

AZERBAIJAN

Enterprise Restructuring and Labor Redeployment

VOLUME II

**RESULTS OF THE SURVEYS CONDUCTED
IN MINGACHEVIR CITY
IN AZERBAIJAN REPUBLIC**

JANUARY 20 , 2005

**Human Development Sector Unit
Europe and Central Asia Region**



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ANNEX II

SOCIAL MONITORING OF THE DISPLACED WORKERS IN MINGECHEVIR CITY, AZERBAIJAN REPUBLIC, July 2004

The sample of unemployed was built on the database of the local employment bureau, and reflected the randomly selected redundant workers, mainly from 11 big SOEs that have undergone restructuring in recent years. These include former employees of the textile factory, glass factory, factory of technical rubber, two construction companies, and similar enterprises (Annex 2). Around 30 percent of the unemployed who were surveyed said they previously worked in other firms and organizations. An initial sample of 1,000 people was selected from the roster of the employment bureau. The actual survey sample was reduced to 831 individuals, after culling vacant residences, incorrect addresses, and respondent refusals.

I. SOCIO-DEMOGRAPHIC CHARACTERISTICS OF THE INTERVIEWED PERSON AND HIS/HER FAMILY

1. NAME OF THE FORMER COMPANY/FIRM

	Number	Percent
Textile combine	345	41,5
HEPS*	30	3,6
Factory 'Izolit'	19	2,3
Glass factory	42	5,1
Azerkabel	6	0,7
Factory 'Azyolmash'	23	2,8
Fish factory	4	0,5
Factory of ferro-concrete products	8	1,0
Factory of technical rubber	32	3,9
Agricultural facilities	18	2,2
Department of taxes	9	1,1
The specialized repair-assembly management (XTQM)	9	1,1
The building assembly management	21	2,5
Secondary school	8	1,0
Other	257	30,9
Total	831	100,0

HEPS – hydroelectric power station

2. GENDER

	Number	Percent
Female	411	49,5
Male	420	50,5

Total	831	100,0
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3. AGE

Years	Number	Percent
<30	73	8,8
31-40	300	36,1
41-50	368	44,3
51-61	79	9,5
>=62	11	1,3
Total	831	100,0

4. EDUCATION

Education	Number	Percent
Primary, or does not have a primary	2	,2
Incomplete secondary	19	2,3
Secondary general	437	52,6
Lyceum	108	13,0
Secondary special (college)	179	21,5
Incomplete higher	6	,7
Higher	80	9,6
Total	831	100,0

5. NUMBER OF RESIDENTS IN YOUR HOUSEHOLD (MEMBERS OF THE FAMILY LIVING TOGETHER AND SHARING A BUDGET)

Number of household members	Number	Percent
1	42	5,1
2	51	6,1
3	97	11,7
4	290	34,9
5	221	26,6
6	86	10,3
7	24	2,9
8	12	1,4
9	2	0,2
10	2	0,2
11	4	0,5
Total	831	100,0

5.1. OF WHICH AT THE AGE OF 0-6

Number of children in household	Number	Percent
1	117	14,1
2	40	4,8
3	6	0,7

4	3	0,4
5	2	0,2
Total	168	20,2
System	663	79,8
Total respondents	831	100,0

5.2. OF WHICH AT THE AGE OF 7-15

Number of children in household	Number	Percent
1	191	23,0
2	173	20,8
3	35	4,2
4	4	0,5
9	2	0,2
Total	405	48,7
System	426	51,3
Total respondents	831	100,0

5.3. OF WHICH AT THE AGE OF 16-62 age

Number of adults at able-bodied age	Number	Percent
1	66	7,9
2	326	39,2
3	99	11,9
4	170	20,5
5	120	14,4
6	35	4,2
7	7	0,8
8	2	0,2
9	1	0,1
Total	826	99,4
System	5	0,6
Total respondents	831	100,0

5.4. OF WHICH AT THE AGE OF 63 YEARS AND OVER

Number of individuals at age 63 and over	Number	Percent
1	40	4,8
2	17	2,0
Total	57	6,9
System	774	93,1
Total respondents	831	100,0

6. MARITAL STATUS

	Number	Percent
Registered marriage	672	80,9
Cohabiting but marriage not registered	8	1,0
divorced	44	5,3

Widower, widow	35	4,2
Have never been married	72	8,7
Total	831	100,0

7. WHY WERE YOU LEFT WITHOUT YOUR JOB?

	Number	Percent
Bankruptcy or liquidation of the company	230	27,7
Sale of the company	39	4,7
Other structural transformation	209	25,2
Other reasons	353	42,5
Total	831	100,0

7.1. OTHER REASONS OF UNEMPLOYMENTS

	Number	Percent
Enterprise is idle	268	32,3
Family reasons	12	1,4
The contract has ended	4	0,5
Due to illness	9	1,1
Resigned voluntarily	24	2,9
At will of the owner	6	0,7
In connection with conscription	3	0,4
Retired	2	0,2
Personal reasons	11	1,3
Other	9	1,1
Total	348	41,9
System	483	58,1
Total respondents	831	100,0

8. HOW MUCH TIME HAS PASSED SINCE YOU LOST YOUR JOB IN THAT COMPANY/FIRM?

	Number	Percent
Up to 3 months	33	4,0
3-6 months	38	4,6
6-9 months	15	1,8
9-12 months	17	2,0
12-18 months	24	2,9
18-24 months	35	4,2
24 and more months	669	80,5
Total	831	100,0

9. HOW MANY MEMBERS OF YOUR FAMILY ARE EMPLOYED ON PERMANENT BASIS

	Number	Percent
None	645	77,6
Only one member	163	19,6
2 members	20	2,4
More than 3	2	0,2

members		
Total	830	99,9
System	1	0,1
Total respondents	831	100,0

10. HOW MANY MEMBERS OF YOUR FAMILY ARE EMPLOYED ON PART TIME BASIS OR ON TEMPORARY BASIS?

	Number	Percent
None	510	61,4
1 person	295	35,5
2 persons	20	2,4
More than 3 members	3	0,4
Total	828	99,6
System	3	0,4
Total respondents	831	100,0

11. HOW MANY MEMBERS OF YOUR FAMILY RECEIVE INCOME (SALARY, PENSION, CHILD ALLOWANCE, SOCIAL BENEFIT, BENEFIT FOR THE UNEMPLOYED)

	Number	Percent
None	417	50,2
Only one member	253	30,4
2 members	81	9,7
3 members	31	3,7
More than 3 members	49	5,9
Total	831	100,0

12. YOUR FAMILY LIVES IN:

	Number	Percent
Own apartment	322	38,7
Own house	44	5,3
Rented apartment or house	15	1,8
State provided apartment or house	19	2,3
Dormitory	421	50,7
With relatives	10	1,2
Total	831	100,0

13. DOES YOUR FAMILY OWN A SUMMER HOUSE OUTSIDE TOWN?

	Number	Percent
Yes	28	3,4
No	803	96,6
Total	831	100,0

14. DOES YOUR FAMILY OWN LAND: FARM, ORCHARD :

	Number	Percent
Yes	58	7,0
No	773	93,0
Total	831	100,0

II. FEATURES OF THE JOB BEFORE DISMISSAL

15. YOU WOULD DESCRIBE YOUR JOB AS:

	Number	Percent
Worker in process of production	458	55,1
Worker engaged in maintenance of machines	62	7,5
Service personnel	135	16,2
Administration	29	3,5
Manager	43	5,2
Public health services	14	1,7
Education	21	2,5
Something else	69	8,3
Total	831	100,0

16. DID YOU WORK IN PRIVATE OR PUBLIC SECTOR?

	Number	Percent
Private sector	58	7,0
State sector	773	93,0
Total	831	100,0

17. WHAT WAS THE APPROXIMATE NUMBER OF EMPLOYEES IN THE COMPANY WHERE YOU WORKED PRIOR TO DISMISSAL?

	Number	Percent
Less than 100	227	27,3
100-500 person	168	20,2
501-1000 person	39	4,7
1001 and more	350	42,1
I do not know	47	5,7
Total	831	100,0

18. WAS THIS YOUR FIRST EMPLOYMENT?

	Number	Percent
Yes	485	58,4
No, this was my second employment	219	26,4
No, this was my third employment	72	8,7
No, this was my fourth employment	27	3,2
More than fourth employment	28	3,4
Total	831	100,0

19. WITH YOUR EMPLOYER, DID YOU HAVE

	Number	Percent
A written termless employment contract	134	16,1
A written fixed-term employment contract	44	5,3
A written contract for doing a specific work	66	7,9
No written labor agreement	587	70,6
Total	831	100,0

20. WHAT WAS THE AMOUNT OF YOUR SALARY BEFORE LOSING YOUR JOB (WE THINK HERE OF THE NOMINAL VALUE, REGARDLESS OF THE FACT IF THE WHOLE SALARY WAS RECEIVED/PAID OUT

	Number	Percent
Up to 100,000 manat	400	48,1
100 000 - 200 000 manat	274	33,0
200 000 - 300 000 manat	83	10,0
300 000 - 400 000 manat	35	4,2
400 000 - 500 000 manat	15	1,8
Over 500,000 manat	24	2,9
Total	831	100,0

21. DID YOU RECEIVE THE SALARY “IN ENVELOPE”?

	Number	Percent
Sometimes	9	1,1
Every month	2	0,2
Part of my salary was paid “in envelope”	1	0,1
Never	813	97,8
Do not wish to say	6	0,7
Total	831	100,0

22. IN ADDITION TO YOUR MAIN JOB, DID YOU HAVE ANY OTHER OR SECONDARY JOB?

	Number	Percent
No	817	98,3
Yes	14	1,7
Total	831	100,0

23. DO YOU FULFILL SOME OF THE CONDITIONS FOR RETIREMENT?

	Number	Percent
Yes	66	7,9
Yes, but contributions to the pension fund have not been paid. Otherwise, I have sufficient years of working experience	12	1,4
No, I do not have sufficient years of working experience	31	3,7

No, I do not have sufficient years of age	484	58,2
I have neither sufficient age or experience	238	28,6
Total	831	100,0

24. BEFORE YOU LOST YOUR JOB, DID YOUR FORMER COMPANY PAY ALL THE REQUIRED CONTRIBUTIONS AND TAXES, SUCH AS SOCIAL INSURANCE TAX, AND INCOME TAX?

