid/tovsiyeler/tovsiyeler.htm)



SMEDS is the executing agency for this activity.

### **3.3.2. Creation the institutional conditions for more effective protection of micro and small businesses**

Studying foreign experience for the preparation of the report on the institution of Ombudsmen on MSE. Preparation of the relevant draft law was completed in October 2013.

During the reporting period, has developed the following documents:

- Report on the experiences of other countries in the establishment and functioning of the Ombudsman on small business;
- Draft of Law on the Ombudsman of Azerbaijan for small business.

These documents were presented at the conference in November 21, 2013.

Report on the experiences of other countries in the establishment and functioning of the Ombudsman on small business is available at:

Draft of Law on the Ombudsman of Azerbaijan for small business is available at:

[http://edf.az/ts\\_general/azl/ksid/qanun\\_layiheleri/biznes-ombudsman.pdf](http://edf.az/ts_general/azl/ksid/qanun_layiheleri/biznes-ombudsman.pdf)

The recommendations on creating the Ombudsman institute on small business were included to Package of Recommendations and sent to president of Azerbaijan on January 15, 2014. Package of Recommendations can be found here:

[http://edf.az/ts\\_general/azl/ksid/tovsiyeler/tovsiyeler.htm](http://edf.az/ts_general/azl/ksid/tovsiyeler/tovsiyeler.htm)

SMEDS is the executing agency for this activity.

### **3.4. Component 4. Mechanism of the protection of MSE from bureaucratic arbitrariness**

#### ***3.4.1. Reduction of excessive administrative cost to the business***

During the reporting year, identified the major administrative impediments to business activities in the following sectors:

- street trade;
- beauty shops;
- bakeries;
- pharmacy shop.

The web site of the project created a special page - Register of administrative barriers:

[http://edf.az/ts\\_general/azl/ksid/maneler\\_reyestri/maneler\\_reyestri.htm](http://edf.az/ts_general/azl/ksid/maneler_reyestri/maneler_reyestri.htm)

#### ***3.4.2. Protection of micro and small businesses from bureaucratic arbitrariness and bureaucratic arbitrariness***

In March 2014 between EDF and Transparency International-Azerbaijan have signed the contract for performance of the relevant work in Ganja, where there is a local office of the EP. Entrepreneurs will be able to apply for legal advice.

#### ***3.4.3. Improvement situation with registration farmland***

During reporting year appropriate researches and analysis was made on the procedures for the registration of farmers' lands.

After the initial version of the research was completed, the report and package of recommendations, were presented at the round table discussion on October 30, 2013. Representatives of state agencies, international organizations, and members of parliament, independent experts and entrepreneurs attended and actively participated on the discussion. Expert of the Support for Economic Initiatives Public Union and author of the research Samir Aliyev gave a presentation on topic of "Problems associated with registration of farmlands and possible solutions". Samir Aliyev cited main problems found in the registration of farmlands and shared his recommendations on finding solutions for these problems. Participants shared their opinion on the issue. More information can be found on the web-site:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-8.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-8.htm)



The recommendations on improving the situation with registration of Farmland were included to Package of Recommendations and sent to president of Azerbaijan on January 15, 2014. Package of Recommendations can be found here:

[http://edf.az/ts\\_general/azl/ksid/tovsiyeler/tovsiyeler.htm](http://edf.az/ts_general/azl/ksid/tovsiyeler/tovsiyeler.htm)

SEI is the executing agency for this activity.

Three articles were published on this topic:

- 1) **Joint ownership of land.** December 26, 2013
  - a. <http://news.lent.az/news/150486>
  - b. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-30.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-30.htm)
- 2) **Whether the land belongs to the one who is working on it?** December 19, 2013
  - a. <http://www.hafta-ichi.az/news.php?id=108509>



b. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-29.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-29.htm)

3) Register farmland: difficult procedures. December 12, 2013

a. [http://www.contact.az/docs/2013/Want%20to%20Say/121200061385az.htm#.U9\\_dF\\_mSyOV](http://www.contact.az/docs/2013/Want%20to%20Say/121200061385az.htm#.U9_dF_mSyOV)

b. [http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-28.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-28.htm)

### 3.5. Component 5. Increasing the competitiveness of MSE

#### 3.5.1. *Creating virtual education center on Business start-up at EDF website*



14 virtual education pages for beginning businessmen created at (EDF Website [www.sahibkarol.biz](http://www.sahibkarol.biz)):

1. Legislation on entrepreneurship;
2. What is the entrepreneurship?
3. How to find a business idea?

4. Business Plan;
5. Choosing a legal form of business;
6. State registration of business;
7. Obtain of license and permissions;
8. Obtain of finance resources;
9. Where to go in case of bureaucratic arbitrariness?
10. Taxes;
11. Marketing;
12. HR Management;
13. Company management;
14. Entrepreneurship library.

### **3.5.2. Study of local situation and international experience on licenses**

Policy Paper analysis on situation of licensing was prepared by SEI. The Paper include general overview of the situation, main difficulties and shortcomings, what lessons can be learned from foreign experience and how it might affect current economic situation. Author (Kenan Aslanli) also included list of the recommendation to improve the situation and presented new more efficient system of acquiring licenses.

The results of research and policy recommendations were presented at the round table discussion on June 14, 2013. Representatives of state agencies, international organizations, and members of parliament, independent experts and entrepreneurs attended and actively participated on the discussion. The information about this event can be found at the web-page:

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-2.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-2.htm)



The recommendations on improving the situation with licensing were included to Package of Recommendations and sent to president of Azerbaijan on January 15, 2014. Package of Recommendations can be found here:

[http://edf.az/ts\\_general/azl/ksid/tovsiyeler/tovsiyeler.htm](http://edf.az/ts_general/azl/ksid/tovsiyeler/tovsiyeler.htm)

Six articles were published on licensing:

1. **Problem of Licensing for small businesses.** November 29, 2013

<http://news.lent.az/news/147360>

2. **Licensing: permission or...** November 25, 2013

<http://hafta.az/index2.php?m=yazi&id=106398>

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-24.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-24.htm)

3. **More than 300 licenses and permits for business**

<http://ucnoqta.az/?p=3887>

4. **Monopoly, which begins with the license**

<http://bizimyor.info/?sehife=1&xeber=12143>

5. **Licensing: suggestions of the roundtable**

[http://www.mediaforum.az/az/2013/06/14/Lisenziyala%C5%9Fd%C4%B1rma-d%C9%99yirmi-masada-t%C9%99klifl%C9%99r-verildi-121918369c00.html#.U-uFS\\_mSyOV](http://www.mediaforum.az/az/2013/06/14/Lisenziyala%C5%9Fd%C4%B1rma-d%C9%99yirmi-masada-t%C9%99klifl%C9%99r-verildi-121918369c00.html#.U-uFS_mSyOV)

6. **Licensing should be simplified**

<http://online.ekspress.az/2013/06/15/get=96918>

SEI is the executing agency for this activity.

### **3.6. Component 6. Enhanced women's family business**

#### **3.6.1. Conduct the survey of 2000 households to identify the level of women business activity and possibilities to increase this level**

The face to face interview results held in 2000 (two thousand) households among women in the territory of the Republic of Azerbaijan within the project "Micro Enterprise Support Project" began on March 14, 2014. Completion of the survey is expected in June.

## **4. Detailed reporting on each indicator in the M&E Plan**

Monitoring and Evaluation Plan is attached to this report (Annex 1).

### **4.1. Number of people reached by the Program's messages on problems faced by MSE**

At the MESP was planned to discuss the problems of small businesses on a weekly ANS TV program "Economic Forum". This program was developed by the EDF and was broadcasted weekly on ANS TV from November 2009 to April 2013. However, the program was closed in April 2013. EDF tried to resume broadcasting the program "Economic Forum" on ANS TV and other TV channels after the presidential elections in October 2013. But all attempts were not successful. In response to this situation EDF has begun to establish Internet TV program "Economic Forum".

