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## **EXPERIENCES IN DEVELOPING BUSINESS REGISTER IN AZERBAIJAN**

Note by Statistics Azerbaijan\*

1. Statistics in Azerbaijan was earlier established on the basis of an administrative system of management based on complete registration – in a stark contrast from the system of collection, processing and aggregation of data in countries with developed market economies. The system of registration or list of enterprises and organisations in the republic also covered all structural subdivision of public economy that at that time belonged to the state.
2. Data from administrative sources were used only to control the completeness of the data collected and only sometimes were used for statistical surveys.
3. In 1991 Azerbaijan regained its state independence and the process of development and creation of market relations has began. Development of the non-state sector, growing number of economic units in the private sector, formation of market infrastructure and other new phenomena in reformed economy as well as integration of the Azerbaijan in the world's community, lead to establishment of national statistical service, appropriate to the status of an

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\* Prepared by Mr. Faig Hajiyeu.

independent state, and application of new methods of organisation of statistical observations. It also led to establishment of a Business register that meets world's standards.

4. In order to introduce into practice new phenomena in statistics and bring closer methods of statistical information to standards approved by international economic organisations, the State Statistical Committee of Azerbaijan Republic defined statistical priorities for development of Azerbaijan Statistics. In December 1992 Statistical Committee prepared a "State program of transfer of Azerbaijan Republic to the system of registration and statistics accepted in international practice", which was adopted by the Cabinet of Ministers of Azerbaijan Republic. One of the chapters of the State Program is devoted to program of the State register of recorded units. This certifies that priority was given to establishment of the State register of recorded units giving the possibility to shift from total surveys to sample surveys. It also enabled introduction of new methods of information processing aimed at grouping in accordance with international classifications and forms of data presentation to international statistical bodies. Implementation of this Program was scheduled for 1993-1997, although the life might introduce its own correctives.

5. As it was mentioned before, owing to the intensive development of the non-State sector number of economic units has greatly increased. At present, in connection with the adoption of the program of privatisation of state sector in the Republic, increase in the number of economic units is expected to reach almost half a million. Such a rise in number of enterprises will make it impossible to conduct overall statistical investigation due to funding and implementation as well. The life dictates conduction of big investigations by sample method. Definition of the representative sample and correct evaluation of sample surveys is possible only if the carrying out of the survey is based on all aggregate covers sufficient number of data on different subjects and these data are reliable and actual.

6. In this kind of situation need emerges to cover all structural units of economy existing in Azerbaijan. Implementation of this task and other international requirements required radical reform of the whole existing system. On 9 September 1992 the Cabinet of Ministers of Azerbaijan Republic adopted the Decision N 496 "On establishment of State Register of recorded units in Azerbaijan Republic". By this decision, position on State Register of recorded units in Azerbaijan Republic was confirmed. Obligations on development and filling of registration cards were imposed on the State Committee of Azerbaijan Republic. With this purpose a special division "Organisation of State Register and Classifications" with 7 employees was established.

7. Legal base for the establishment of the State Register of recorded units of Azerbaijan Republic is the law of Azerbaijan Republic "On State Statistics" adopted in 1994. The law defines that "On the territory of Azerbaijan Republic conducting of the State Register of recorded units is carried out containing the address and statistical indicators, describing financial economic activity of legal and natural persons engaged in economic activity and other kinds of activity not forbidden by legislation. Recorded units included in State Register are issued certificate with all requisites of the unit concerned. Establishments not included in State Register and without a code stipulated by the unite classification of enterprises and organisations can not open bank accounts and conduct financial operations in any bank."

8. In accordance with the third point on State Register of recorded units of Azerbaijan Republic the Register should record following units established and acting on the territory of Azerbaijan Republic:

- a) enterprises, institutions, organisations, public and religious organisations, cooperatives, stock markets, banks, broker offices, and also other units that cover all kinds of activities and types of ownership;
- b) structural subdivisions, branches and representations of enterprises, departments and organisations functioning on the territory of Azerbaijan Republic and also out of its boundaries but owned by Azerbaijan Republic;
- c) enterprises and organisations of the Ministry of Defence, defence branches, Internal Affairs, National Security and other which are included in Register by pre-defined procedure;
- d) Legal and national persons engaged in entrepreneurial activities, subsidiary types of economic activity.

9. On reflection of above mentioned units in the Register, there is stipulated a possibility to describe all 4 kinds of relations of enterprises and legal units adopted by EU:

- 1) One legal unit corresponds to one enterprise;
- 2) One legal unit and other subsidiary legal units form a legal base of the enterprise;
- 3) Some equivalent legal units form legal base of the enterprises;
- 4) Not functioning (“sleeping”) legal unit.

