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**Azerbaijan's Success Story on
Sustainable Entrepreneurship Development
through adoption of
policies, financing and innovative strategies**

By

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Development of entrepreneurship, implementation of fundamental reforms for creation of favorable business conditions arise from requirements of the economic development strategy set by the leadership of the Republic of Azerbaijan.

Assurance of sustainable and proportional development of country's economy, acceleration of regional development is a priority as part of the overall socioeconomic development of Azerbaijan.

As a result of strategies adopted and implemented in the country, Azerbaijan has achieved significant economic development. Azerbaijan is one of the fastest developing countries in the world, as it is evidenced in the GDP growth rates by percentage in the recent years.

Private sector plays significant role in economic development of the country and it has been characterized with favorable business conditions provided by the set of policies which are currently underway of implementation.

Numbers of taxes, insurance payments have considerably been reduced as one of the main factors directly affecting improvement of business circumstances.

Since 1998 tax rates were consistently decreased. Favorable business conditions were assured by measures, such as transfer from the progressive system of profit tax of institutions and organizations into the proportional system and reduction of tax rate by this kind of tax from 35% to 20%, reduction of VAT rate to 18%, annulment of several taxes, reduction of social insurance allocations from 40% to 22%, decreasing total number of taxes, release of entrepreneurs dealing with agricultural production from all taxes except land tax till 2009 and later till the 2014th year.

Licensing system was fundamentally changed, number of licenses activities reduced from 240 to 57, term of license extended from 2 to 5 years. Application of new licensing system contributed to development of free competition, lifting quality of products and services.

In addition, export duties were annulled, maximum level of import duties set 15%. Tariff Board of the Republic of Azerbaijan was established by decision of the President and Decision of January 31, 2002 of the Cabinet to develop fair competition in domestic market, regulate tariffs of natural monopolists, also prices defined by state.

Policy in this field is directed to implementation of state support to entrepreneurship in base of system, lifting effect of actions of state support to entrepreneurs.

Continuous measures are taken to realize this strategic line. Entrepreneurship financial support mechanism was created and this source functions as an important instrument to meet the needs of small and medium entrepreneurs' financial requirements.

Actions are underway to create the first industry town, business incubators, and business centers, which necessitates to develop appropriate infrastructure of entrepreneurship in the country.

In order to promote investment by the small and medium sized entrepreneurs, Azerbaijan Export and Investment Promotion Foundation has been created. The Foundation aims lifting export capacity of the country and involving foreign investments. State-entrepreneur relations were developed; important steps have been taken towards improvement of the entrepreneurship state regulation system. Working mechanisms were created for protection of rights of entrepreneurs, interference dropped as result of their use. Measures are underway to strengthen consulting, information support of entrepreneurship and develop business ties.

Ministry of Taxes has been identified as the only state registration body by Order 2458 of October 25, 2007 of the President of the Republic of Azerbaijan 'On actions for assurance of formation of activity of entrepreneurship subjects by 'one stop shop' principle' to be applied from January 1, 2008. After application of 'one stop shop' system, procedures to start business were reduced from 15 to 1 and term required for it from 30 to 3 days, number of legal persons registered considerably grew.

At the same time, connection "one stop shop" principle in checking of the goods held from issue points of the state boundary and transport President of the Republic of Azerbaijan has signed the decree dated 11th November 2008. State Customs Committee of the Republic of Azerbaijan was identified as the state body "one stop shop" principle in checking of the goods held from issue points of the state boundary and transport and to be applied from 2009.

Electron taxes rules of applied calculation of the calculation invoices and usage have been affirmed with dated 28 September 2009, 156th decision of the Cabinet of Ministers of Azerbaijan Republic. Expenditure achieving lowering to the minimum of the time been with application of the modern technologies has been possible in the indemnification of the taxes.