	Number	Percent
Yes, it did	708	85,2
It paid some of them	38	4,6
It did not	24	2,9
I do not know	61	7,3
Total	831	100,0

25. HOW MANY YEARS OF WORKING EXPERIENCE DID YOU HAVE BEFORE LOSING YOUR JOB?

	Number	Percent
Less than 2 years	65	7,8
3-10 year	217	26,1
11-25 year	419	50,4
Over 25 years	130	15,6
Total	831	100,0

26. BEFORE YOU LOST YOUR JOB, WHAT WAS THE AVERAGE MONTHLY INCOME OF YOUR FAMILY, EVERYTHING INCLUDED (SALARY, PENSION, SOCIAL BENEFITS, INCOME FROM AGRICULTURE)?

	Number	Percent
Up to 100,000 manat	256	30,8
100 000 - 200 000	306	36,8
200 000 - 300 000	139	16,7
300 000 - 400 000	64	7,7
400 000 - 500 000	29	3,5
500 000 - 750 000	22	2,6
750 000 - 1 000,000	7	,8
Over 1,000,0000 manat	8	1,0
Total	831	100,0

III. BEING INFORMED ON THE SITUATION AND TRANSFORMATION IN THE COMPANY

27. WERE YOU INFORMED ON TIME ABOUT THE TRANSFORMATIONS?

	Number	Percent
Yes, I was formally informed all the time about the course of the transformation by my management	427	51,4
I was given informal information through some of my colleagues	82	9,9

No, no one informed me	322	38,7
Total	831	100,0

28. ARE YOU INFORMED ABOUT THE GROUNDS ON WHICH YOU RECEIVED THE SEVERANCE PAY?

	Number	Percent
Yes	586	70,5
No	245	29,5
Total	831	100,0

29. HAVE YOU BEEN PAID THE FULL AMOUNT OF THE SEVERANCE PAY?

	Number	Percent
Yes	491	59,1
No	340	40,9
Total	831	100,0

30.. WHAT DID YOU USE THE SEVERANCE PAY?

	Number	Percent
I tried to start a business of my own by buying tools and equipment	12	2,4
I spent it for living	466	94,9
Other	13	2,6
Total	491	100,0

31. WERE YOU OWED SALARY PRIOR TO DISMISSAL BY YOUR COMPANY?

	Number	Percent
No	613	73,8
Yes	218	26,2
Total	831	100,0

31.1. IF YES, DURATION OF WAGE ARREARS

Months	Number	Percent
1	14	6.5
2	17	7.8
3	19	8.8
4	13	6.0
5	89	41.0
6	17	7.8
7	5	2.3
8	5	2.3
9	1	0.5
10	5	0.9
12	3	1,4
13	1	0.5
14	2	0.9
15	3	1,4

18	2	0,9
20	1	0,5
21	1	0,5
24	12	5,5
30	1	0,5
36	2	0,9
44	1	0,5
48	2	0,9
72	1	0,5
Total	217	100,0

32. HAVE YOU BEEN PAID THE FULL AMOUNT OF WAGE ARREARS OWED TO YOU BY YOUR COMPANY?

	Number	Percent
Yes	607	73,0
No	224	27,0
Total	831	100,0

32.1. IF YES, DURATON OF WAGE ARREARS

Months	Number	Percent
1	16	7,1
2	22	9,8
3	20	8,9
4	14	6,2
5	90	40,0
6	17	7,6
7	5	2,2
8	4	1,8
9	1	,4
10	5	2,2
12	2	,9
13	1	,4
14	1	,4
15	4	1,8
18	2	,9
20	1	,4
21	1	,4
24	12	5,3
30	1	,4
36	2	,9
44	1	,4
48	2	,9
72	1	,4
Total	225	100,0

33. WERE YOU A MEMBER OF A TRADE UNION?

	Number	Percent
Yes	779	93,7
No	52	6,3
Total	831	100,0

34. WERE THERE ANY COLLECTIVE AGREEMENTS IN YOUR WORKPLACE?

	Number	Percent
Yes	81	9,7
No	295	35,5
I do not know	455	54,8
Total	831	100,0

IV. LOOKING FOR JOB, AFTER BEING DISMISSED

35. WHAT KIND OF A JOB ARE YOU LOOKING FOR?

	Number	Percent
Similar to my former job	406	48,9
Different from my former job	134	16,1
It is all the same to me	230	27,7
I am not very active	20	2,4
I am employed	36	4,3
I am not looking a job	5	0,6
Total	831	100,0

36. HOW ARE YOU INFORMED ABOUT VACANCIES?

	Number	Percent
Through colleagues from the company	164	19,7
Through friends and relatives	343	41,3
Through mass media, public notice	51	6,1
Through the Employment Bureau	191	23,0
Through other means	33	4,0
I do not look for job	49	5,9
Total	831	100,0

37. HOW LONG DO YOU THINK IT WILL TAKE YOU TO FIND A JOB?

	Number	Percent
Next 6 months	19	2,3
Next 12 months	18	2,2
I do not know when I will find a job	560	67,4
I do not expect to find a job	203	24,4
I am employed	31	3,7

Total	831	100,0
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38. WERE DO YOU EXPECT TO FIND A JOB?

	Number	Percent
In the same firm	392	47,2
In another firm	227	27,3
I do not expect to find a job	172	20,7
I am employed	40	4,8
Total	831	100,0

39. WHAT IS THE BIGGEST OBSTACLE TO FINDING A JOB?

	Number	Percent
Lack of qualifications, education	130	15,6
Lack of skills knowledge	72	8,7
Females/males are not being	3	,4
I can't move to another town	15	1,8
People of my age are not being hired	38	4,6
Something else	412	49,6
I don't have any problems finding a job	128	15,4
I am employed	33	4,0
Total	831	100,0

40. ARE YOU READY TO MOVE ANOTHER PLACE?

	Number	Percent
Yes, with my family	345	41,5
Yes, but alone	124	14,9
No	362	43,6
Total	831	100,0

41. HOW MANY MONTHS HAVE YOU BEEN LOOKING FOR A JOB?

	Number	Percent
Less than 3 months	24	2,9
3-6 months	25	3,0
6-9 months	11	1,3
9-12 months	19	2,3
12-24 months	33	4,0
Over 24 months	330	39,7
Waits for the firm to restart	360	43,3
I am employed	29	3,5

Total	831	100,0
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42. HAVING LOST YOUR JOB, DID YOU TRY TO OBTAIN RETRAINING?

	Number	Percent
Yes	25	3,0
No	802	96,5
I am employed	4	0,5
Total	831	100,0

43. IF NO, THEN WHY NO?

	Number	Percent
It is useless, even with the new retraining I will not find a job	112	14,0
This requires money and I have none	391	48,8
I don't know where to obtain retraining	66	8,2
I don't know what other retraining to take	95	11,8
Other	50	6,2
The firms shall be reactivated	65	8,1
I am employed	23	2,9
Total	802	100

44. WHAT OTHER THINGS YOU CAN WORK IN ACCORDANCE WITH YOUR SKILLS, KNOWLEDGE, QUALIFIATIONS, EXCEPT WHAT YOU HAD ALREADY WORKED AT YOUR JOB?

	Number	Percent
I would work anything	344	41,4
Any kind of physical work	35	4,2
Agriculture, farming	23	2,8
Doorman, cleaning...	30	3,6
Production crafts	48	5,8
Services	68	8,2
The job I used to do, with my qualification	254	30,6
Administration, bookkeeping	21	2,5
Other	5	0,6
Without answer	3	0,4
Total	831	100,0

45. WHEN DID YOU MOST ACTIVELY LOOK FOR A JOB?

	Number	Percent
Immediately upon my dismissal from work	579	69,7
Now, that is, several months after my dismissal	110	13,2
I have been looking for a job in the whole period	77	9,3
I am not looking for job	65	7,8
Total	831	100,0

46. HAVE YOU TRIED ACTIVELY, ALONE OR WITH ANOTHER PERSON, TO START SOME PRIVATE BUSINESS, IN ORDER TO ENGAGE YOURSELF?

	Number	Percent
Yes	125	15,0
No	706	85,0
Total	831	100,0

47. IF NO, THEN WHY NO?

	Number	Percent
I do not have money, material means	431	61,0
I do not have interest,; I do not want to work in private business	79	11,2
Are physically incapable, invalid	17	2,4
Are old, at retirement age	14	2,0
Tried to start a private business	68	9,6
Without answer	97	13,7
Total	706	100,0

48. IF YOU WERE OFFERED AN APPROPROATE JOB NOW, COULD YOU BE ABLE TO BEGIN IMMEDIATELY?

	Number	Percent
Yes	828	99,6
No	3	0,4
Total	831	100,0

49. HAVE YOU BEEN INCLUDED IN SOME OF THE PROGRAMS FOR EMPLOYMENT?

	Number	Percent
No	638	76,8
Yes	131	15,8
I receive(d) unemployment benefit	62	7,5
Total	831	100,0

49.1. IF YES, IN WHAT?

	Number	Percent
Training or retraining	46	35,1
Employment counseling	47	35,9
The public works' program	38	29,0
Total	131	100,0

50. WHAT IS THE PRESENT AVERAGE MONTHLY INCOME OF YOUR FAMILY, EVERYTHING INCLUDED (SALARY, PENSION, SOCIAL BENEFITS, INCOME FROM AGRICULTURE)?