### **4.2. Number of businessmen involved to study of problems faced MSE**

During the reporting year, more than 1,217 businessmen were involved in the study of business problems. 1000 small and medium-sized businesses participated in the survey. On July 24 results of the survey conducted among 1000 small and micro enterprise owners were presented for the roundtable discussion. The results of this survey are presented on the site:

[http://edf.az/ts\\_general/azl/ksid/tedbir/tedbir\\_2012-13/tedbir-3.htm](http://edf.az/ts_general/azl/ksid/tedbir/tedbir_2012-13/tedbir-3.htm)

In addition to 1000 survey participants, 124 entrepreneurs took part in in-depth interviews and 93 entrepreneurs participated in roundtables

#### **4.3. Number of government representatives participated at program related discussions at round tables**

During reporting year 6 Members of Parliament and 44 government representatives participated in roundtables project:

- Ministry of Economy and Industry (7);
- Ministry of Ecology and Natural Resources (5);
- Ministry of Taxes (8);
- State Statistical Committee (2);
- State Committee for Standardization (3);
- Ministry of Internal Affairs (1);
- Ministry of Health (2);
- Ministry of Agriculture (3);
- State Land Committee (2);
- State Oil Fund (1);
- Ministry of Justice (2);
- State Customs Committee (2);
- Ministry of Communications and Information Technologies (1);
- State Committee on Property Issues (1);
- State Committee of Urban Development and Architecture (1);
- Ministry of Emergency Situations (1);
- Representatives of Local Governments (2).

#### **4.4. Number of Policy Recommendations Packages**

23 Policy Recommendations Packages were developed on:

1. Base of analysis Commonwealth of Independent States (*formerly the USSR*) countries experience before and after World Trade Organization (WTO) accession;
2. Encourage employers to conclude mutually beneficial labor contracts;
3. Tax patent system;
4. Minimization of the administrative barriers in the area of street trade;
5. Minimization of the administrative barriers in the area of beauty shops;
6. Minimization of the administrative barriers in the area of bakeries;
7. Minimization of the administrative barriers in the area of pharmacy shop;
8. Improvement the situation with registration of the right to land;
9. Creation the institutional conditions (State Agency) for more effective state policy for development of micro and small businesses;
10. Creation the institutional conditions (Ombudsmen institute) for more effective protection of micro and small businesses;
11. Improving the law on Entrepreneurship;
12. Improvement of the law on the support to small entrepreneurship;
13. Improvement of the legislation on land property rights;
14. Improvement of the law on protection of foreign investment;
15. Licensing of business;
16. Improvement electronic registration of business entities;
17. Improvement of the situation with construction permits;
18. Connection to the electric power network;
19. State registration of property rights;
20. The provision of loans;
21. Corporate governance;
22. Import-export operations;
23. Bankruptcy

#### **4.5. Number of Round Table Discussions, Conferences, Business Forums on MSE**

12 Round Tables and 3 Conferences were conducted:

1. **Conference “Roadmap for developing small entrepreneurship”**. December 19, 2012, Hotel Golden Coast, Baku;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-1.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-1.htm)
2. **Round Table “Licensing of entrepreneurial activity in Azerbaijan: Problems and Solutions”**. June 14, 2013, Park Inn Hotel, Fuzuli Room;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-2.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-2.htm)
3. **Round Table “The results of face-to-face suveys were conducted with 1000 (one thousand) owners of small business entities”**. July 24, 2013, Park Inn Hotel, Fuzuli Room;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-3.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-3.htm)
4. **Round Table “Substanitation of the expediency of the use of tax-patent system”**. August 30, 2013, Park Inn Hotel, Nasimi Room;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-4.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-4.htm)
5. **Round Table “Identification of administrative barriers in the street trade”**. September 27, 2013, Park Inn Hotel, Nasimi Room;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-5.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-5.htm)
6. **Round Table “Azerbaijan’s accession to the World Trade Organization (WTO): results coming from experience of the CIS countries”**. September 30, 2013, Park Inn Hotel, Natavan Room;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-6.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-6.htm)
7. **Round Table “Challenges in application of labor contracts in Azerbaijan and possible solutions”**. October 2, 2013, Irshad Hotel, Conference Room;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-7.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-7.htm)
8. **Round Table “Problems in Azerbaijani legislation about land ownership”**, October 30, 2013, Inernational Media Center;  
[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-8.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-8.htm)
9. **Global Entrepreneurship Week. Conference “ROADMAP FOR DEVELOPING SMALL ENTREPRENEURSHIP”**. November 21, 2013, Baku Business Center

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-9.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-9.htm)

10. **Global Entrepreneurship Week. Conference “Youth Entrepreneurship Development in Azerbaijan”.** November 22, 2013, Park Inn Hotel, Nasimi Room;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2012-13/event-10.htm](http://edf.az/ts_general/eng/ksid/events/events_2012-13/event-10.htm)

11. **Round table "Business activities and improvement of laws on state support to the small enterprerisses".** January 22, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-1.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-1.htm)

12. **Round table “Main problems in the business of beauty salons and bakery and possible solutions”.** January 29, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-2.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-2.htm)

13. **Round table “Public-Private Partnership”.** February 11, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-3.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-3.htm)

14. **Round table “Entrepreneurship enviroment in Azerbaijan and discussion of addtional activities for the development of entrepreneurship. Ways of decreasing number of procedures and time for the online registration”.** April 4, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-4.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-4.htm)

15. **Round table on three topics: “Development of corporate governance and presentation of proposals to protect interests of investors”, “Proposals for law amendment to reduce number of documents, cost and time needed for import and export operations” and “Results of study on determination of administrative barriers in bakery business”.** April 9, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-5.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-5.htm)

16. **Round table on three topics: “How the real estate registration system can be improved?”, “Institutions that affect the process of improving the performance of the loans” and “The obstacles in access to credits”.** April 16, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;



[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-6.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-6.htm)

- 17. Round table on two topics: “Proposals on improvement of legislation on Bankruptcy” and “Proposals on reduction of number of procedures and their time for the construction permits”.** April 23, 2014, Conference room of the National Confederation for Entrepreneurs (Employers) Organizations;

[http://edf.az/ts\\_general/eng/ksid/events/events\\_2014/event-7.htm](http://edf.az/ts_general/eng/ksid/events/events_2014/event-7.htm)

#### **4.6. Number of Survey among 1000 micro and small enterprises**

On July 24 results of the survey conducted among 1000 small and micro enterprise owners were presented for the roundtable discussion. The results of this survey are presented on the site:

[http://edf.az/ts\\_general/azl/ksid/tedbir/tedbir\\_2012-13/tedbir-3.htm](http://edf.az/ts_general/azl/ksid/tedbir/tedbir_2012-13/tedbir-3.htm)

#### **4.7. Number of Focus Groups Group aims to identify sectoral problems faced by entrepreneurs**

The focus groups conducted among bakers within the project "Support to the development of small entrepreneurship in Azerbaijan" was implemented on May 21, 2013.

Taking into account the composition of the focus group will be composed of 7 members, the project team met with representatives of 16 small bakeries. Although consent of 7 representatives of business entities to participate in the focus group have been taken in advance, but only 4 out of them participated in the focus group on the appointed date. One of these representatives although agreed to participate in the focus group, however, refused to take part in the discussions.

This situation has been discussed by the project partners. It was decided not to conduct a focus group as businessmen refuse to participate in them. The reason is the fear to speak frankly about the problems in the presence of unfamiliar other focus group participants.

Therefore, the project partners have decided to conduct in-depth interviews instead of focus-group

#### 4.8. Number of Deep Interviews with business leaders

During the reporting year were conducted 124 in-depth interviews with small entrepreneurs.

