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**MAINTENANCE OF A BUSINESS REGISTER IN
THE AZERBAIJAN REPUBLIC**

Paper submitted by the State Statistical Committee of the Azerbaijan Republic

1. The reforms of the socio-political and economic system in Azerbaijan and the transition to market relations have made it necessary also to undertake a reform of official statistics. Three State programmes were adopted in this connection in 1992, 1998 and 2003 for the conversion of the Azerbaijan Republic to the system of accounting and statistics accepted in international practice and a reform of the State statistical system. The implementation of those programmes led to the formation of a national statistical system which is still continuing to be improved today. Considering the fact that a register of economic entities is one of the most important basic components of the statistical system of any State, priority was attached in both the first and the second programme to the establishment and development of a business register and the conversion to sampling methods for statistical observation and enterprise statistics.

2. The creation of the Business Register in Azerbaijan was necessitated by the changes that began in the first half of the 1990s in the country's economy and the emergence of new forms of economic units not included in the previously existing conception of a reporting unit. These were basically economic entities of the non-State sector.

3. The transition to a market economy, accompanied by the denationalization of State property, as well as the acquisition, by both legal and natural persons, of the opportunity to engage in free economic activities, created the conditions for a rapid increase in the number of enterprises. During this period, alongside State enterprises, there began to appear enterprises with differing types of ownership and organizational and legal forms. That situation did not leave open the option of continuing to use the old methods of accounting and statistical observation of the activities of economic entities.
4. Thus, with a view to systematizing the data from the daily growing number of economic units and to providing a frame for statistical surveys, the Cabinet of Ministers of the Azerbaijan Republic decided in 1992 to create a State register of reporting units, on which basis the State Statistical Committee started work on the establishment of the Business Register. A census of enterprises and organizations, in which all regional statistical offices were involved, was conducted in 1995 to define the population of reporting units. The lists of enterprises obtained from the census were verified against the lists of units registered in local administrations and in regional tax offices.
5. Work was conducted in parallel with this on the creation of tools for maintaining the Register. By the end of 1995 the State Statistical Committee board had developed and approved five classifications necessary for coding the information received from enterprises. These were: a classification of kinds of economic activity, developed on the basis of NACE, classifications of types of ownership and of organizational and legal forms, developed on the basis of the country's new legislation, a classification of the administrative-territorial division of Azerbaijan and a classification of economic sectors. With the help of these classifications, the information gathered on economic entities from the census was coded and computerized.
6. A number of problems had arisen in the process of creating a register. These were mainly due to the shortage of methodological materials and technical support, as well as to the inexperience of the staff concerned and differences in the terminology and concepts adopted in Soviet and in international statistical practice.
7. Problems were also created by the fact that the information gathered in the Register over three years had not been updated and was old, since the Register had not yet been introduced and it was not used for statistical surveys.
8. In 1996 the State Statistical Committee decided to introduce the Business Register and the first step taken in this direction was to prepare certificates of registration in the State Register of Reporting Units for enterprises and organizations on which information was included in the Register. These certificates were handed to the respective owners through the regional statistical offices.
9. A leading role in the successful introduction of the Register was played by the adoption, likewise in 1996, of the Registration of Legal Persons Act of the Azerbaijan Republic, which defined the Ministry of Justice as the sole body responsible for carrying out the State registration of all legal persons active in the country's territory and at the same time obliging enterprises and organizations registered in other administrative bodies before the Act's entry into force to be recorded in the Ministry of Justice. This effectively meant completing the re-registration of all active legal persons. Furthermore, one of the paragraphs of the above-mentioned Act, in setting

out a list of the documents required for State registration or record-keeping, indicated the need to present a certificate or receipt from the State Statistical Committee confirming registration in the State Register of Recording Units and giving the legal person's identification number in the Register.

10. Thus, during this period (1996-1997) the flow of information into the Register greatly increased. A large number of unrecorded units were discovered, although some registered units turned out to be inactive or completely liquidated.