	Number	Percent
Up to 100,000 manat	400	48.1
100.000-200.000	234	28.2
200.000-300.000	100	12.0
300.000-400.000	46	5.5
400.000-500.000	10	1.2
500.000-750.000	3	0.4
750.000-1.000.000	2	0.2
Over 1,000,0000 manat	11	1.3
No reply	25	1.3
Total	831	100.0

51. FOLLOWING THE LOSS OF YOUR JOB, DID YOU HAVE TO SELL SOME PART OF YOUR PROPERTY (CAR, HOUSE, APARTMENT, LAND, HOUSEHOLD DURABLES) IN ORDER TO MAKE ENDS MEET?

	Number	Percent
Yes	533	64,1
No	207	24,9
I don't have any property for sale	91	11,0
Total	831	100,0

51. HAVE YOU RECEIVED ANY HUMANITARIAN OR SOCIAL ASSISTANCE?

	Number	Percent
Yes, regularly	205	24,7
Yes, from time to time	17	2,0
No	609	73,3
Total	831	100,0

52. HAVE YOU APPLIED FOR ANY HUMANITARIAN OR SOCIAL ASSISTANCE?

	Number	Percent
Yes, and I receive it	207	24,9
Yes, but I was refused	16	1,9
I would like to, but I don't know where	458	55,1
No	150	18,1
Total	831	100,0

53. ARE OTHER MEMBERS OF YOUR EXTENDED FAMILY OR YOUR FRIENDS SUPPORTING YOU OR YOUR FAMILY?

	Number	Percent
No	666	80,1
Yes, regularly	59	7,1
Yes, occasionally	106	12,8
Total	831	100,0

ANNEX III

SOCIAL MONITORING OF THE WORKERS IN BIG ENTERPRISES IN MINGECHEVIR CITY, AZERBAIJAN REPUBLIC, September 2004

The sample of enterprises from which the surveyed workers were selected was determined based on meetings with the city administration and staff of the local employment bureau. As a result, seven large SOEs were selected that were undergoing restructuring, and 10 percent of the randomly selected workers, or 477 people, ultimately comprised the survey population.

I SOCIO-DEMOGRAPHIC CHARACTERISTICS OF THE INTERVIEWED PERSON AND HIS/HER FAMILY

1. NAME OF THE COMPANY/FIRM

	Number	Percent
Textile combine	47	9,9
HEPS*	200	41,9
Factory 'Izolit'	36	7,5
Glass factory	50	10,5
Azerkabel	50	10,5
Factory of technical rubber	48	10,1
Water-sewer department	46	9,6
Total	477	100,0

HEPS – hydroelectric power station

2. GENDER

	Number	Percent
Female	190	39,8
Male	287	60,2
Total	477	100,0

3. AGE

Years	Percent
<30	11,3
31-40	20,1
41-50	48,6
51-61	17,2
>=62	2,7
Total	100,0

4. EDUCATION

	Number	Percent
Primary, or does not have a primary	3	0,6
Incomplete secondary	18	3,8
Secondary general	135	28,3
Lyceum	38	8,0
Secondary special (college)	116	24,3
Incomplete higher	2	0,4
Higher	165	34,6
Total	477	100,0

5. NUMBER OF RESIDENTS IN YOUR HOUSEHOLD (MEMBERS OF THE FAMILY LIVING TOGETHER AND SHARING A BUDGET)

Number of household members	Number	Percent
1	18	3,8
2	22	4,6
3	62	13,0
4	193	40,5
5	101	21,2
6	54	11,3
7	14	2,9
8	10	2,1
9	2	0,4
10	1	0,2
Total	477	100,0

5.1. OF WHICH AT THE AGE OF 0-6

Number of children in household	Number	Percent
1	54	71,1
2	18	23,7
3	2	2,6
5	2	2,6
Total	76	100,0

5.2. OF WHICH AT THE AGE OF 7-15

Number of children in household	Number	Percent
1	90	42,9
2	99	47,1
3	20	9,5
4	1	,5

5	210	100,0
Total	90	42,9

5.3. OF WHICH AT THE AGE OF 16-62

Number of adults at able-bodied age	Number	Percent
1	38	8,0
2	160	33,8
3	70	14,8
4	117	24,7
5	60	12,7
6	22	4,6
7	6	1,3
8	1	,2
Total	474	100,0

5.4. OF WHICH AT THE AGE OF 63 YEARS AND OVER

Number of individuals at age 63 and over	Number	Percent
1	43	74,1
2	13	22,4
5	1	1,7
6	1	1,7
Total	58	100,0

6. MARITAL STATUS

	Number	Percent
Registered marriage	372	78,0
Cohabiting but marriage not registered	13	2,7
Divorced	12	2,5
Widower, widow	16	3,4
Have never been married	64	13,4
Total	477	100,0

7. HOW MANY MEMBERS OF YOUR FAMILY ARE EMPLOYED ON PERMANENT BASIS

	Number	Percent
Only one member	311	65,2
2 members	137	28,7
3 members	24	5,0
More than 3 members	5	1,0
Total	477	100,0

8. HOW MANY MEMBERS OF YOUR FAMILY ARE EMPLOYED ON A PART TIME BASIS OR TEMPORARY BASIS?

	Number	Percent
None	361	75,7

Only one member	89	18,7
2 members	23	4,8
3 members	4	,8
Total	477	100,0

9. HOW MANY MEMBERS OF YOUR FAMILY RECEIVE INCOME (SALARY, PENSION, CHILD ALLOWANCE, SOCIAL BENEFIT, BENEFIT FOR THE UNEMPLOYED)

	Number	Percent
None	33	6,9
Only one member	218	45,7
2 members	170	35,6
3 members	56	11,7
Total	477	100,0

10. YOUR FAMILY LIVES IN:

	Number	Percent
Own apartment	322	67,5
Own house	82	17,2
Rented apartment or house	17	3,6
State provided apartment or house	9	1,9
Dormitory	33	6,9
With relatives	14	2,9
Total	477	100,0

11. DOES YOUR FAMILY OWN A SUMMER HOUSE OUTSIDE TOWN?

	Number	Percent
Yes	29	6,1
No	448	93,9
Total	477	100,0

12. DOES YOUR FAMILY OWN LAND: FARM, ORCHARD?

	Number	Percent
Yes	67	14,0
No	410	86,0
Total	477	100,0

FEATURES OF YOUR JOB

13. YOU WOULD DESCRIBE YOUR JOB AS:

	Number	Percent
Worker in process of production	194	40,7
Worker engaged in maintenance of	95	19,9

machines		
Service personnel	90	18,9
Administration	49	10,3
Manager	15	3,1
Public health services	1	0,2
Something else	33	6,9
Total	477	100,0

14.. ARE YOU WORKING IN PRIVATE OR PUBLIC SECTOR?

	Number	Percent
Private sector	51	10,7
State sector	426	89,3
Total	477	100,0

15. WHAT IS THE APPROXIMATE NUMBER OF EMPLOYEES IN THE COMPANY WHERE YOU WORK?

	Number	Percent
Less than 100	84	17,6
100-500 person	195	40,9
501-1000 person	3	,6
1001 and more	180	37,7
I do not know	15	3,1
Total	477	100,0

16. HAS THE NUMBER OF EMPLOYMENT IN YOUR WORKPLACE DURING THE LAST 12 MONTHS:

	Number	Percent
Increased	25	5,2
Remained the same	424	88,9
Decreased	6	1,3
I don't know	22	4,6
Total	477	100,0

17. IS THIS YOUR FIRST EMPLOYMENT?

	Number	Percent
Yes	223	46,8
No, this is my second employment	155	32,5
No, this is my third employment	51	10,7
No, this is my fourth employment	18	3,8
More than fourth employment	30	6,3
Total	477	100,0

18. WITH YOUR EMPLOYER, DO YOU HAVE

	Number	Percent
A written term less employment contract	143	30,0
A written fixed-term employment contract	319	66,9
A written contract for doing a specific work	6	1,2
No written labor agreement	9	1,9
Total	477	100,0

19. HOW MANY YEARS OF WORKING EXPERIENCE DO YOU HAVE?

	Number	Percent
Less than 2 years	41	8,6
3-10 years	38	8,0
11-25 years	221	46,3
Over 25 years	177	37,1
Total	477	100,0

20. HOW MANY DAYS DURING THE LAST FULL MONTH PRIOR TO A SURVEY YOU COULD SAY YOU ACTUALLY WORKED?

	Number	Percent
I was employed full time	354	74,2
10-20 days	72	15,1
Less than 10 days	2	0,4
I was on leave (annual, sick leave, etc.)	36	7,5
I did not work although I am still on the enterprise list	13	2,7
Total	477	100,0

21. YOUR WORKING TIME IS:

	Number	Percent
Full working time, 8 hours a day	450	94,3
Partial, with half working time a day	7	1,5
More than 8 hours a day	16	3,4
There is no fixed working time; I work as told by the employ	4	0,8
Total	477	100,0

22. WHAT IS THE AMOUNT OF YOUR SALARY (WE THINK HERE OF THE NOMINAL VALUE, REGARDLESS OF THE FACT IF THE WHOLE SALARY WAS RECEIVED/PAID OUT

	Number	Percent
Up to 100,000 manat	41	8,6
100 000 - 200 000 manat	148	31,0
200 000 - 300 000 manat	95	19,9

300 000 - 400 000 manat	64	13,4
400 000 - 500 000 manat	65	13,6
Over 500,000 manat	64	13,4
Total	477	100,0

23. ON WHAT BASIS DO YOU RECEIVE YOUR SALARY? IT IS...

	Number	Percent
Pure fixed monthly salary	396	83,0
Pure results pay (piecework)	44	9,2
Pure fixed monthly salary + regular additional payments	24	5,0
Fixed monthly salary + results pay (piecework)	8	1,7
I do not wish to say	5	1,0
Total	477	100,0