1. **June 2013.** In-depth interviews conducted among managers of male and female hairdressing saloons. In view of number of respondents of the in-depth interviews were 8 persons, the project team met with managers of the 12 male and female hairdressing saloons, of which 8 persons agreed to participate in in-depth interview.
2. **September 2013.** In-depth interviews were carried out among small entrepreneurship entities - stores. In view of number of respondents of the in-depth interviews were 8 persons, the project team met with 12 small entrepreneurship entities - stores managers or owners, of which 8 small entrepreneurship entities agreed to participate in in-depth interview.
3. **June of 2013.** In-depth interviews among street vendors within the project "Support to the development of small entrepreneurship in Azerbaijan" were conducted. In view of number of respondents of the in-depth interviews were 8 persons, the project team met with 15 entrepreneurship entities - street vendors, of which 8 small entrepreneurship entities agreed to participate in in-depth interview.
4. **August 2013.** In-depth interviews were conducted among heads of female and male tailor ateliers within the project "Support to the development of small entrepreneurship in Azerbaijan". In view of number of respondents of the in-depth interviews were 8 persons, the project team met with heads of 13 female and male tailor ateliers, of which 8 persons agreed to participate in in-depth interview.
5. **August 2013.** In-depth interviews were conducted among heads of heads of cafes within the project "Support to the development of small entrepreneurship in Azerbaijan". In view of number of respondents of the in-depth interviews were 8 persons, the project team met with 18 heads of café, of which 8 persons agreed to participate in in-depth interview.
6. **August 2013.** In-depth interviews were conducted among heads of household appliances repair workshops within the project "Support to the development of small entrepreneurship in Azerbaijan". In view of number of respondents of the in-depth interviews were 8 persons, the project team met with heads of 9 household appliances repair workshops, of which 8 persons agreed to participate in in-depth interview.

All of these interviews were conducted in Baku. The total number of respondents was 48. Respondents were asked the following questions:

- The current business environment, compared with previous years
- Relations with the authorities;
- The situation in relations with employees;
- The main existing problems;
- Proposals for the improvement of the business environment.

Similar interviews were also conducted in Ganja, Guba, Gusar and Khachmaz. The respondents were: 1) 22 owners of beauty salons; 2) 20 owners of bakeries; 3) 18 owners of other sectoral companies; 4) 16 venders.

#### 4.9. Number of Articles

During the reporting year 38 articles were published:

1. **Problems registering land rights.** April 17, 2014

<http://www.mediaforum.az/az/2014/04/17/Torpaqdan-ba%C5%9Flayan-qeydiyyat-%C9%99ng%C9%99li-030306933c09.html#.U1DEWfmSyOW>

[http://edf.az/ts\\_general/azl/ksid/media/2014/media-12.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-12.htm)

2. **The problems of cross border trade.** April 14, 2014

<http://www.mediaforum.az/az/2014/04/14/%C4%B0dxa1-v%C9%99-ixrac-m%C3%BC%C5%9Fk%C3%BC11%C9%99ri-030726679c08.html#.U018TvmSyOW>

[http://edf.az/ts\\_general/azl/ksid/media/2014/media-11.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-11.htm)

3. **The registration time for businesses can be decreased.** April 7, 2014

[http://www.mediaforum.az/az/2014/04/07/Biznesd%C9%99-qeydiyyat-3-g%C3%BCn%C9%99-en%C9%99-bil%C9%99r-113928191c06.html#.U0Lx\\_vmSyOV](http://www.mediaforum.az/az/2014/04/07/Biznesd%C9%99-qeydiyyat-3-g%C3%BCn%C9%99-en%C9%99-bil%C9%99r-113928191c06.html#.U0Lx_vmSyOV)

[http://edf.az/ts\\_general/azl/ksid/media/2014/media-10.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-10.htm)

4. **The benefits from bankruptcy.** March 31, 2014

<http://www.mediaforum.az/az/2014/03/31/M%C3%BCflisl%C9%99%C5%9Fm%C9%99d%C9%99n-fayda-032057521c08.html>

[http://edf.az/ts\\_general/azl/ksid/media/2014/media-9.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-9.htm)

5. **Permission for construction.** March 18, 2014  
<http://www.mediaforum.az/az/2014/03/18/Tikinti-icaz%C9%99-yollar%C4%B1nda-011015730c08.html#.UyipWfmSyOV>  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-8.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-8.htm)
6. **Obstacles to access to electricity.** March 12, 2014  
<http://www.mediaforum.az/az/2014/03/12/Enerjid%C9%99-s%C9%99n%C9%99d-labirinti-033139320c09.html#.UyFHXfmSyOX>  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-7.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-7.htm)
7. **Exam by bread.** March 5, 2014  
[http://525.az/site/?name=xeber&news\\_id=16303](http://525.az/site/?name=xeber&news_id=16303)  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-6.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-6.htm)
8. **Hairdressers in basements.** February 3, 2014  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-5.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-5.htm)
9. **Problems begin with license.** January 30, 2014  
<http://www.contact.az/docs/2014/Want%20to%20Say/013000067425az.htm#.Uuqu-vmSyOV>  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-4.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-4.htm)
10. **On the ways of Competition.** January 28, 2014  
<http://www.mediaforum.az/az/2014/01/28/R%C9%99qab%C9%99t-yollar%C4%B1nda-010503069c09.html>  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-3.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-3.htm)
11. **Beauty Salons: Beauty sources or diseases.** January 27, 2014  
<http://www.contact.az/docs/2014/Want%20to%20Say/012700066875az.htm#.Uua dMBBfqUm2014>  
[http://edf.az/ts\\_general/azl/ksid/media/2014/media-2.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-2.htm)
12. **Beauty Salons: What hinders the beautiful development?** January 18, 2014  
<http://news.lent.az/news/152646>
13. **Beauty Salons: how business should be changed.** January 16, 2014  
[http://www.contact.az/docs/2014/Want%20to%20Say/011600065637az.htm#.U9\\_e PfmSyOW](http://www.contact.az/docs/2014/Want%20to%20Say/011600065637az.htm#.U9_e PfmSyOW)

[http://edf.az/ts\\_general/azl/ksid/media/2014/media-1.htm](http://edf.az/ts_general/azl/ksid/media/2014/media-1.htm)

**14. Labor contracts and the problem of tax collection.** December 26, 2013

<http://www.mediaforum.az/az/2013/12/26/Vergi-niy%C9%99-yerind%C9%99-say%C4%B1r-031448827c06.html#.Ur3SLfQW1Zh>

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-31.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-31.htm)

**15. Joint ownership of land.** December 26, 2013

<http://news.lent.az/news/150486>

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-30.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-30.htm)

**16. Whether the land belongs to the one who is working on it?** December 19, 2013

<http://www.hafta-ichi.az/news.php?id=108509>

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-29.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-29.htm)

**17. Register farmland: difficult procedures.** December 12, 2013

[http://www.contact.az/docs/2013/Want%20to%20Say/121200061385az.htm#.U9\\_dF\\_mSyOV](http://www.contact.az/docs/2013/Want%20to%20Say/121200061385az.htm#.U9_dF_mSyOV)

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-28.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-28.htm)

**18. Street trade: the economy without legal rights.** December 11, 2013

<http://gunxeber.com/kuc%C9%99-ticar%C9%99ti-r%C9%99smi-qaydalari-olmayan-qeyri-r%C9%99smi-iqtisadiyyat/>

**19. Simplification of procedures for the purchase and sale of land.** December 9, 2013

<http://www.contact.az/docs/2013/Want%20to%20Say/120900060885az.htm#.UqciWsxfqUm>

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-26.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-26.htm)

**20. The victim or the success story.** December 5, 2013

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-25.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-25.htm)