10. The main characteristic of the State Register of recorded units in Azerbaijan Republic is the establishment of automated data bank for provision of unified state register of all economic subjects to which the law of Azerbaijan Republic “On Statistics” is applied, and which are legal persons, or natural persons (entrepreneurs) and are the subject for state registration. Besides, introduction of the State Register made it possible that unified principles for identification and classification of all economic subjects are applied over the whole information space of Azerbaijan.

11. All units are described in the Register of recorded units by:

- an identification code for economic objects;
- full and short name of the unit in Azerbaijan and English language;
- type of ownership code;
- organisational legal form code;
- economic activity form code;
- name of the director;
- kind of activities code.

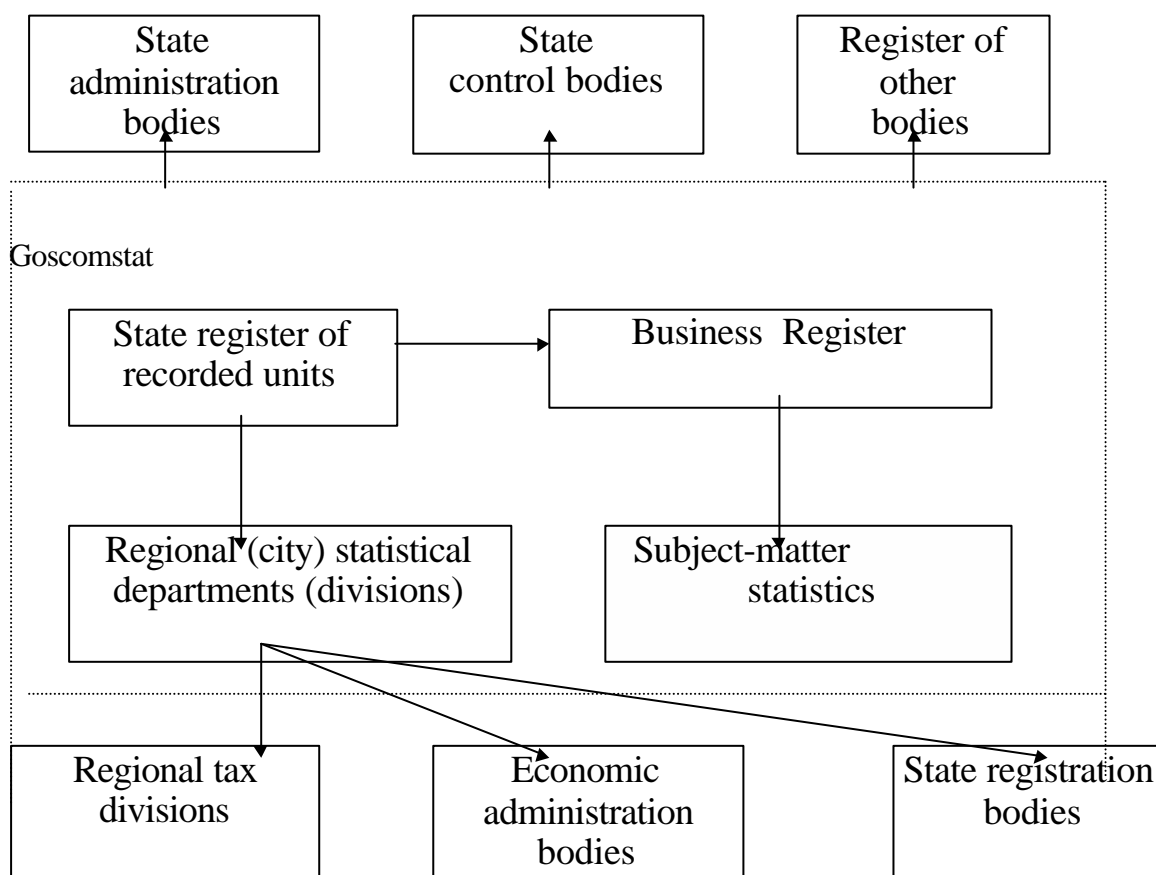
12. It is necessary to note that during the process of registration main kind of activity is indicated by the recorded units themselves or their founders and in future they will be updated on the base of NACE classification :

- number of employees;
- subordination code;
- administrative-territorial code;
- office address;
- time (date) of beginning (change, cessation and termination) of the activity;
- code of the body, implementing State registration and number of decision about registration and also some information of reference character.

13. This indicator can be divided in 3 groups:

- 1) Identification indicators;
- 2) Indicators of economic classification or stratification of the register of legal units;
- 3) Indicators of administrative management.

14. The scheme of the establishment established in Azerbaijan can be presented as following:



15. The State Statistical Committee of Azerbaijan Republic is the proprietor of economic information and has developed regional network of organisations, relatively operative

communication and can be (as it is shown in the scheme) a useful structure, able to provide all administrations with statistics.