24. DO YOU RECEIVE THE SALARY "IN ENVELOPE"?

	Number	Percent
Sometimes	1	,2
Every month	2	,4
Never	471	98,7
Do not wish to say	3	,6
Total	477	100,0

25. HAVE THERE BEEN ANY DELAYS IN RECEIVING YOUR SALARY DURING THE LAST 12 MONTHS?

	Number	Percent
No	103	21,6
yes	374	78,4
Total	477	100,0

26. IF ANY, HOW LONG HAVE THOSE DELAYS BEEN?

	Number	Percent
Up to two weeks	83	51,2
Up to 1 month	60	37,0
2-6 months	15	9,3
Over 6 months	4	2,5
Total	162	100,0

27. HAVE THE FOLLOWING INCIDENTS OCCURRED IN YOUR COMPANY DURING THE LAST 12 MONTHS?

	Number	Percent
Someone has been redundant	15	3,1
Working day/ time has been reduced	2	0,4

Someone has been sent in unpaid vacation	62	13,0
If someone has left (i.e. retired), the vacant place has not been filled	4	0,8
I do not know	369	77,4
Total	452	100,0

28. DO YOU CONSIDER IT IS POSSIBLE THAT IN THE NEXT YEAR...?

	Number	Percent
You will lose your current job	27	5,7
You will be transferred to another job in the same company	13	2,7
Your working time will be increased	3	0,6
Your working regime will be changed against your will	2	0,4
You will get lower remuneration	5	1,0
I do not know	414	86,8
I do not want to say	13	2,7
Total	477	100,0

29. IN THE LAST 12 MONTHS, HAS THERE BEEN ANY DEVELOPMENT ACTIVITY AT YOUR WORKPLACE CONCERNING...

	Number	Percent
New products	101	21,2
New ways of working, or manufacturing methods, or manufacturing processes	29	6,1
New technical equipment has been taken into use	5	1,0
No, nothing has happened	315	66,0
I do not want to say	27	5,7
Total	477	100,0

30. IN ADDITION TO YOUR MAIN JOB, DO YOU HAVE ANY OTHER OR SECONDARY JOB?

	Number	Percent
Yes	13	2,7
No	464	97,3
Total	477	100,0

31. BASED ON THE LAW FOR PENSION AND DISABILITY INSURANCE, DO YOU FULFILL SOME OF THE CONDITIONS FOR RETIREMENT?

	Number	Percent
Yes	35	7,3
Yes, but contributions to the pension fund have not been paid. Otherwise, I have sufficient years of working	4	0,8

experience		
No, I do not have sufficient years of working experience	15	3,1
No, I do not have sufficient years of age	270	56,6
I have neither sufficient age or experience	140	29,4
I do not want to say	13	2,7
Total	477	100,0

32. HAVE YOU PAY THE FULL AMOUNT OF WAGE ARREARS OWED TO YOU BY YOUR COMPANY?

	Number	Percent
Yes	427	89,5
No	50	10,5
Total	477	100,0

33. DOES YOUR COMPANY PAY ALL THE LEGALLY REQUIRED CONTRIBUTIONS AND TAXES FOR YOU?

	Number	Percent
Yes, it does	358	75,1
It does not	17	3,6
I do not know	102	21,4
Total	477	100,0

35. WHAT IS THE AVERAGE MONTHLY INCOME OF YOUR FAMILY, EVERYTHING INCLUDED (SALARY, PENSION, SOCIAL BENEFITS, INCOME FROM AGRICULTURE)?

	Number	Percent
Up to 100,000 manat	18	3.8
100,000-200,000 manat	87	18.2
200,000-300,000 manat	95	19.9
300,000-400,000 manat	73	15.3
400,000-500,000 manat	81	17.0
500,000-750,000 manat	83	17.4
500,000-750,000 manat	24	5.0
Over 1,000,0000 manat	5	1.0
No reply	11	2.3
Total	477	100.0

36. HAVE YOU RECEIVED ANY HUMANITARIAN OR SOCIAL ASSISTANCE?

	Number	Percent
Yes, regularly	17	3,6
Sometimes	29	6,1
No	431	90,4
Total	477	100,0

37. ARE OTHER MEMBERS OF YOUR EXTENDED FAMILY OR YOUR FRIENDS SUPPORTING YOU OR YOUR FAMILY?

	Number	Percent
No	386	80,9
Yes, regularly	23	4,8
Yes, occasionally	68	14,3
Total	477	100,0

**BEING INFORMED ON THE SITUATION AND TRANSFORMATION
IN THE COMPANY**

38. ARE YOU INFORMED ABOUT THE POTENTIAL TRANSFORMATIONS IN YOUR COMPANY?

	Number	Percent
Yes, I am informed all the time about the course of the transformation	198	41,5
I was given informal information through some of my colleagues	33	6,9
No, no one has informed me	246	51,6
Total	477	100,0

39. ARE YOU INFORMED OF THE PLAN FOR PRIVATIZATION OF THE FIRM (IF APPLICABLE)?

	Number	Percent
Yes	209	43,8
No	171	35,8
I never heard of such a plan	97	20,3
Total	477	100,0

40. ARE YOU A MEMBER OF A TRADE UNION?

	Number	Percent
Yes	443	92,9
No	34	7,1
Total	477	100,0

41. ARE THERE ANY COLLECTIVE AGREEMENTS IN YOUR WORKPLACE?

	Number	Percent
Yes	279	58,5
No	75	15,7
Do not know	123	25,8
Total	477	100,0

42. DO YOU KNOW THE RIGHTS YOU HAVE IN CASE YOU WILL BE MADE REDUNDANT PURSUANT TO THE LABOR LAW, LAW ON BANKCRUPCY AND LAW ON PRIVATIZATION

	Number	Percent
Yes, the Trade Union have informed me	78	16,4
Yes, I have informed myself	125	26,2
No, no one has informed me	232	48,6
I am not interested in anything	42	8,8
Total	477	100,0

IV. ARE YOU LOOKING FOR A NEW JOB

43. WHAT KIND OF A JOB ARE YOU LOOKING FOR?

	Number	Percent
Similar to my former job	89	18,7
Differe nt from my former job	26	5,5
It is all the same to me	60	12,6
I am not very active	18	3,8
I am not looking a job	284	59,5
Total	477	100,0

44. HOW ARE YOU INFORMED ABOUT VACANCIES?

	Number	Percent
Through colleagues from the company	34	17,6
Through friends and relatives	79	40,9
Through mass media, public notice	40	20,7
Through the Employment Bureau	28	14,5
Through other means	12	6,2
Total	193	100,0

45. HOW LONG DO YOU THINK IT WILL TAKE YOU TO FIND A JOB?

	Number	Percent
Next 6 months	9	4,7
Next 12 months	3	1,6
I do not know	113	58,5
I do not expect	63	32,6
I have already got the invitation to new work	5	2,6
Total	193	100,0

46. WERE DO YOU EXPECT TO FIND A JOB?

	Number	Percent
In the same firm	126	65,3
In another firm	25	13,0
I do not expect to find a job	41	21,2
I have already got the invitation to a new work	1	0,5
Total	193	100,0

47. WHAT IS THE BIGGEST OBSTACLE TO FINDING A NEW JOB?

	Number	Percent
Lack of qualifications, education	19	14,0
Lack of skills, knowledge	1	0,7
I can't move to another town	40	29,4
My age	13	9,6
Something else	36	26,5
I don't have any problems finding a job	19	14,0
I have already got the invitation to a new work	8	5,9
Total	136	100,0

III. 47.1. SOME OTHER OBSTACLES TO FINDING A JOB

IV.

	Number	Percent
I cannot find work	2	6,9
I have no money for job search	19	65,5
It not my specialty	1	3,4
Marriage	1	3,4
There is no work	5	17,2
Political views	1	3,4
Total	29	100,0

48. HOW MANY MONTHS HAVE YOU BEEN LOOKING FOR A JOB?

	Number	Percent
Less than 3 months	19	22,9
3-6 months	6	7,2
6-9 months	7	8,4
9-12 months	4	4,8
Over 12 month	47	56,6
Total	83	100,0

V. 49. ARE YOU READY TO MOVE TO ANOTHER PLACE?

Number Percent

Yes, with my family	33	20,0
Yes, but alone	35	21,2
No	97	58,8
Total	165	100,0

50. HAVE YOU TRIED TO OBTAIN RETRAINING?

	Number	Percent
Yes	65	33,3
No	130	66,7
Total	195	100,0

51. IF NO, THEN WHY NO?

	Number	Percent
It is useless, even with the new retraining I will not find a new job	47	35,3
This requires money and I have none	50	37,6
I do not know where to obtain retraining	5	3,8
II do not know what other retraining to take	11	8,3
Other	20	15,0
Total	133	100,0

52. WHAT OTHER THINGS YOU CAN WORK IN ACCORDANCE WITH YOUR SKILLS, KNOWLEDGE, QUALIFICATIONS, EXCEPT WHAT YOU HAD ALREADY WORKED AT YOUR JOB

	Number	Percent
I would work anything	65	29,3
Any kind of physical work	20	9,0
Agriculture, farming	6	2,7
Doorman, cleaning	1	0,5
Production crafts	8	3,6
Services	4	1,8
The job I used to do, with my qualification	72	32,4
Administration, bookkeeping	14	6,3
Other	8	3,6
Without answer	24	10,8
Total	222	100,0

53. HAVE YOU TRIED ACTIVELY, ALONE OR WITH ANOTHER PERSON, TO START SOME PRIVATE BUSINESS, IN ORDER TO ENGAGE YOURSELF?

	Number	Percent
Yes	44	9,2
No	186	39,0
Without answer	247	51,8
Total	477	100,0

54. IF NO, THEN WHY NO?

	Number	Percent
Do not have money, material means	116	62,4
Do not have interest, do not want to work in private business	10	5,4
Are physically incapable, invalids	4	2,2
Are old, on retiring age	1	0,5
Without answer	55	29,6
Total	186	100,0

ANNEX III

Focus Group Survey of Local Employers

Pilot group:

Location:	Mingachevir, Azerbaijan
Date:	30 June 2004
Duration:	4 hours
Number of participants:	7

National group:

Location:	Baku, Azerbaijan
Date:	2 October 2004
Duration:	4 hours
Number of participants:	15

Method used

A pilot study to test the approach was conducted with 7 business owners in a medium-size industrial city. Invitations to participate were made to 8 businesses, representing main areas of economic activity in the locale: wholesale and retail trade, manufacturing, lease and rent, construction, transportation. A meeting of the Focus Group was held on neutral premises (in a riverside park). Discussion was structured around 8 basic questions where four of the questions were substantive and the other four temporal asking to evaluate change in given parameters over the selected time frame (2 years). Six of the questions were explicitly grouped into 3 pairs such that the same question menu was used for both questions in a pair.