**21. Problem of Licensing for small businesses.** November 29, 2013

<http://news.lent.az/news/147360>

**22. Licensing: permission or...** November 25, 2013

<http://hafta.az/index2.php?m=yazi&id=106398>

[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-24.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-24.htm)

- 23. About the Conference on development of small business.** November 21, 2013  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-23.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-23.htm)  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-22.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-22.htm)  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-20.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-20.htm)
- 24. About the Conference on development of small business.** November 21, 2013,  
Video  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-21.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-21.htm)
- 25. How should change the role of the state in licensing.** October 17, 2013  
[http://www.contact.az/docs/2013/Want%20to%20Say/101700053834az.htm#.UmbKZ\\_kzPjU](http://www.contact.az/docs/2013/Want%20to%20Say/101700053834az.htm#.UmbKZ_kzPjU)
- 26. Small and Medium Enterprises: where is world there we are.** October 15, 2013  
<http://www.ayna.az/2013/kicik-ve-orta-sahibkarliq-dunya-harda-biz-harda/>  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-19.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-19.htm)
- 27. In Azerbaijan, only one third of employed workers have labor contracts.**  
October 15, 2013  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-18.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-18.htm)  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-16.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-16.htm)  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-15.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-15.htm)  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-11.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-11.htm)
- 28. In Azerbaijan, only one third of employed workers have labor contracts (in Russian).** October 15, 2013  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-14.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-14.htm)
- 29. When officials are engaged in entrepreneurial activity, this is costly for state .**  
October 15, 2013  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-17.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-17.htm)
- 30. Labor contracts: offers of public association.** October 15, 2013.  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-13.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-13.htm)
- 31. Why workers do not have employment contracts.** October 15, 2013  
[http://edf.az/ts\\_general/azl/ksid/media/2013/2013/media-12.htm](http://edf.az/ts_general/azl/ksid/media/2013/2013/media-12.htm)

**32. Out of the situation with mass employment without employment contracts.** September 16, 2013

[http://www.contact.az/docs/2013/Social/091600049771az.htm#.U9\\_Wa\\_mSyOV](http://www.contact.az/docs/2013/Social/091600049771az.htm#.U9_Wa_mSyOV)

[http://www.mediaforum.az/korrupsiya/articles.php?lang=az&page=08&article\\_id=20130910024524355#.U9\\_V2\\_mSyOW](http://www.mediaforum.az/korrupsiya/articles.php?lang=az&page=08&article_id=20130910024524355#.U9_V2_mSyOW)

**33. Economists suggest a new model of taxation.** August 31, 2013

<http://bizimyor.info/?sehife=1&xeber=14545>

**34. Entrepreneurship in Turkey: Examples for Azerbaijan.** August 14, 2013

<http://online.ekspress.az/2013/08/14/get=101330>

<http://online.ekspress.az/2013/08/15/get=101456>

**35. Licensing should be simplified.** June 15, 2013

<http://online.ekspress.az/2013/06/15/get=96918>

**36. Monopoly, which begins with the license.** June 15, 2013

<http://bizimyor.info/?sehife=1&xeber=12143>

**37. More than 300 licenses and permits for business.** June 14, 2013

<http://ucnoqta.az/?p=3887>

**38. Licensing: suggestions of the roundtable.** June 14, 2013

[http://www.mediaforum.az/az/2013/06/14/Lisenziyala%C5%9Fd%C4%B1rma-d%C9%99yirmi-masada-t%C9%99klif%C9%99r-verildi-121918369c00.html#.U-uFS\\_mSyOV](http://www.mediaforum.az/az/2013/06/14/Lisenziyala%C5%9Fd%C4%B1rma-d%C9%99yirmi-masada-t%C9%99klif%C9%99r-verildi-121918369c00.html#.U-uFS_mSyOV)

#### **4.10. Number of Brochures**

During the reporting year 4 Brochures were prepared for publishing:

- Beauty Salons;
- Bakeries;
- Pharmacy shop;
- Registering land rights.

But only one Brochure was published (on **Beauty Salons**):

[http://edf.az/ts\\_general/azl/ksid/downloads/Salon\\_Barbarxana.pdf](http://edf.az/ts_general/azl/ksid/downloads/Salon_Barbarxana.pdf)

#### **4.11. Number of draft of new Law**

Drafts of two new laws were developed in reporting year

- Draft law on MSME Ombudsman;

[http://edf.az/ts\\_general/azl/ksid/qanun\\_layiheleri/biznes-ombudsman.pdf](http://edf.az/ts_general/azl/ksid/qanun_layiheleri/biznes-ombudsman.pdf)

- Draft of law on Public-Private Partnership:

[http://edf.az/ts\\_general/azl/ksid/qanun\\_layiheleri/dovlet\\_biznes\\_emekdashligi.pdf](http://edf.az/ts_general/azl/ksid/qanun_layiheleri/dovlet_biznes_emekdashligi.pdf)

#### **4.12. Number of MSE area covered by Registry of administrative barriers**

On the website there is a special fund page that hosts the registry administrative barriers:

[http://edf.az/ts\\_general/azl/ksid/maneler\\_reyestri/maneler\\_reyestri.htm](http://edf.az/ts_general/azl/ksid/maneler_reyestri/maneler_reyestri.htm)

While in this registry lists barriers only on beauty salons.

#### **4.13. Number of analyzed laws**

During the reporting year 4 laws were analyzed:

1. Law on entrepreneurship;
2. Law on the support to small entrepreneurship;
3. Legislation on land property rights ;
4. Law on protection of foreign investment.

Along with these laws, in the process of preparing a package of recommendations on labor contracts, registration of farmland, licensing and other issues, were also analyzed over 40 other laws, presidential decrees, government decisions. Among these laws:

1. Constitution of Azerbaijan;
2. Labor Code;
3. Civil Code;
4. Land Code;
5. Tax Code;



6. Code of Administrative Violations;
7. Customs Code;
8. Law on Land Market;
9. Law on Land Reform;
10. Law on Management of Municipality's Land;
11. Law on Rent of Land;
12. Law on State Fees;
13. Law on the State Register of immovable property;
14. Law on the Notaries;
15. Law on Compulsory Labor Insurance;
16. Law on Retirement Pensions;
17. President's Decrees on licensing;
18. Others legislations acts

#### **4.14. Number of virtual education pages for businessmen at EDF Website**

14 virtual education pages for beginning businessmen created at (EDF Website [www.sahibkarol.biz](http://www.sahibkarol.biz)):

15. Legislation on entrepreneurship;
16. What is the entrepreneurship?
17. How to find a business idea?
18. Business Plan;
19. Choosing a legal form of business;
20. State registration of business;
21. Obtain of license and permissions;
22. Obtain of finance recourses;
23. Where to go in case of bureaucratic arbitrariness?
24. Taxes;

- 25. Marketing;
- 26. HR Management;
- 27. Company management;
- 28. Entrepreneurship library.

## 4. Highlights of the program

1. Based on the poll among 1,000 micro and small entrepreneurs and 124 in-depth interviews with managers and business owners, identified the main barriers to the development of micro and small enterprises in Azerbaijan;
2. 23 packages of recommendations are developed for the government to improve the business climate, common to all sectors of business, as well as a number of specific areas of business. These packages include recommendations to improve the legislation, reducing administrative barriers, simplification of procedures, creation of new institutions to regulate the processes of development of micro and small businesses, as well as to protect the rights of entrepreneurs;
3. The virtual training center is created for aspiring entrepreneurs;
4. 12 round tables and conferences are conducted during reporting period. These events are attended by 441 representatives of all interested parties (including 6 members of parliament, 44 representatives of various government agencies, 22 representatives of international financial institutions and international organizations, 93 managers of various companies, 185 representatives of NGOs and Think Tanks, 25 professors universities, as well as representatives of embassies, media and students). Two of the three conferences were held in the framework of World Entrepreneurship Week;
5. In the media (including newspapers and electronic news sites) published 34 articles on various aspects of entrepreneurship.