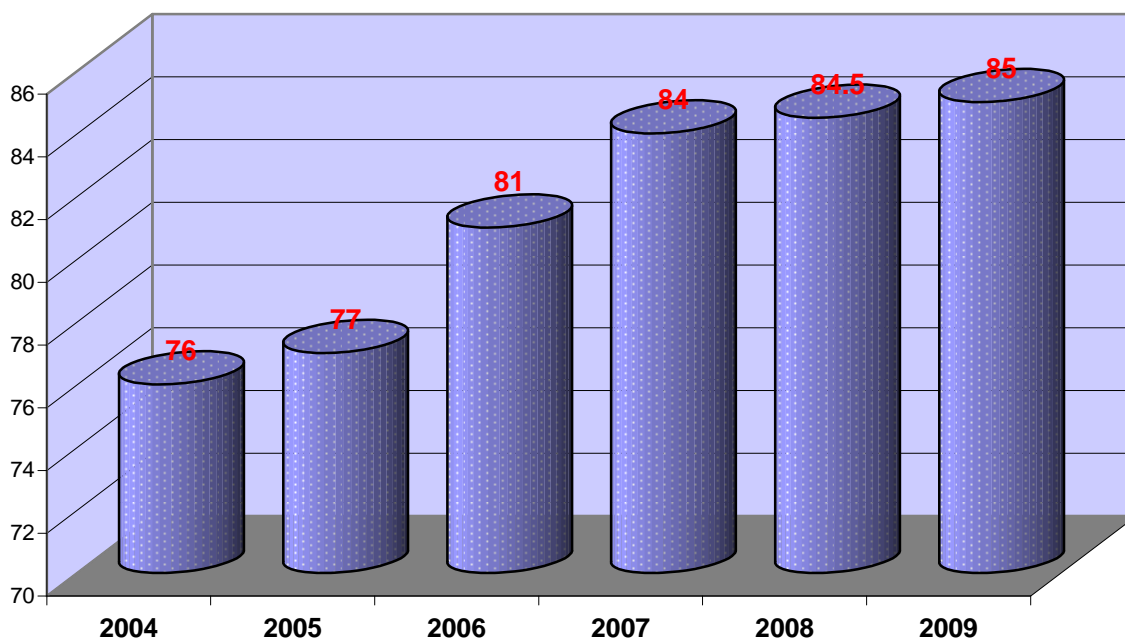
As result of works done to improve business climate Azerbaijan have been acknowledged as a reformer country of the year in the report of "Doing Business 2009" prepared by World Bank (WB) and International Finance Corporation (IFC) in the world. Azerbaijan guarded and has kept position in row in the 38th place carry

out reform in 2 areas (getting credits and carry out of the foreign trades) among 183 countries in "Doing Business 2010" report.

To improve business atmosphere works are underway to perfect the licenses system, protect interests of investors, for property registration, tax payment, implementation of foreign trade, to simplify the business shutdown process.

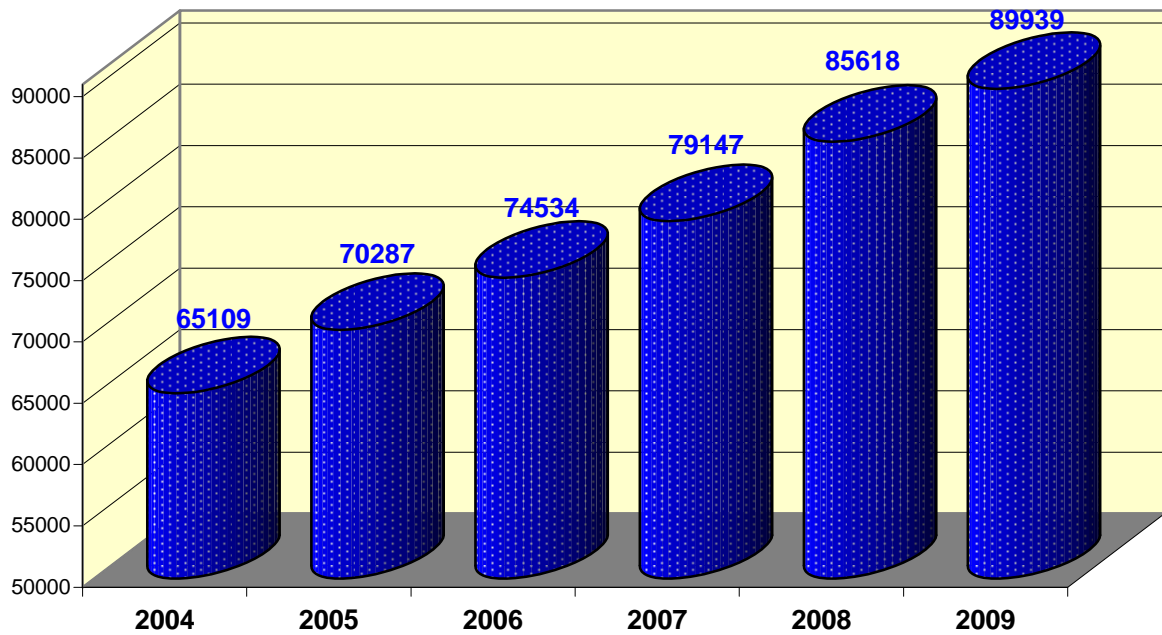
As result of purposeful actions share of private sector in Gross Domestic Product (GDP) reached 85%. Share of private sector in agrarian sector, industry, trade, hotel and catering services, construction, transport, communication changes between 70-99%. Majority of employment (69, 3 %s of the employment) is assured by private sector. Over half of budget incomes are formed by receipts from private sector.