After results of the pilot study were reported to the World Bank, a decision was reached to use the same approach to the National Focus Group (AZ FG), with addition of four questions (two pairs) relating to finance and infrastructure, modeled after the pairs used in Mingachevir FG. Insertion of these four questions brought the total number of questions to 12, i.e.:

1. Legal and regulatory framework affecting business establishment and operation.
2. Change thereof in the last two years.
3. Enactment, enforcement and implementation of business laws and regulations.
4. Change thereof in the last two years.
5. Availability of external finance for business establishment and operation.
6. Change thereof in the last two years.
7. Availability of basic infrastructure for entrepreneurship.
8. Change thereof in the last two years.
9. Institutional corruption.
10. Change thereof in the last two years.
11. Change in overall business environment in the last two years.
12. Special question: Increase in state attention to business relative to turnover growth.

For AZ Focus Group we also modified some definitions (marked with an asterisk in the tables below) and added options to menus in questions 1-2 and 9-10.

The National Focus Group exercise was held 2 October 2004 at the World Bank office in Baku. Selection of the focus group was not random and was based on reference. Of 21 business owners invited, 15 took part. A geographically diverse group, with ten out of the 15 members from outside

of Baku (i.e. Ganja, Sumgayit, Mingachevir, Barda, Imishli, Xachmaz, Gusar, Saatli, Zagatala), the FG participants also spanned the broad sectoral range of the non-oil economy, from agriculture and food processing to wholesale and retail trade and catering to transportation and IT services to banking, law and accountancy. The six invited entrepreneurs who did not join were from Baku, Nakhchivan, Lankaran and Shamkir.

The Focus Group was conducted in Azeri by two moderators. After introductions and explanation of the goals and method, the exercise further consisted of two parts. During the first, informal part, the participants were requested, one by one, to comment on one or more of the following topics: 1) business establishment; 2) business operation; 3) financial obstacles; 4) institutional obstacles. This informal discussion served as a warm-up for the participants and also gave valuable insights and observations for interpreting the Focus Group. In particular, it urged separate evaluation of major cities and the country in questions 5 and 7, introduced the notion of “consumer rights” into the natural monopoly option (Question 1) and helped to clarify some of the definitions.

The second part was conducted as a structured discussion in accordance with pre-designed template enumerating possible causes for current state of business environment in Azerbaijan. Group participants were requested to speak from their own experience and, at the same time, evaluate situation not just for their respective businesses but for an entire business community of their locale.

During the formal part the moderator read every question. Group participants received copies of measurement scales used in the exercise. On each question a short discussion was held. After this discussion, the moderator summarized and declared finding to be entered into the template for the Group. Finding was entered if there were no objections from participants. If, *after the discussion*, one or more of the participants still disagreed with the grade the Group gave to a particular answer but did not want to elaborate further on their view, it was entered into the template as a “dissent”.

A frame of two years was suggested for making temporal comparisons because in 2002 the government of Azerbaijan conducted a well-publicized campaign for eliminating or reducing impediments for SME development.

As the outcomes of the pilot FG in Mingachevir were recognized as valid and valuable, we enter them where applicable, i.e. in tables 1-4 and 9-12 where identical or almost identical questions were asked. For easy comparison, the presentation of numerical results in questions 1,3 and 9 is organized into 2 separate columns: AZ for National FG (in bold) and Min. for Mingachevir FG. Where such approach would be impracticable (in tables 2, 4, 10 and 11), the national outcomes are marked in bold and the Mingachevir outcomes are given in parentheses.

For questions of 5 and 7 the FG participants believed a gap between Baku and a few other major cities (Sumgayit, Ganja) and the rest of the country was large enough to warrant their separate evaluation and tabular differentiation. Hence, two columns: BM for Baku and major cities and RoA for the rest of Azerbaijan (in bold). Ordering is based on RoA answers.

Scale A
Problem Incidence

0	No problem
1	A little problem
2	A problem exists and bears on business environment
3	A regularly occurring problem with significant negative impact
4	A serious, long-lasting problem with damaging consequences
5	A severe problem, one of the main impediments to business development

Scale B
Problem Persistence
In the last two years:

-2	Situation significantly worsened
-1	Situation somewhat worsened
0	Situation remained generally unchanged
+1	Situation somewhat improved
+2	Situation significantly improved

Findings

Question 1

Table 1 describes some aspects of the legal and regulatory framework affecting business establishment and operation. Based on your current experience, evaluate each of these aspects in their possible negative impact on business environment in a locale where you operate your business. Please use Scale A (Problem Incidence) for your evaluation, with 0 – no problem at all and 5 – very severe problem. Please summarize description of the problems for most important legal and regulatory areas.

Table 1

Presentation in the decreasing order of AZ FG points, which are marked bold

*Definitions modified from the Mingachevir FG are marked with an asterisk **

Legal or regulatory area	Points in FG:		Summary, remarks
	AZ	Min.	
<i>Custom dues and regulations</i>	5	not rated	Regulatory gaps; selective enforcement; valuation based not on invoicing but “market price” arrived at arbitrarily
Custom procedures for export-import	4	not rated	High payoffs (must pay for everything); arbitrary holdups, restrictions and delays; widespread, organized smuggling
Formalization of real estate transactions (title, purchase, lease)*	4	5	Impossible / payoff prohibitively expensive to formalize real estate deals and get the title to be able to sell / lease, collateralize or otherwise dispose of property
Privatization procedures	4	4	Impossible / payoff prohibitively expensive to complete privatization process and get the title to be able to sell / lease, collateralize or otherwise dispose of property
Business licensing, certification (getting product to market) and receiving various permits*	4	3	Some meaningless or redundant licenses remain on the books while it was wrong to abolish some others, for particular businesses and professions (e.g. for valuation and assessment); number of requisite licenses was drastically reduced but procedures for the remaining ones were toughened
Tariff policy of natural monopolies (utilities, fuels, telecom, etc.), limited rights of consumers*	4	2	Regulatory insufficiency to ensure reliable supply of utilities and telecom services to minimal industry standards; no legal and regulatory basis to hold them accountable for failure thereof; lack of recourse for private consumers vis-à-vis utilities companies; service charge collections targeted at private sector (who also pay higher rates) and residential consumers whereas state-owned companies and government agencies allowed to accumulate huge arrears; international

			and mobile phone calls very expensive compared to neighboring countries; imminent threat of increased fuel tariffs
Rates for personal income tax and social contributions	4	2	Too high rates discourage formal employment and wage increases
Getting land and necessary permits for construction	3	3	Bureaucratic obstacles; rules not transparent; arbitrary refusals and delays; lack of standard enforcement
Rates for corporate profit tax, VAT and other business taxes	3	2	Profit tax rate is too high, especially in view of difficulty (especially outside of major cities) and extra cost of getting proper invoices for procured items to be able to legally deduct from the taxable income
Tax assessment and payment	2	1	Problems with VAT return and excise assessment
Inspections (planned and unplanned)	1	1	
<i>Labor regulations (hiring, firing, vacations, etc.)</i>	0	n/a	Not a problem now, but in the longer run weak labor regulations and lack of union organization will reduce workplace morale and encourage personnel turnover

The respondents unanimously agreed that they have the biggest concern with the customs regulations / procedures and property formalization / transactions.

Customs, in addition to being the most systemically corrupt institution, has become an enforcement arm and largest benefactor of the artificial monopolies and segmented, non-competitive markets. Customs-related questions were not rated in the Mingachevir FG because respondents there did not feel to be qualified to assess them: as local business owners do not directly import / export but deal with wholesalers, they thought custom fees or practices do not directly impinge on the business environment in their locale (in accordance with question formulation).

As for property, it is very difficult to receive an official title to privatized or purchased property. Local officers of the Ministry of Economic Development (MED) misinform or fail to inform business owners about rates and procedures (e.g. the Law on State Registry for Real Estate is enacted but not published or not accessible for business owners). Their rates for both formal and informal payments are sometimes arbitrary; unreasonable delays and refusals are followed by offers from “right people” to buy privatized land or property at cut-prices. All this creates insecurity, increases effectiveness of extortion, discourages outside investment and job creation.

Question 2

Please use the same list as in the Table 1. In your opinion, how did situation in these areas changed in comparison with the past (2 years ago)? Please use Scale B (Problem Persistence) for your evaluation, with 0 – the same and 2 either much better or much worse.