11. In order to ensure the full coverage of the Register, it was agreed with the National Bank, the Ministry of Taxes, the State Customs Committee and the Ministry of Justice that these institutions must also use the identification code given to a unit. This agreement proved very useful, since a unit not included in the Register of Reporting Units could not open a bank account or conduct export/import operations and their official returns to the tax authorities were likewise not accepted. By virtue of these measures it can be confidently affirmed today that the coverage of the Business Register in Azerbaijan reflects the real situation.

12. The legal bases for the Business Register are the Civil Code, the Statistics Act and the relevant decision of the Cabinet of Ministers of the Azerbaijan Republic to create a register of reporting units. According to the Statistics Act, the State Statistical Committee keeps and also maintains the Register of Reporting Units. The task of this official register is to extend services to units included in the Register, i.e. to assign identification codes on the basis of applications made by the units to the State Statistical Committee, to provide for the automatic processing of data and to supply State administrative bodies and other users with data from the Register. In accordance with paragraph 3 of the Cabinet of Ministers decision, the State Register is to cover the following established entities operating in the territory of the Azerbaijan Republic:

(a) All enterprises, establishments and organizations, social and religious organizations, cooperatives, stock exchanges, banks, brokers' offices, and also other entities, regardless of type of activity and ownership;

(b) Structural subdivisions, branches and representations of enterprises, departments and organizations operating in the territory of the Azerbaijan Republic, as well as outside its borders, and owned by the Azerbaijan Republic;

(c) Enterprises and organizations of the Ministry of Defence, Ministry of Internal Affairs, Ministry of National Security, etc., which are included in the Register in accordance with the prescribed procedure;

(d) Legal and natural persons engaged in entrepreneurial activities.

13. As from 1993 statisticians of Azerbaijan were invited by Eurostat to participate in the TACIS programme and primarily in the "Business Register" and "Enterprise Statistics" components. Statistics Netherlands and in recent years the Central Statistical Office of Poland have been participating actively in projects under this programme. These organizations' experts have shared their experience with our specialists, and also made a practical contribution to the

process of creating the Business Register in Azerbaijan. I would note that the joint work on these projects has had an enormous influence on the establishment and development of the Business Register in our country.

14. In the process of creating and employing the Business Register, the State Statistical Committee defined five main functions for its use, these being to serve as:

- A means of identifying and establishing statistical units;
- A tool for the preparation and coordination of surveys;
- A source of information for statistical analysis of the enterprise population and its demography;
- A tool for collecting data from administrative sources; and
- A tool for data dissemination.

15. The most indisputable function of the Business Register consists in providing files to be used for conducting surveys and constituting the necessary control sampling frame.

16. For the preparation and conduct of various statistical inquiries the Register:

- Provides an annual list from which to obtain addresses for sending questionnaires to respondents;
- Presents a population of enterprises from which to design effective sampling plans;
- Constitutes a basis for extrapolating the results of sample surveys to the whole population of enterprises;
- Helps to avoid any duplication of records and omissions in the collection of data on enterprises;
- Minimizes discrepancies in the results obtained from different surveys;
- When used for statistical purposes, the Register to a certain extent improves the field of observation or helps to pinpoint inaccuracies, because in this case the data is studied carefully by other users.

17. In order to provide high-quality statistical services, and in particular for wide use of the information offered by accessible data sources (especially survey results), the State Committee also maintains a Statistical Register. The Statistical Register was created as a sampling frame for all surveys conducted by the Committee. This Register contains descriptions of all enterprises, public-sector units and non-commercial units, which are the objects of statistical observation, and facilitates fuller and more accurate dissemination of survey results.