Share of private and public sector in GDP, %



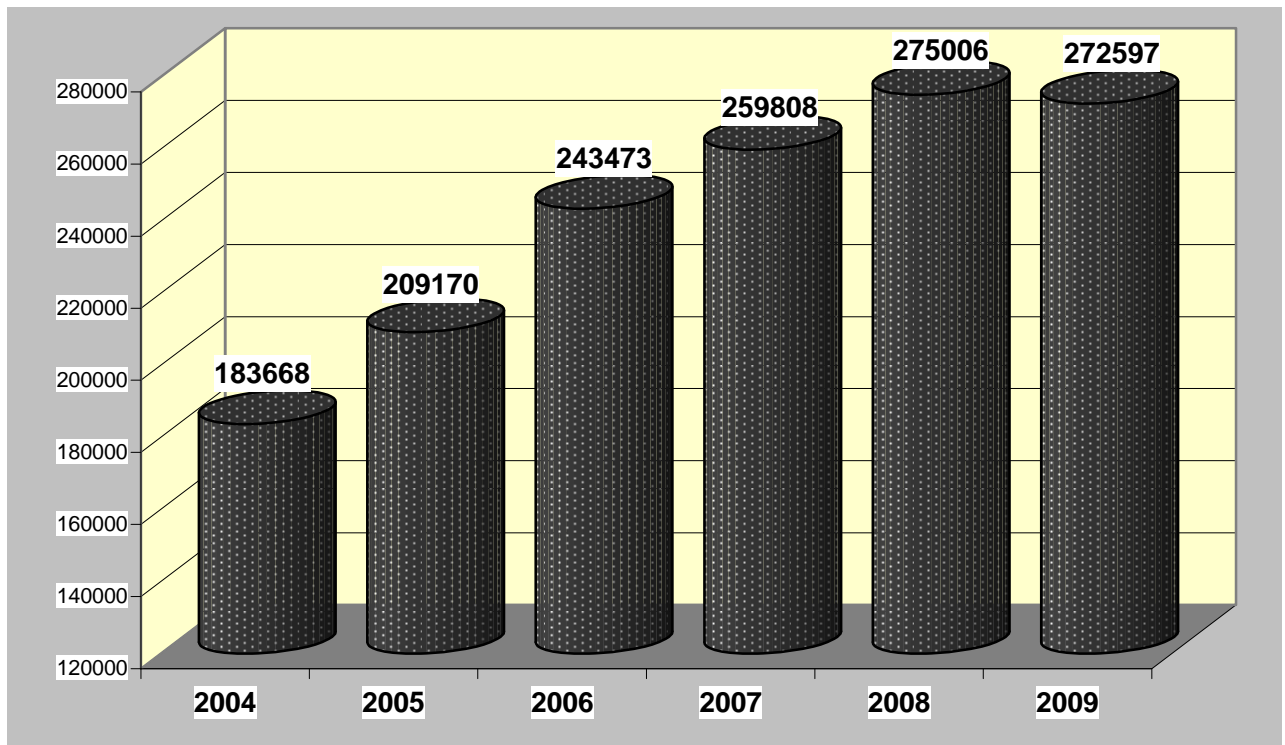
Number of legal persons engaged in entrepreneurship increased 89939 in 2009. By January 1, 2010, there are 10224 firms in agricultural sphere, 6488 in processing and 9468 in construction fields. Besides, 5861 firms with overseas investment were registered.

Number of legal persons



Number of physical persons acting as individual entrepreneur without creating legal person was 272597 in 2009.

Number of physical persons registered



Development of entrepreneurship is one of major courses in the state policy which is carried out to get goals of the sustainable development strategy and improve legal, organizational and financial support to business activities in all fields of economy, particularly in priority development spheres.

Ministry of Economic Development and respective state bodies made bill of the Republic of Azerbaijan on 'special economic zones' and submitted to the Cabinet Ministries. The Azerbaijani parliament has ratified a law on "Special economic zones" in the third reading on April 14 2009. Connected with this law decree of President of the Republic of Azerbaijan dated 2 June 2009, 101st have been signed. Already have been formed necessary normative legal base connected with creation the special economical zones in Azerbaijan. At present time work are carried out creation of the special economic zones and determining of the location territories according to priority directions.

Today, the policy in the sphere was directed to the providing the promotion of the usefulness of the state measures to the entrepreneurship and of the carrying out the state support to the entrepreneurship systematically. The consecutive measures are still carrying out in the line of the realization of this strategic line.