Table 2

Presentation in the order of Table 1

Mingachevir FG results are given in parentheses ()

Definitions modified from the Mingachevir FG are marked with an asterisk *

Legal or regulatory area	Better now	Same	Worse now
<i>Custom dues and regulations</i>		0 (not rated)	
Custom procedures for export-import		0 (not rated)	
<i>Formalization of real estate transactions (title, purchase, lease)*</i>			-2 (-2)
Privatization procedures		0	(-2)
Business licensing, certification (getting product to market) and receiving various permits*	+1		(-1)
Tariff policy of natural monopolies (electricity, fuels, telecom, etc.), limited rights of consumers*	dissent: +1	0	(-1)
Rates for personal income tax and social contributions	+1 (+1)		
Getting land and necessary permits for construction		0	(-1)
Rates for corporate profit tax, VAT and other business taxes	+1 (+1)		
Tax assessment and payment	+2 (+2)		
Inspections (planned and unplanned)	+2 (+2)		
Labor regulations (hiring, firing, vacations, etc.)		0 (n/a)	

Question 3

Table 3 presents some possible problems in the legal and regulatory framework and governance mechanisms pertaining to enactment, enforcement and implementation of business laws and regulations. Based on your current experience, evaluate each of these aspects in their possible negative impact on business environment in a locale where you operate your business. Please use Scale A (Problem Incidence) for your evaluation, with 0 – no problem at all and 5 – very severe problem. Please summarize description of the problems for most important aspects.

Table 3
Presentation in the decreasing order of AZ FG points, which are marked bold

Possible negative aspects	Points in FG:		Summary, remarks
	AZ	Min.	
Weak anti-monopoly policy and regulations, proliferation of artificially protected monopolies, unfair competition	5	5	Especially after the Anti-monopoly Committee is merged with MED
Business interests of state officials, conflict and collusion of interests	5	5	
Courts, including economic courts, are not independent and can not protect from state unfair practices	5	5	
Interference of executive offices and other local authorities	4	1	If the average counted, the score would more properly be 4.5 as many participants insisted on the score of 5 – overall, regional variations
Selective enforcement and discrimination in application of tax, customs and other business laws and regulations	4	3	Dissent in Min: a little problem (1)
Rules and regulations change too quickly	3	1	Codification is a positive development but within the given code legal provisions often change by the year (e.g., the Customs Code)
Rules are incomprehensible, or too complex, or overlapping, duplicating and contradictory	2	2	

A respondent in Mingachevir FG recalled a case last year when he appealed to court for wrong tax assessment on his business. Many judges refused to accept the claim for proceedings until, finally, one did (in another city). After that the respondent was mobbed with tax inspectors to make him withdraw the claim. Finally, a phone call from the Ministry of Taxation halted the case – it never even went for hearing. Tax authorities made the respondent pay the original assessment in full, plus “fines”, USD 21,000 in total.

A respondent in AZ FG stated that his business several times sued and won over the tax, customs and local authorities. Utilities companies were the only exception where he could not obtain justice despite bringing 4 separate claims against them for unreliable service, violating the standards, overcharging, etc. He felt the utilities (electricity, gas, water, sewerage) and railways behave like “spoiled kids of the state”.

The Azerbaijan FG respondents think that local executive authorities, politically subservient and economically greedy, are overstaffed with incompetent and overbearing officials, often without any explicit function to perform. These executive offices (“powers”) can, the respondents think, be safely abolished or merged.

In general, the respondents believe that “business interests of state officials”, coupled with “weak anti-monopoly policy and regulations” and corrupt courts, bring about “proliferation of artificially protected monopolies” and “unfair competition”. This strongly victimizes “unaffiliated” SMEs, especially medium-size companies. Because of the above, in Mingachevir in the last two years two of the respondents had to stop or cut back their businesses and fire, between them, 94 employees. Another respondent is precluded from starting a business he says can employ up to 140 people.

Question 4

Please use the same list as in the Table 3. In your opinion, how did situation in these areas changed in comparison with the past (2 years ago)? Please use Scale B (Problem Persistence) for your evaluation, with 0 – the same and 2 either much better or much worse.

Table 4

Presentation in the order of Table 3

Mingachevir FG results are given in parentheses ()

Possible negative aspects	Better now	Same	Worse now
Weak anti-monopoly policy and regulations, proliferation of artificially protected monopolies, unfair competition			-2 (-1)
Business interests of state officials, conflict and collusion of interests			-2 (-1)
Courts, including economic courts, are not independent and can not protect from state unfair practices		0	
Interference of executive offices and other local authorities	(+2)		-2
Selective enforcement and discrimination in application of tax, customs and other business laws and regulations	(+1)	0	
Rules and regulations change too quickly	(+1)		-1
Rules are incomprehensible, or too complex, or overlapping, duplicating and contradictory	+1 (+1)		

For the top two conditions, the situation, already very bad 2 years ago, managed to further deteriorate. Courts are as corrupt, inefficient and controlled as ever.

Recent frequent changes of district executive chiefs have created additional incentives to “make hay while the sun shines” and thus increased prevalence and unpredictability of extortion. In Mingachevir, however, the respondents believed that the recent stability of the local executive has helped to significantly reduce interference with and direct extortion of local business. Hence, the topical difference in Tables 3 and 4.

Codification of laws has helped to alleviate many problems with volatility, duplication and complexity of rules. However, many regulations (*serencam* or “executive orders”) remain overlapping and contradictory. Multitude of recent modifications in many already codified legal areas has made the national group assess the change here negatively, as opposed to the Mingachevir FG.

Question 5

Table 5 presents possible obstacles to obtaining external finance for operation and growth of the business. Based on your current experience, evaluate each of these aspects in their possible negative impact on business environment in a locale where you operate your business. Please

use Scale A (Problem Incidence) for your evaluation, with 0 – no problem at all and 5 – very severe problem. Please summarize description of the problems for most important obstacles.

Table 5

Evaluation is done separately for Baku and other major cities (BM) and the rest of Azerbaijan (RoA)

Presentation in the decreasing order of RoA points, which are marked bold

Possible financial obstacles	Points AZ FG:		Summary, remarks
	BM	RoA	
Lack of access to long-term bank loans	5	5	Average maturity for commercial credit is between 6 month and 1 year
Lack of access to lease finance	5	5	Leasing market has just started developing with a Japanese grant and IFC funds
High interest rates	4	4	Rates have stopped declining and shot up to preempt inflationary expectations
Need for special connections with banks, corruption of bank officials	3	4	Especially for concessional financing (under National Business Support Fund); some banks are worse at this than others: this often leads to large local differences because very small number of commercial banks (1 or 2) operates in some locales
Collateral requirements of banks and financial institutions	2	4	Big local differences; real estate market is not developed, which prevents using RoA property for collateralization
Banks, financial institutions lack money to lend	3	3	Banks do not have enough “cheap money” and attractive risk / return lending options
Inadequate credit information on customers	3	3	Although banking confidence and bank advertising (and name recognition) is up, marketing strategies and customer information remain weak points for many banks
Paperwork, red tape	2	3	Especially for concessional financing (under National Business Support Fund); some banks are worse at this than others: this often leads to large local differences because only very small number of commercial banks (1 or 2) operates in some locales

The National Business Support Fund provides concessional financing to authorized banks to lend to businesses at low rates. However, at 7% lending rate banks earn only about 4% on those loans, which is below the current inflation rate. Due to the low reward, the banks are reluctant to shoulder lending risks, especially in absence of adequate credit and commercial information about applicant businesses (see above). These leads to underutilization of funds: only about AZM 26 bln out of 50 bln available were used in 2003. This low utilization rate (52%), FG participants suppose, can only get lower as the available financing is scheduled to increase in 2004 to AZM 100 bln and in 2005 to AZM 200 bln.

According to FG participants, many banks use concessional financing either to finance related or “friendly” businesses, or for additional reward (bribe), at the same time trying to put off regular business customers with unnecessary red tape, excuses about not having enough money or flat refusals. National FG members believe that unless a scheme is developed where lending risks are reduced and /or spread more evenly, the current scheme will not contribute significantly to goals of general economic growth and, specifically, regional development.

Question 6

Please use the same list as in the Table 5. In your opinion, how did situation in these areas changed in comparison with the past (2 years ago)? Please use Scale B (Problem Persistence) for your evaluation, with 0 – the same and 2 either much better or much worse.

Table 6
Presentation in the order of Table 5

Possible obstacles	Better now	Same	Worse now
Lack of access to long-term bank loans	+1		
Lack of access to lease finance		0	
High interest rates	+1		
Need for special connections with banks, corruption of bank officials	+1		
Collateral requirements of banks and financial institutions	+1	(0 for RoA)	
Banks, financial institutions lack money to lend	+1		
Inadequate credit information on customers	+1		
Paperwork, red tape	+1		

FG participants felt that although current situation in the banking sector merits separate evaluation for Baku, Ganja, Sumgayit (BM) and the rest of the country (RoA), as is done with Question 5, the direction of changes is concomitant, and, therefore, Question 6 can be dealt with on a concurrent basis, except for “collateral requirements”, where positive changes in BM were not accompanied with corresponding improvement in RoA.

Question 7

Table 7 presents types of basic infrastructure for entrepreneurship. Based on your current experience, evaluate LACK OF each of these facilities in their possible negative impact on business environment in a locale where you operate your business. Please use Scale A (Problem Incidence) for your evaluation, with 0 – no problem at all and 5 – very severe problem. Please summarize description of the problems for most important facilities.

Table 7
Evaluation is done separately for Baku and other major cities (BM) and the rest of Azerbaijan (RoA)
Presentation in the decreasing order of RoA points, which are marked bold

Infrastructure	Points AZ FG:		Summary, remarks
	BM	RoA	
Regular, reliable electricity supply	2	5	
Quality of local roads	2	4	
Quality of intercity roads	3	3	
Access to production / commercial / business premises	3	3	
Regular, reliable gas supply	2	3	
Regular, reliable water supply	2	3	
Reliable cellular phone services with good coverage	1	2	
Reliable local and long -distance telecommunications	1	1	

Question 8

Please use the same list as in the Table 7. In your opinion, how did situation in these areas changed in comparison with the past (2 years ago)? Please use Scale B (Problem Persistence) for your evaluation, with 0 – the same and 2 either much better or much worse.