## 6. A brief evaluation of major areas

During the year, a significant work, the result of which can be recognized by the following achievements:

- Developed a variety of sets of recommendations for the government to improve the business climate in the country and the development of entrepreneurship;
- MESP project became known in the circles of all stakeholders in the development of micro and small enterprises in Azerbaijan;
- A coalition of NGOs, is implementing the project, has become known among all stakeholders in the development of micro and small enterprises in Azerbaijan, as a new civil institution, contributing to improve the business climate in the country and the development of micro and small businesses;
- In the community began to circulate more information about the problems of micro and small businesses, and ways to resolve them;
- Help the United States Government for the development of micro and small enterprises in Azerbaijan has become more apparent to society, and other stakeholders.

## 7. Challenges

- Cooperation between NGOs and government officials in Azerbaijan is difficult. Direct access to a government employee to discuss any problems of small business development is impossible. This is possible only with the permission of the first person in this government agency (the minister, chairman or chief). Without such permission official contact is not possible;
- Entrepreneurs are often afraid to speak publicly about their problems. Their problems with the government, they prefer to solve on their own (through friends, relatives, and by banal bribe), rather than through business associations and the media. According to most entrepreneurs, recourse to business associations often have no effect, and the publication in the media can only aggravate the situation;

- In most cases, businessmen openly talk about their problems privately, asking not to disclose their name;
- Recommendations transmitted to the Ministry of Economy and Industry, often remain unanswered. EDF is currently working to establish a more effective interaction with this ministry.

## 8. Lessons learned

- Members of Parliament are more open to cooperation and participate in discussions, organized by the project. Consortium of NGOs implementing the project, plans to spend the fall 2014 presentation of recommendations designed to improve the legislation to the Committee on Economic Policy of the Parliament;
- To create effective business contacts with the Ministry of Economy and Industry should directly apply to the Minister with proposal on partnership and using the resources of MESP for research of any problems and preparing recommendations;
- Internet TV to be established in the third year of the project will be an important tool for advocacy of consortium recommendations;
- Hold a round table in the National Confederation of Entrepreneurs (Employers) Organizations is more effective than in any Hotel. Necessary in the future to continue this practice. Companies are more willing to participate in round tables if they are held in the Confederation.

Program: Micro Enterprise Support Project												
Monitoring & Evaluation Report for Second Year												
PROGRAM GOAL: Achievement of the conducive environment for the development of micro and small businesses in Azerbaijan												
OBJECTIVE 1: Improved dialogue and interaction between the state and civil society on the issues of the development of micro and small businesses in the country												
Ind.	Indicators	Definition of Indicator	Method and frequency of data collection; frequency of analysis and reporting	Disaggregation	Base-line		Year 2	Year 3	Year 4	Year 5	Total	Notes / Description
Output indicators												
Output indicator 1.1	Number of people reached by the Program's messages on problems faced by micro and small enterprises	Calculations of people reached by the program will based on TV viewership, website traffic, brochure/flyer distribution, e-mail lists, round table participants, readers of articles on newspaper	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly	Area of business activity	None	Target Actual Variance	200,000 50,000 - 150000	100,000	100,000	100,000	500,000	EDF Weekly TV Program "Economic Forum" at ANS TV Channel was closed in April 2013. From July 2014 to become operational, "Economic Forum" on the Internet TV
1.2	Number of businessmen involved to study of problems faced micro and small enterprises	Calculations of businessmen participated at survey, focus groups, deep interviews, meetings, TV talk shows, round tables	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	1100 1217 +117	100	100	1100	2400	
1.3	Number of government representatives participated at program related discussions at round tables, TV talk show, meetings	Calculations of government representatives participated at program related discussions at round tables, TV talk show, meetings	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	50 50 0	20	20	20	110	
1.4	Number of Policy Recommendations Package	Each Policy Recommendations Package contains policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Each Policy Recommendations Package will presented to Government	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	8 15 +7	10	2	2	22	

1.5	Number of Round Table Discussions, Conferences, TV Talk Shows, Business Forums on MSE	Each Round Table discussing policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Each TV Talk Shows discussing policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Business Forum will assess the business situation and discuss the recommendations on improving the situation. All stakeholders (Government, MPs, Business Associations, CSOs, Media)	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	14 20 +6	10	10	10	44	
1.6	Number of Survey among 1000 micro and small enterprises	Each survey aims to identify common problems faced by micro and small enterprises	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	1 1 0	0	0	1	2	
1.7	Number of Focus Groups	Each Focus Group aims to identify sectoral problems faced by micro and small enterprises	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	1 1 0	0	0	0	1	
1.8	Number of Deep Interviews with business leaders	In-depth interviews with business leaders conducted on specific issues identified in the survey of 1,000 MSEs and focus groups	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	50 124 +74	25	25	25	120	
1.9	Number of Article	The articles will cover assessment of business situation and recommendations on improving	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	7 30 +23	7	7	7	28	
1.10	Number of Brochure	The Brochures will cover the following business area: street trade, beauty shop, shoe repair shop, bakery, pharmacy shop, book store, car repair service, small market, fish farm, car wash, beverage production and other areas	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	6 1 -5	10	3	3	22	
1.11	Number of draft of new Law	Draft of New Laws: 1) on Public-Private Dialogue; 2) on Ombudsmen	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	2 2 0	1	0	0	3	

1.12	Number of micro and small business area covered by Registry of administrative barriers	Registry will created at EDF Website. Every stakeholder will have access to Registry	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	4 2 -2	10	2	2	18	
1.13	Number of trainings	Trainings will conduct for Business Associations on Public-Private dialogue	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0 0 0	0	0	2	2	
Outcome indicators												
Out-come indicator 1.1	GOAJ has picked up a number of policy proposals developed by Consortium	Proposals prepared in format Policy Paper or special Appeal to President of country, Government Agencies, Parliament, Local Government	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance		>20%	>30%	>40%	>40%	
1.2	Administrative barriers in select areas of MSME are eliminated	Administrative barriers recognized for every select area and include all issues on start-up business, obtaining licenses and permissions, business operations	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance		>10%	>10%	>15%	>35%	
OBJECTIVE 2: Improved legislative and institutional framework for MSE enabling environment												
2.1	Number of Policy Recommendations Package	Each Policy Recommendations Package contain policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Each Policy Paper will presented to Government	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	3 6 +3	2	2	2	9	
2.2	Number of Round Table Discussions, Conferences, TV Talk Shows	Each Round Table/ conferences discussing policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Each TV Talk Shows discussing policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises.	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	17 1 -16	5	5	5	32	
2.3	Number of Article	The articles will cover assessment of business situation and recommendations on improving	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	9 1 -8	5	5	5	24	