16. Source of the information received by register is regional (city) statistical departments (divisions). According to the law "On Statistics" all enterprises situated on the territory of Azerbaijan should be registered in local (regional) statistical bodies and should be included in State Register. Before that, they fill register card indicators we listed above. Information on all changes of data are supplied by R(C)CD(D). Periodically R(C)CD(D) compares its own register with Register of regional tax departments with the data of local administration. Register cards and changes in them are sent by mail to GKS where their content is checked and compared with data from state registration and are entered into computer system. In case of incorrect information, the R(C)CD(D) is informed and should compare the data.

17. Implementing its own obligation on setting up the Register of recorded units, the State Committee of Azerbaijan Republic on Statistics organised in 1993 complete census of legal units for which all regional statistical bodies (82 of them) were mobilised. With their help, by May 1994 an information about 45 thousand units was collected.

18. It should also be noted that while setting up the Register of recorded units, we used materials of such ministries as Justice, Finance, External Economic Relations and National Bank, which were engaged in state registration of corresponding enterprises and organisations.

19. In October 1994 the division of the organisation of State Register and classification completed the entry of indicators from register cards into computer. After the appropriate checking of entered data and supplementing them with missed requisites lists of recorded units by regions and by kinds of activities was established. These lists were sent to heads of executive authorities of regions and cities and also to the Chairman of the Cabinet of Nakchivan Autonomous Republic in September-December 1994 with a request to checking them using information from the local statistical, financial, tax and bank institutions.

20. Our Committee received lists checked and signed by all bodies in January 1995. After materials were received, an appropriate checking and correction, taking into account received changes, has been done by the Division of organisation of State Register and classifications.

21. Computers received from Eurostat within the TACIS programs have been installed in the division by 1 June and relevant network was established. In July list of enterprises was delivered to subject-matter departments of the Goskomstat through the functioning network and they were updated. On the base of received comments and deficiencies revealed by the Division regarding classification letters with concrete remarks referring to missing observations shortages for each enterprise and organisation were prepared and sent to all local statistical bodies

22. Work carried out at present can be characterised as updating of existing register. In future, register updating is planed to be carried once a year with a situation as of 1 January. Simultaneously with this updating using data from statistical survey, data derived from administrative sources will be also used during the year.

23. Currently, on the base of materials available at the office, a new survey on trade and construction statistics is planned. It is necessary to note that employees of Goscomstat of Azerbaijan Republic took an active part in seminars organised by the Dutch Central Statistical Bureau in Moscow and Tbilisi on issues of organisation and conduct of sample surveys.

24. At present, main attention is paid to increase the reliability of data of the State Register. Considering that further development of statistics and in particular a switch to overall method of survey directly depends on information received from the State Register. Work on provision of its reliability will continue in future. In Goskomstate of Azerbaijan, the information from the register is planned to be used in 3 directions:

- a) for administrative purposes: in this direction main and free charge users of Register data are President's Administration, Supreme Council of Azerbaijan Republic, National Assembly, Cabinet of Ministers, Economic, Finance, Justice, National Bank, Committee on ownership and other. In 1995 materials of register have been already used by the National Assembly and Committee of Property they served as the base for WB and IMF experts;
- b) for statistical purposes: here register of recorded units is the base for most investigations in the sphere of economic statistics, some investigations in the sphere of social statistics and for set up and updating of socio-economic data bases;
- c) for commercial purposes.

25. It is not possible to achieve a good quality of the Register if there is no classification. GCS of Azerbaijan Republic has prepared classifications and agreed with following ministries about:

- a) organisational legal forms;
- b) types of ownership;
- c) kinds of activities, which are based on European classification of kinds of activities and adjusted with specific features of the country ;
- d) classifications of administrative-territorial division.

#### The register of natural persons

26. The legislation of Azerbaijan Republic allows entrepreneurial activity by obtaining a patent issued by the tax authority. In this case accounting is not conducted and the tax rate is defined depending on the kind of activity.

27. Since 1999 the State Statistic Committee of Azerbaijan has been receiving information on patents issued from the tax authority. The list bellow is not a business-register. However it is designated for use in calculation of macroeconomic indicators.

Structure of the list.

1. Name of entrepreneur
2. Activity code by NACE
3. Territory code
4. Address
5. Passport N
6. Patent N
7. Date of patent's issue

The register of individual (family) households

28. Since 1998 division of land plots useful for agriculture has been carried out in Azerbaijan. Land and other values being before at the disposal of State and collective farms and other agricultural enterprises are distributed among rural population by place of residence. Individual (family) households are formed on the base of these land plots. An information on these households is base for the register of individual households.

Structure of the register.

1. Identification code
2. Name of the household's (family) head
3. Kind of activity by NACE
4. Territory code
5. Address
6. Number of family members able to work
7. Size of the land plot
8. Land category
9. Number of the agricultural livestock

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