Table 8
Presentation in the order of Table 7

VI. Infrastructure	Better now	Same	Worse now
Regular, reliable electricity supply	+1		
Quality of local roads	+1		
Quality of intercity roads	+2		
Access to production / commercial / business premises		0	
Regular, reliable gas supply		0	
Regular, reliable water supply		0	
Reliable cellular phone services with good coverage			-1
Reliable local and long -distance telecommunications	+2		

FG participants noted that although overall quality of local roads has somewhat improved, especially in and around Baku and major cities, local roads in many other parts of the country have further deteriorated due to lack of maintenance and repairs.

Despite increased penetration, cellular phones services have declined for the first time running as coverage has not noticeably extended and service quality actually dropped.

Question 9

In your opinion, how corruption in the following institutions affects business environment in a locale where you operate your business? Evaluate using Scale A (Problem Incidence), with 0 – no problem at all and 5 – very severe problem. In you answers please try to reflect possible danger factor for businesses in the cases bribes are not paid to these agencies (effectiveness of extortion factor). Please comment where appropriate. For comparison, we included two areas without direct bearing on private business: education and health.

Table 9
Presentation in the decreasing order of AZ FG points, which are marked bold

*Definitions modified from the Mingachevir FG are marked with an asterisk **

Institutions	Points in FG:		Summary, remarks
	AZ	Min.	
MED*	5	5	A super-ministry that seeks to controls almost every aspect of economic activity; minimum 15-20% payoff rate for every transaction; some areas and activities are protected by prohibitively high payoffs and / or tacit proscription
Local executive offices	5	2	A dissent in Mingachevir: no problem at all (0)
Educational institutions	5	4	Corruption is rampant; you must pay even if you don't get any quality; education standard is so low it will distress our future and already affects businesses because of lack of qualified personnel
Health care facilities	4	3	Only if you pay you can get some quality
Customs authorities	4	not rated	Predictably high and increasing payoffs, "must pay for everything"
Other line ministries	3	n/a	Worst perpetrators are Ministry of Agriculture, the Irrigation Committee and, increasingly, Ministry of Transport
Tax administration	2	2	Payoff predictable and not prohibitive
Sanitary and fire inspections	2	2	Try as they might, they take away little: "effectiveness of extortion" low
Police and law enforcement	2	1	In Mingachevir, much is due to personality of a local district prosecutor, and to a lesser extent, a district police chief
Municipalities	2	1	Except for some rural municipalities, a weak and inefficient entity practically appointed by local executive offices: "effectiveness of extortion" low

Question 10

Please use the same list as in the Table 9. In your opinion, how did situation in these areas changed in comparison with the past (2 years ago)? Please use Scale B (Problem Persistence) for your evaluation, with 0 – the same and 2 either much better or much worse.

Table 10

Presentation in the order of Table 9

**Mingachevir FG results are given in parentheses ()
Definitions modified from the Mingachevir FG are marked with an asterisk ***

Public institutions	Better now	Same	Worse now
MED*			-2 (-1)
Local executive offices	(+1)		-1
Educational institutions			-2 (-2)
Health care facilities		(0)	-1
Customs authorities		0 (not rated)	
Other line ministries		0 (n/a)	
Tax administration	+1 (+1)		
Sanitary and fire inspections		0 (0)	
Police and law enforcement	+1 (+2)		
Municipalities			-1 (-1)

Schools get worse with every passing year. Tax administration became more regular, and police and other law enforcement agencies interfere and extort less than they used to. Local executive offices have increased payoff rates: see explanations to Questions 3 and 4, also for discrepancy between the national sample and the Mingachevir group. Under “police and law enforcement” one extra factor point in Mingachevir is due to personality of a local district prosecutor, and to a lesser extent, a district police chief.

Better evaluation that the executive office, the prosecutor’s office and police got in Mingachevir as compared with the national FG may partially be due to the fact that the Mingachevir FG participants did not want to upset their local authorities.

Question 11

Please, to the best of your experience, evaluate changes in the overall business environment in relation to 2 years ago. Please use Scale B (Problem Persistence) for your evaluation, with 0 – the same and 2 either much better or much worse.

Mingachevir FG results are given in parentheses ()

	Better now	Same	Worse now
General business environment		(0)	

On this question, the Focus Group has failed to reach a consensus. 10 FG members believed the situation somewhat improved (+1), 3 members said it remained the same (0), and 2 insisted it somewhat worsened: that is, a third of the group dissented from the majority opinion.

Still, the greater part of the Azerbaijan FG thought business environment has improved, as opposed to Mingachevir, where the group agreed the situation generally stayed the same. This contrast is striking, particularly as Min. FG viewed changes under Questions 4 and 10 more positively than AZ

FG. Probably, it can be explained by introduction of Questions 5-8 (which were absent from the Mingachevir exercise) where for 10 areas out of 15 the national FG members noted improvements, and only one area was deemed lapsed. Consequently, participants in the national exercise had a broader frame of reference that, we believe, had weighed on their evaluations.

Question 12

There is a statement:

State agencies do not usually touch (inspect, audit etc) very small businesses. The reason being – there is nothing to take from them. Such businesses can grow until they reach the certain level of turnover. Then attention to them from the state jumps.

Question A – Is there a pronounced jump or a steady increase of attention?

Answer – In most cases there is a jump, which, in case the turnover continues to rise, is followed by a steady increase, or possibly, another jump at a higher level.

(Answer in Mingachevir: in most cases there is a jump)

Question B – If there is a jump, in your opinion, what is the level of turnover when it occurs? Does it depend on turnover or on other factors?

Answer - This jump in most cases occurs if annual turnover reaches \$100,000 in Baku and other major cities and \$50,000 in the rest of the country. (Answer in Mingachevir: \$100,000). However, the jump can happen regardless of the turnover if a company presents a competitive threat to a business interest of a powerful state official, is in a “restricted-access” subsector of the economy, or can be bankrupted to be taken over.

Conclusion

Improvements in some areas were offset by deterioration in other areas. Despite much publicized government campaign in 2002 to help SMEs and private business, business environment in Azerbaijan in the two years since has improved only marginally or remained, on balance, the same, which, as the respondents stressed, had been very unattractive for genuine business development in the first place.

ANNEX V

EMPLOYMENT AND JOB VACANCY SURVEY IN MINGACHEVIR

EJV Survey

Field: **Mingachevir, Azerbaijan**
Dates: **24 – 30 June 2004**
Sample: **random stratified sample of 100 employers**
Administration: **questionnaire-based face-to-face interviews**

The survey was conducted in the scope of the PSIA Framework for Labor Redeployment Program in Mingachevir (Azerbaijan) between 24 and 30 June 2004. Caspian Business Consultants Ltd. (CBC), in the capacity of a World Bank contractor, administered this survey face-to-face to a randomly selected sample of 100 employers in the Mingachevir area. The survey questionnaire included 17 questions and was developed by the World Bank project staff in consultation with CBC.

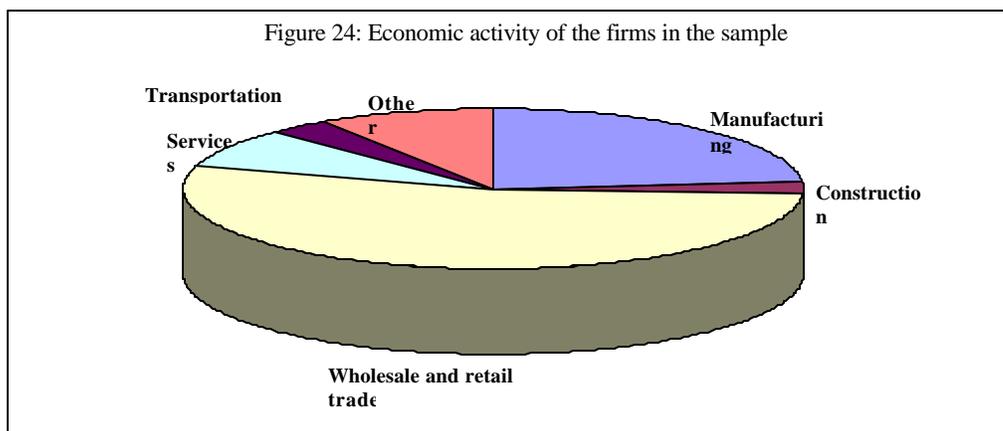
Sampling

Number of entrepreneurs and small, medium and large business owners in the city of Mingachevir registered by the Mingachevir Charter of the National Employer Association (MC-NEC) is 2,000; this was considered the survey universe for the purposes of this study.

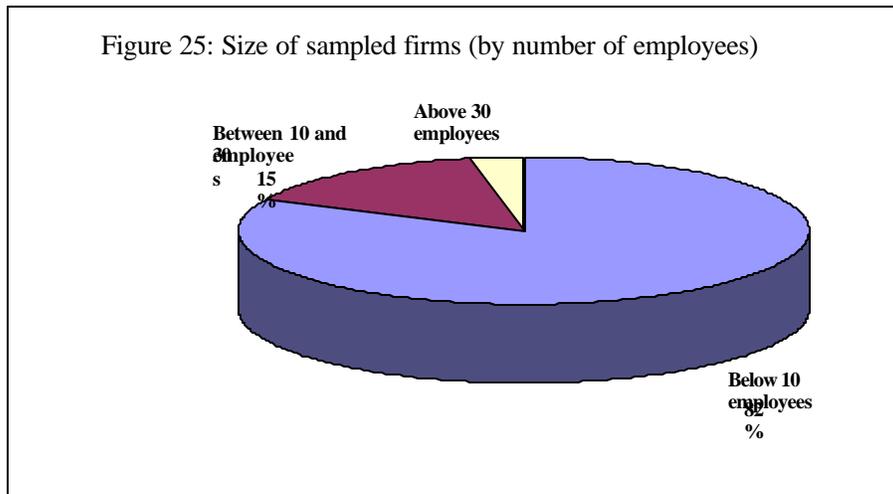
The sample was stratified by industry type. Quotas were established according to MC-NEC data: 45% for wholesale and retail trade, 30% for services, transport and communication, 25% for manufacturing and construction.