2.4	Number of draft of new Law	The drafts of two laws: 1) on Public-Private dialogue; 2) on Ombudsman	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	2 2 0	0	0	0	2	
2.5	Number of analyzed laws	The most important laws, governing the business will be analyzed. The proposals on the improvement of the laws will be prepared. Draft amendments to the laws will be passed in the parliament and the government	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	4 4 0	4	4	4	16	
2.6	Number of trainings	Trainings will be held for business associations on topics: advocacy, strategic planning, membership, communication skills and other	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0 0 0	1	1	1	3	
Outcome indicators												
2.1	GOAJ established a State agency for the development of micro and small businesses	The agency will be responsible for the formulation of public policy for the development of micro and small businesses, monitoring and evaluation of the level of development of SMEs in the country, cooperation with business associations, universities, and other interested parties	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance		1			1	
2.2	GOAJ established an Ombudsman institute for micro and small businesses	The task of the Ombudsman - protection of SMEs from bureaucratic tyranny	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance		1			1	
2.3	Select business related legislation /regulations/ procedures / are improved based on the international best practices	Amendments to the laws allow to improve the business climate for SMEs, and to ensure their protection from bureaucratic arbitrariness	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance		>10%	>20%	>20%	>50%	
OBJECTIVE 3: Practical assistance to micro and small businesses, in particular for women family business to improve their viability and successful development is provided												
3.1	Number of Policy Recommendations Package	Each Policy Recommendations Package contain policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Each Policy Paper will	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	3 2 -1	4	1	1	9	

		presented to Government										
3.2	Number of virtual education pages for businessmen at EDF Website	Virtual Education Center on the homepage of VBA will have sections such as: 1) the creation and registration of business, and 2) a business plan, and 3) marketing, 4) management, 5) strategic planning, and 6) human resources and other	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	4 12 +8	2	2	2	10	
3.3	Number of Round Tables Discussions, Conferences, TV Talk Shows	Each Round Table/ conferences discussing policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises. Each TV Talk Shows discussing policy recommendations on improving business environment, increasing competitiveness of micro and small enterprises	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	3 2 -1	5	5	5	18	
3.4	Number of Households participating in survey to identify the level of women business activity and possibilities to increase this level	Surveys will identify the causes of the weak development of the female family business. In addition, during the survey will be chosen female, which will then be invited to a special training and who will receive practical assistance in the establishment and promotion of the business	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0	2000	0	0	2000	
3.5	Number of educational TV program for women	45-minute programs will help housewives to learn the basics of business. They learn how to create own home business. Examples of successful women's home-based businesses	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0	5	10	5	20	
3.6	Number of Article	The articles will cover assessment of business situation and recommendations on improving	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	2 4 +2	3	3	3	11	
3.7	Number of trainings for women	In regions of Ganja and Guba are trainings for women who want to create their own business	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0	2	2	2	6	
3.8	Number of women who will receive assistance to create home based business	Experts of MESP will help women choose the scope of business and create a business. The experts will advise these businesses during the life of MESP	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0	0	25	25	50	
3.9	Number of selected	Experts of MESP will advise entrepreneurs	Method: MIS reporting by		None	Target	0	0	20	30	50	

	individual enterprisers to implement international standards	on implement the international standards	staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly			Actual Variance						
3.10	Number of selected MSE for assisting to them for preparing export strategies	Experts of MESP will advise entrepreneurs on developing export strategies	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance	0	0	10	10	20	
3.11	Number of business women involved to special internet network	Women entrepreneurs will have the opportunity to exchange information and experiences. In addition, they will be able to coordinate efforts to improve the business situation through joint development of proposals and appeals to the government	Method: MIS reporting by staff and grantees Frequency: Ongoing Analysis & Reporting Quarterly		None	Target Actual Variance			10	20	30	
Outcome indicators												
3.1	GOAJ established credit insurance fund	Credit Guarantee Fund for SMEs, improving access to financial resources, and improve the conditions of the loans	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance			1			
3.2	Improved access to business start-up and operation related information	Creating a virtual center for education on the website of the EDF to improve access to information required to start businesses	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance		>1000 inputs to virtual center for education	>2000	>5000	>8000	
3.3	Growth in women's micro business	Special programs on television, training and advice for women allows them to create successful businesses. Information on successful women businesses on the TV channel will also promote the growth of women's business in the country	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance			>25 new women businesses	>25	>50	
3.4	Enhanced role of professional business associations and their regional alliances in the dialogue with the government	Five new professional business associations will be created. For them to be organized trainings on: 1) advocacy, 2) fundraising, and 3) strategic planning, 4) membership, 5) communication skills and other. All of this will improve the culture of joint problem-solving to improve the business climate and the protection from bureaucratic discretion	Method: Monitoring Frequency: Upon occurrence Analyses & Reporting: Following each evaluation			Target Actual Variance			2 new business associations	3	5	



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## PACKAGE OF PROPOSALS

in connection with the 3 March 2014 decree of the President of the Azerbaijan Republic  
on additional measures to develop entrepreneurship

Baku, May, 2014

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# PACKAGE OF PROPOSALS

## PREFACE

This Package of Proposals has been prepared in connection with the 3 March 2014 decree of the President of the Azerbaijan Republic on additional measures to develop entrepreneurship. The Package of Proposals was prepared by the Consortium of Public Associations within the framework of the Small Business Expansion Project of the United States Agency for International Development: 1) The Fund to Support the Development of Entrepreneurship and Market Economy; 2) Centre for Economic Research; 3) Centre to Promote Economic Initiative; 4) Centre to Assist the Development of Small and Medium-Sized Businesses; 5) The Guba Carpet World Association; 6) The Ganja Youth Organization Bridge to the Future. The following are the authors of the Package of Proposals: Azer Mehdiyev, chairman of the Centre to Promote Economic Initiative, Eldar Gojayev, an expert on international commercial law, Ilkin Garayev, president of the Centre to Assist the Development of Small and Medium-Sized Businesses, Gubad Ibadoglu, an expert of the Centre for Economic Research, Rovshan Agayev, deputy chairman of the Centre to Promote Economic Initiatives, and Sabit Bagirov, president of the Fund to Assist the Development of Entrepreneurship and Market Economy. The recommendations included in the Package of Proposals were discussed at four round table discussions held at the National Confederation of Organizations of Entrepreneurs (Employers) of the Azerbaijan Republic in May this year. These round table discussions were attended by representatives of government agencies, entrepreneurs and representatives of associations of entrepreneurs.

### **1. Amendments to the law in order to reduce procedures and time during the electronic registration of legal persons and physical persons engaged in entrepreneurial activities without creating a legal person (private entrepreneurs) in line with the “one-stop shop” principle.**

Currently, electronic registration includes three procedures: 1) Acquisition of an electronic signature. It takes three days and costs 30 AZN; 2) Online registration. It takes three days and is free; 3) Acquisition of a stamp. It takes one day and might cost from 4 to 40 manats depending on the quality of the stamp. Analysis shows that the time spent on the procedures can be reduced with the existing rules. Both the first and

second procedure can be reduced to one day. This might require the strengthening of relevant services.

The number of procedures can be reduced only by cancelling the first one. However, this requires changes to the concept of the law “On the electronic signature and the electronic document”, or during electronic registration, the electronic signature can be repealed and other tools can be used.

In general, the model employed in Azerbaijan is very stringent in nature. Such a model has been taken as a basis in Russia. For example, in the United States economic entities are free in the issue of the electronic signature and the electronic document. The European model is also softer than that of Azerbaijan.

Thus, the following are our PROPOSALS:

- 1) The time of online registration should be reduced by one day to two days;
- 2) The electronic signature during online registration should be repealed;
- 3) The substantiality of the concept of the law “On the electronic signature and the electronic document” should be analyzed again.

## **2. Amendments to the law in order to reduce the existing procedures and times in the field of authorizing construction.**

The main legislative act that regulates the authorization of construction is the Town Planning and Construction Code of the Azerbaijan Republic. Under Article 75 of the code, construction work is authorized by a relevant body of the executive authorities. But from the design of any facility to the moment it is put into operation, the customer and the subcontractor are forced to obtain a number of permits and endorsements. For this reason, the 3 March 2014 presidential decree gives a number of government agencies instructions on the acquisition not of a permit for construction, but permits. Analysis shows that the number of procedures for obtaining relevant permits and endorsements is much higher than in other countries. For example, in the annual World Bank report “Doing Business” Azerbaijan’s rating in the indicator concerning the acquisition of a construction permit is not at the desired level. According to this report, an entrepreneur has to go through 28 procedures in order to obtain a permit to build an



ordinary warehouse and put it into operation (See Attachment 1). In this case, the loss of time is 212 days and spending on procedures is 14,000 AZN.