18. The Statistical Register contains information from the Register of Reporting Units and additional information obtained from statistical surveys and other sources, including administrative information systems.
19. As regards the types of units recognized in the Statistical Register, its subjects are:
- So-called “mixed” units (legal unit - enterprise); this means that the legal unit and an enterprise depending on it have one and the same identification code; and
 - Subdivisions (local units, etc.).
20. Each entity included in the Register is assigned a unique seven-digit identification code. Each subdivision, apart from its own code, is also given the identification code of the enterprise of which it is a component part. The identification code assigned to any one entity is not used for the identification of another unit, even if that entity is liquidated.
21. As regards the practical application of the Business Register in the statistics of Azerbaijan, it is the basis for research in the field of economic statistics, some studies in the field of social statistics, and also for building and updating socio-economic databases.
22. The use of the Business Register in statistical research is multifaceted:
- (a) In complete surveys the Register is used to form the population of reporting units according to an algorithm specified by the authors of the inquiry;
 - (b) In sample surveys it serves as a tool for sampling and for defining the sample population of units to be observed;
 - (c) Business Register data is, moreover, used to check the completeness of responses from the population of reporting units as defined when preparing the survey;
 - (d) And also for supplementing files with statistical data contained in the Register.
23. The Business Register has been updated annually since 1997. When updating the Register the following attributes are revised:
- Unit’s address;
 - Unit’s principal and secondary activities;
 - Unit’s state of economic activity;
 - Number of employees and annual turnover (amount of work executed), in order to determine the size of units and for subsequent stratification;
 - Other attributes.
24. To update the above-mentioned attributes use is made both of statistical survey data and data from administrative sources.

25. More specifically, information from the Tax Register and the Register of the Ministry of Justice is used. It should be noted here that the difference in the methodology and technology for keeping registers in the various administrative bodies complicates use of this information to the full extent. When, for example, a unit changes its organizational and legal form or type of ownership, the tax bodies delete the original unit and enter a second one in the Register as a newly-established unit, and this runs counter to the principles applied for keeping the Business Register.
26. Information gathered in the Register appears in the form of publications and magnetic and paper data files.
27. Register data is published quarterly. Publications show data on the number of economic units and also structural changes within a quarter relative to changes over the year. This data is compiled by type of ownership, by principal kind of activity and in a regional breakdown.
28. The staff of the Register and Classifications Department are employed in collating the data and its preparation for publication.
29. The main external users of the Register data are ministries and central government bodies such as the Cabinet of Ministers, the Ministry of Economy and Ministry of Taxes, heads of the Executive Branch, etc. Courts and law-enforcement bodies are also provided on request with information about individual units.
30. A growing demand for Register address data is seen every year from local and foreign businessmen looking for information about potential partners.
31. Great attention has, of course, been devoted in many countries recently to ways of reducing the burden on enterprises in supplying the large quantities of data requested for statistical surveys.
32. Apart from processing occasional requests for information about individual enterprises, the State Statistical Committee of Azerbaijan is striving to improve the quality of already existing statistical data and to meet new needs concerning, for example, services or small and medium-sized enterprises. These varied requirements may be coordinated to a certain extent by rationalization of the data collection system.
33. As you know, correctly and accurately maintained registers allow questionnaires to be distributed among individual enterprises more effectively and economically, and can reduce the total volume of data to be collected by using the same information for a variety of purposes. Thus, a harmonized and high-quality Register should help to limit enterprises' reporting obligations and in some cases even reduce the amount of information requested.
34. Appropriate use of the Register makes it possible to control the statistical burden on small enterprises during surveys by preserving data already requested earlier and where necessary avoiding repeat or multiple sampling of the same units.
35. I would note that such use of the Register entails the development of sampling tools and the coordination of control samples during the whole interlinked process of management and maintenance of the Register.

Further development of the Register

36. We see increasing use of information from other administrative bodies' registers in our database as one of the main ways of improving the Business Register at this stage.

37. State administrative bodies are known to have large resources of individual data for their own authorized needs. The possibility of using this data for official statistics (naturally in automatic mode) would reduce the costs of carrying out statistical surveys and relieve economic units of the need to present the same data many times. This would be possible only if:

- Every entity actually has a unique identification code;
- The same attributes are defined using the same classifications;
- The respective concepts are coordinated.

38. In order to achieve the above aims it is proposed to improve the existing Register by:

- Comparing the Register database with the data files of the tax system and other services;
- Introducing the concept of a legal unit for natural persons engaged in entrepreneurial activities;
- Analyzing demographic changes;
- Analyzing the changeability of attributes;
- Enriching the Register with new data necessary for carrying out statistical surveys.

Thank you for your attention.