These 28 procedures are coordinated with eight government agencies:

- Six of them with the city executive authorities;
- Three with JSC Azersu;
- Two with the Centre for Hygiene and Epidemiology;
- Eight with the Ministry of Emergencies;
- Three with the Ministry of Ecology and Natural Resources;
- Three with the Baku Telephone Communications Production Association;
- One with the Labour Inspectorate.

Analysis shows that both the number of procedures and the time and expenses can be reduced. If we take into account that the company that prepares the design of a construction facility has a relevant licence and observes all standards and norms while preparing the project, many of the abovementioned procedures appear unnecessary.

Thus, our PROPOSALS are the following:

- 1) The Town Planning and Construction Code of the Azerbaijan Republic must be improved. Norms of authorizing construction should be clarified based on the classification of construction facilities. The link between the code and other legal acts (various rules) should be accurate and clear. The list of construction facilities that do not require a permit should be expanded;
- 2) The procedures of obtaining licences for construction should be based on the classification of facilities and reflected on relevant websites (for example, as a page of the website [www.icaazalr.az](http://www.icaazalr.az)). When starting the construction of a facility, the entrepreneur should be able to acquire accurate information: what procedures he should go through, what is the time limit for these procedures and what are the duties;
- 3) The number of appeals to the same government agency should be reduced;
- 4) A one-stop shop system should be applied;
- 5) Groundless prices (duties) should be reduced;

- 6) The number of days related to the procedures should be reduced;
- 7) The value of licences issued for designing should be increased. That's to say if a design company has a licence to design a type of a construction facility, the project that has been prepared should not be examined again.

### **3. The organization of the electronic receipt of documents in the sphere of joining the power grid and making changes to the law in order to reduce procedures, time and expenses.**

The main document regulating connection to the power grid is the Rules of Issuing Technical Evaluation for the Purchase of Electric Energy (Power) by Consumers and Connecting to the Power Grid approved by Cabinet of Ministers Resolution No 234 on 27 August 2013. It must be noted that these new rules are much more progressive than the Rules of Using Electric Energy that had been in force since 2005 and have eliminated a number of gaps and shortcomings in legislation. Despite that, analysis shows that it is important to make some changes to the new rules. For example, the World Bank's Doing Business 2014 report shows that connecting an ordinary warehouse to the power grid in our country requires an entrepreneur to go through nine procedures. This process lasts 242 days and costs the entrepreneur 28,000 AZN (See Attachment 2). In order to reduce the number of procedures, the loss of time and expenses, it is necessary to make some changes to the new rules. At the same time, in general there is a need for some institutional reform in the sphere of electricity.

Thus, our PROPOSALS are the following:

- 1) In the field of improving the rules of issuing technical evaluations for consumers to receive electricity (power) and connecting to the power grid:
  - a. Work to connect to the power grid and expenses on the preparation of relevant project documents (if the distance is no more than 200 metres and the required power is no more than 20 kV) should be fully the responsibility of the energy supplying company (relevant changes should be made to Points 2.19 and 2.21 of the Rules);
  - b. With changes to Point 2.13 of the Rules, the issue of the technical evaluation by the energy supplying company should be secured within 10 business days;

- c. It is expedient to sideline relevant local bodies of the executive authorities from the process of connecting to the power grid both in terms of market economy principles and reducing the number of procedures and loss of time;
  - d. The expediency of a review by the State Energy Supervision Department of the Ministry of Industry and Energy of the Azerbaijan Republic under Point 3.3.1 of the Rules should be examined. Its repeal will serve to reduce the number of procedures;
  - e. The fee for connecting construction facilities to the power grid (considering the distance from the point of connection to the construction facility) should be repealed (Point 1.10).
- 2) The conduct of drastic reforms in the electricity sector remains topical:
- a. It is necessary to separate electricity facilities and create a competitive environment;
  - b. Although the law “On Electricity” provides for types of activity related to energy generation, transportation and distribution, it does not say that it is possible to create separate entities as sellers of energy. This gap should be eliminated;
  - c. Provisions regulating the wholesale and retail markets should be added to the law “On Electricity”;
  - d. An independent regulator should be created to determine prices (tariffs) in the sphere of energy supplies and to regulate the market of electricity and heating.

#### **4. Amendments to the law in order to reduce the procedures, time and expenses in the sphere of state registration of real estate rights**

Our PROPOSALS are the following:

- 1) The process of creating an electronic database should be completed in order to provide online access to land registry information;
- 2) The registration of real estate used for business purposes should be carried out

on the “one stop shop” basis;

- 3) An online appointment system should be created to reduce loss of time at the registering authority;
- 4) It is necessary to create an opportunity for online payments;
- 5) It is necessary to reduce the number of documents and procedures required for the registration of small property, which is used for business purposes, is not designed for complex production processes and is related to various services.

## **5. Enhancement of economic activity that influences the process of issuing credits**

Our PROPOSALS are the following:

- 1) A legal basis should be created to ensure the establishment of private credit bureaus operating independently. To this end, it is necessary to expedite the adoption of the law “On private credit bureaus”, which regulates the activities of credit bureaus;
- 2) It is necessary to ensure that the preferential credits of the National Fund to Assist Entrepreneurship are used mostly for lending to micro, small and medium-sized businesses. After changes made to the Charter of the NFAE in 2009, the Fund no longer provides loans of up to 10,000 manats, whereas small businesses, which face serious problems in obtaining finances, need precisely loans of below 10,000 manats. Our studies show that in recent years, loans of up to 50,000 manats have accounted only for up to 15 per cent of the fund’s assets. More than 80 per cent of the Fund’s money is allocated to big businesses (loans of more than 1 million manats). In order to change the situation, relevant changes have to be made to the Fund’s charter and rules of using the Fund’s assets. At the same time, criteria for micro, small and medium-sized businesses in the country should be reformed by the decision of the Cabinet of Ministers;
- 3) The establishment of specialized sector banks may give a serious impetus to the development of those spheres. The successful experience of foreign countries shows that the establishment of specialized sector banks plays an important role in the development of entrepreneurship in various spheres of the economy (for example, agriculture, construction, etc.) and in increasing entrepreneurs’ access to credits. Both state funds, money from foreign funds and investors’ funds can

take part in forming the capital of such banks. For example, it is especially important to set up an agrarian development bank as soon as possible to finance the agricultural sector in our country and a bank to support export in order to stimulate export;

- 4) It is necessary to speed up the issue of documents that confirm the rights of real estate owners to own their property in regions of the country, small towns and villages. Our studies show that up to 90 per cent of all credits channelled into the country's economy are allocated in the territory of Baku and Absheron. Only 10 per cent of loans fall to the share of regions. One of the most important reasons for this is that people on the ground are facing difficulties in providing a pledge for loans because they have no documents confirming their ownership of their real estate (houses, land plots, gardens, etc.);
- 5) A registry of real estate should be created. It is especially important to create a registry of real estate in order to enhance the mechanism of pledges for small credits. To this end, it is necessary to adopt a law "On guaranteed pledges" and create a special registry of real estate that is not registered by the state and related rights. Specifically, it is necessary to ensure the registration (registry) of productive animals and productive trees in rural areas;
- 6) The registration of non-banking credit organizations should be simplified and the problems they face in their activities should be eliminated. Our studies show that non-banking credit organizations and credit organizations play an important role in allocating loans to agricultural manufacturers, farmers and small businesses in regions and distant villages. Currently, only 2-3 per cent of all loans fall to the share of these organizations. Although up to 30 non-banking credit organizations have received a licence in the country, a small number of them (12) are able to operate normally. If, on the one hand, it is connected with difficulties in the registration of non-banking credit organizations, on the other, it is due to difficulties facing non-banking credit organizations in cooperation with banks;
- 7) A system for the independent assessment of facilities with a pledge. Another problem facing entrepreneurs is that real estate provided as a pledge is evaluated by banks below its real value;
- 8) A fund should be created to insure and guarantee loans allocated for agricultural manufacturers and farmers. One of the most successful experiences of foreign countries is the creation of a fund for insuring and guaranteeing agricultural loans (it operates as an agency in some countries) with the participation of the state in order to insure and guarantee loans aimed at agricultural production. Our country could also benefit from this experience. A relevant legislative base is

being formed to this end;

- 9) Opportunities for applying principles of Islamic banking in the country should be increased. There are numerous representatives of the Islamic religion both among businessmen and people who have large capital in the country. These people either do not invest their funds in banks because of their religious views or do not apply to banks for credits despite the fact that they need funds to expand their businesses. In order to use the economic potential of these people, it is necessary to organize banks working on the basis of principles of Islamic banking in the country. To this end, either a separate law should be adopted or relevant changes should be made to banking legislation;
- 10) In districts where credit organizations are not working, post offices should be authorized to accept credit payments. This will expand the opportunities of people living in remote areas to obtain credits and conduct banking transactions. The implementation of credit payments through post offices will facilitate the work of people, reduce expenses and simplify banks' work with credit customers. For this reason, their participation in credit payments will not create serious problems. In order to conduct credit payments through post offices, it is necessary to make relevant amendments and addenda to the law;
- 11) The system of issuing credits by cards and online payments (services) should be expanded in regions. In recent years, the Internet network has been expanding in all regions of our country, even in remote villages. With such modern technologies, banks could provide credits by cards in rural areas. Customers' reports to banks, credit service payments and payments of debts can be implemented online by cards;
- 12) Reduction of the time of the examination of court cases on problem credits, as well as of the period of the implementation of court decisions. Currently, the shortage of economic courts and judges results in the examination of court cases dragging on for years. It is one of the main problems that concern banks. In many countries of the world, disputes and claims regarding the payment of loans are examined out of court. It would be expedient to benefit from this experience in our country.

## **6. Improvement of corporate management and protection of investors' interests**

Our PROPOSALS are the following:

- 1) A Code of Corporate Management should be adopted;
- 2) A law on cooperation between the state and business should be adopted;
- 3) An ombudsman's institution should be formed to protect investors' rights;
- 4) All shareholders, including minority and foreign shareholders should be treated fairly. All important issues regarding companies, including companies' financial condition, property and information concerning its management should be publicized in time and accurately. Shareholders should be given a chance to get compensation for the violation of their rights;

## **7. Changes to the law in order to reduce the number of documents, time and expenses required during import and export operations**

Our PROPOSALS are the following:

- 1) Certificates of quality and origin that meet international standards for products made by the manufacturer should be presented to the customs authorities in a centralized manner and with the mutual acceptance of standards between countries. Companies should be exempted from the requirement to present such documents while importing those products. In this regard, relevant changes should be made to Point 10 of Resolution No 3 issued by the Cabinet of Ministers of the Azerbaijan Republic on 14 January 2014 on the approval of Rules of Determining the Preferential and Non-Preferential Origin of Products;
- 2) The list of documents envisaged by Subparagraphs 2.5 and 2.4 of the statute on the rules and terms of declaring the customs value of goods brought into the Azerbaijan Republic should be reconsidered and the documents of the legal or physical person that imports the goods, transport and insurance documents, the report on loading or the officially approved calculation of transport expenses, a customs declaration from the sender, packaging sheets and the licence for goods imported in line with the established procedure on



the basis of a licence should be removed from the list of documents;

- 3) The methods of determining customs costs envisaged by Point 9.4 of Cabinet of Ministers Resolution No 159 dated 17 December 2003 on changes to Point 2 of the Rules of Applying Customs Evaluations for Goods Imported in and Exported from the Customs Territory of the Azerbaijan Republic approved by 12 January 1998 Resolution No 7 of the Cabinet of Ministers of the Azerbaijan Republic should be reconsidered, and to this end, declarers should be granted in advance free access to pricing information provided by customs authorities. At the same time, there is a proposal under which if it is impossible to use it in identifying the customs value, information about the prices of the same kinds of goods, which is used for determining the customs value of exported goods, should be prepared not by the State Customs Committee, but by the Ministry of Economy and Industry;
- 4) The issue of certificates of origin and quality and codes for exporting local products to the European Union should be handed over to the ASAN service;
- 5) It is necessary to review and take a different approach to tariffs for issuing certificates of origin and compliance;
- 6) It is necessary to ensure access to standards, sanitary-hygienic norms and acts;
- 7) It is necessary to create independent laboratories that will make it possible to conduct quality control analysis and hold training sessions with specialists;
- 8) It is necessary to conduct a business-government dialogue by creating unions or associations of businessmen engaged in foreign trade and involving their representatives;
- 9) It is necessary to prepare a stimulating export package for entrepreneurs who have the potential to place their goods and services on the foreign market and to apply a one-stop shop system.

## **8. Improvement of the law of the Azerbaijan Republic "On bankruptcy"**

The law of the Azerbaijan Republic "On bankruptcy" was adopted on 13 June 1997 (No 326-IQ). So far, some editorial changes that do not have a fundamental nature have been made to the law. We can note that a number of shortcomings that existed before and

failed to meet modern requirements with the development of economic relations in the country can be clearly seen in the law “On bankruptcy”, which was adopted 17 years ago. As a result, the application of the law is in an unsatisfactory state. Serious changes have to be made to the law. The proposals below are based on recommendations from a number of authoritative international organizations:

- **The European Union Convention** on Insolvency Proceedings. 23 November 1995.
- **The European Union Regulation** on Insolvency Proceedings entered into force on May 31, 2002. The Regulation, with 47 articles, contains the framework for cross border insolvency within the European Union.
- **UNCITRAL Model Law** on Cross-Border Insolvency with Guide to Enactment and Interpretation. 1997.
- **World Bank.** The Principles and Guidelines for Effective Insolvency and Creditor Rights Systems. April 2001.
- **EBRD.** Insolvency Office Holder Principles. *EBRD Principles in respect of the qualifications, appointment, conduct, supervision and regulation of office holders in insolvency cases.* June 2007.

**Our PROPOSALS are the following:**

- 1) The objective of the law, its scope of application, the essence of the process of bankruptcy and its main principles should be reflected in the law;
- 2) The text of the law should fully secure the regulation of the process of bankruptcy (from the beginning to the end);
- 3) In relevant chapters and articles of the law, cases to be regarded as bankruptcy, the process of improvement, declaration of bankruptcy, the beginning of the process of bankruptcy, the completion of the process of bankruptcy, issues such as the results of the completion of this process (including procedural time) should be reformed;
- 4) Applying for the process of bankruptcy is not the right, but the duty (obligation) of the creditor and debtor. For this reason, the law should clearly indicate that this point is an obligation;
- 5) Another innovation and improvement in the law would be the addition of provisions about the application and implementation of a mechanism of regulating the process of bankruptcy if the creditors and debtors settle out of

court;

- 6) Although the law (Articles 2, 14, 16, 35) contains general provisions on the process of bankruptcy, there is no mechanism of their specific and effective application and implementation. This gap should be eliminated;
- 7) The law should contain special bankruptcy rules for individual market subjects that have specific features (for example: physical persons, banks, non-banking credit organizations, state enterprises and so on), taking into account their specific features and implications;
- 8) Considering problems in the practice of implementing the law on bankruptcy, it is necessary to take measures to constantly train (involvement in training, specialization) judges and those who publicly promote the procedures and relevant progressive practices existing in the law and run the process.