After stratification, all business owners were alphabetically listed, and every 20th name was selected from the list (selection of the first order). If the first order selection came into conflict with the quota principle, the reconciliation was performed, i.e. the business satisfying the quota requirement with a closest higher number to the first-order number was selected. For example, if the first-order number 1,860 did not fit the quota, the closest higher number that did, e.g. 1861, 1862 or 1,863 was selected. The same method was used when a selected respondent was not found at his / her place of business, or an interview was not possible to conduct.

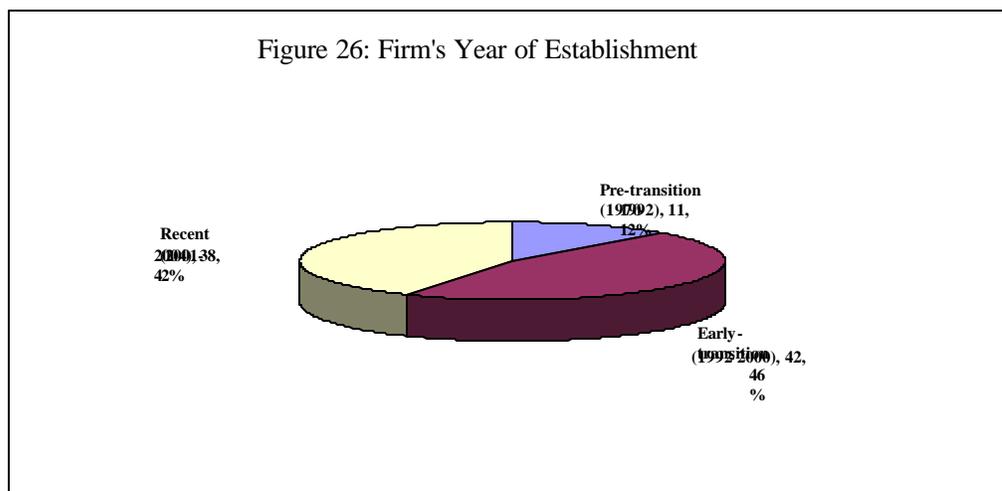
The sample was stratified allocating quotas to certain industries and then firms were selected randomly within that stratification. The sample of firms by economic activity is displayed in Figure 17. The two dominant sectors in the sample are wholesale and retail trade, and manufacturing. The dominance of these industries in the survey attempts to mirror the characteristics of the non-oil formal business landscape in the sampled jurisdiction.



In terms of size, most of the sampled firms were small and medium enterprises. For practical purposes here we have classified them into firms with less than 10 employees, firms with 10 to 30 employees, and finally firms with more than 30 employees. The first group, small firms with less than 10 employees, concentrates the largest number of firms in the sample as can be observed in Figure 2. It is important to clarify that the reported number of employees included both full time and part time employees. The number of reported part time and seasonal employees was minimal in the sample.

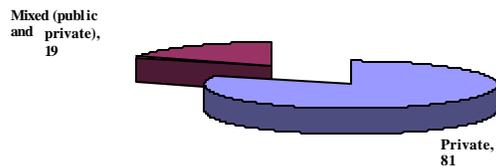


The firms in the sample were formally established in different periods in time, 12 percent of the firms were established before the transition (before 1992); 46 percent in the early years of the transition (1992-1999); and 42 percent were established during the last 4 years.



Finally, regarding ownership, 81 percent of the sampled firms are entirely private while 19 percent have some type of mix of public- private ownership.

Figure 27: Firms' Ownership



It is important to note that this is not a scientific sample for the country or even Mingachevir. Thus, conclusions about the labor market and the business environment of Azerbaijan or this particular locality can not be drawn for the analysis of these results. Rather, we use the survey results as an illustration of some of the issues that could be further researched analyzed and evaluated in the labor market through survey data.

Notes on Survey Results

1. Processed responses to all the 17 questions are reflected below such that figures in bold indicate number of employers who gave a particular answer. Because the total sample was 100, those figures normally represent sample percentages.
2. Only 19 employers responded to Question 15 about available vacancies; hence, the figures for this question do here represent percentages.
3. In Question 15, not all respondents indicated the wage (salary) they are ready to offer to potential employees that would fill available vacancies.

SURVEY RESULTS

1. Year your company was established?

1970 - 1
1980 - 2
1987 - 1
1989 - 1
1990 - 1
1991 - 2
1992 - 3
1993 - 2
1994 - 6
1995 - 4
1996 - 10
1997 - 10
1998 - 9
1999 - 3
2000 - 7
2001 - 9
2002 - 6
2003 - 19

2004 - 4

2. Was it difficult to establish your company?

- A) **quite difficult** - 46
- B) **moderately difficult** - 20
- C) **easy** - 34
- D) **don't know** - 0

3. To which property type does your company belong?

- A) **private property** - 81
- B) **mixed private and public property** - 19
- C) **public property** - 0
- D) **municipal property** - 0

4. Does foreign capital participate in your company?

- A) **??** - 1
- B) **???** - 99

5. What is the main economic activity of your company?

- A) **Agriculture; hunting; forestry** - 0
- B) **Fisheries** - 0
- C) **Mining and quarries** - 0
- D) **Manufacturing and processing** - 23
- E) **Electricity, gas and water supply** - 0
- F) **Construction** - 2
- G) **Wholesale and retail trade; repairs of motorized cars, motorcycles, personal and household appliances** - 52
- H) **Hotels and restaurants** - 8
- I) **Transport; warehousing; communication** - 3
- J) **Financial intermediation** - 0
- K) **Real estate, rent and business transactions** - 3
- L) **State administration; national defense; mandatory social security** - 0
- M) **Education** - 0
- N) **Health care and social work** - 1
- O) **Other social activities** - 8
- P) **Private households in employment capacity with undifferentiated production activity** - 0
- Q) **Exterritorial entities and organizations** - 0

6. Within the past year, have your company obtained a business loan from a bank or other financial institution?

- A) **Yes** - 13
- B) **No** - 87

7. Within the past year, have you made a capital investment in your company (**e.g. procurement of machinery or equipment, purchase of real estate**)?

A) Yes - 73

B) No - 27

8. What are your company's sales for the past month?

AZM '000

100-250 - 2
400-600 - 11
1000 - 1500 - 10
2000 - 2500 - 7
2800 - 1
3000 - 3500 - 14
4000 - 4500 - 4
5000 - 3
6000 - 6500 - 2
7000 - 2
8000 - 1
9000 - 1
10000 - 5
15000 - 4
20000-21000 - 6
25000 - 1
30000 - 3
35000 - 1
50000 - 1
60000 - 2
70000-75000 - 3
80000 - 1
120000 - 1
150000 - 1
200000 - 2
750000 - 1
25000000 - 1

8888 (no answer) - 9

9. How do your company's current sales compare with those a year ago?

A) remained the same - 21

B) declined - 47

C) increased - 31

D) don't know - 1

10. What do you think your company's sales will be in 6 month time?

A) will remain the same - 13

B) will decline - 14

C) will increase - 44

D) don't know - 29

11. How many staff does your company employ?

1 - 29
2 - 23
3 - 12
4 - 5
5 - 6
6 - 2
7 - 1
9 - 2
10 - 2
12 - 2
13 - 1
14 - 3
15 - 1
16 - 1
17 - 1
18 - 1
20 - 1
21 - 2
25 - 1
30 - 1
50 - 1
65 - 1
80 - 1

Please note **that a person is deemed an employee if s/he receives remuneration (wage or salary) for his / her work (consequently, unpaid staff are not considered employees)**

12. Of them, how many are:

A) permanent staff (permanent contracts, full-time)

1 - 29
2 - 24
3 - 11
4 - 6
5 - 6
6 - 2
7 - 1
9 - 2
10 - 2
12 - 3
13 - 1
14 - 2
15 - 1
16 - 1
18 - 1
20 - 1
21 - 2
25 - 2
50 - 1
60 - 1
63 - 1

B) temporary staff (short-term contracts, seasonal work, part-time)

2 - 1

4 - 1
5 - 2
6 - 1

13. How does employment at your company compare with the year ago?

A) remained the same - 57

B) declined (by how many?)

1 - 6
2 - 1
4 - 2
5 - 2
6 - 1
7 - 1

C) increased (by how many?)

1 - 12
2 - 5
3 - 3
4 - 3
5 - 3
7 - 1
10 - 1
11 - 1
30 - 1

D) don't know- 0

14. In 6 month time does your company plan to employ:

A) same number of staff - 40

B) reduced staff (by how many?)

1 - 1
3 - 2

C) increased staff (by how many?)

1 - 7
2 - 4
3 - 5
4 - 4
5 - 3
8 - 2
9 - 1
10 - 3
15 - 3
18 - 1
25 - 1
30 - 1
150 - 1

D) don't know - 21

15. Please indicate all available vacancies at your company. **A position is deemed vacant and available if all of the following conditions are met: a) the position actually exists; b) the vacancy, if filled, can become operative within 30 days; c) your company is actively seeking potential employees for the position.**

No.	Position	Number of vacancies	Length of time your company sought employees to fill vacancy(ies): 1. under 30 days 2. 30-59 days 3. over 59 days	Proposed wage (salary) AZM '000
	(a)	(b)	(c)	(d)
15.1	Total	1 - 9 2 - 4 3 - 4 15 - 1 10 - 1	2 - 4 1 - 8 3 - 1	500 - 1 100 - 1 150 - 2
15.2	Managerial and professional personnel (with university education)	-	-	-
15.3	Technical personnel (with secondary education)	4 - 1 3 - 1	-	400 - 1
15.4	Clerical and administrative personnel	-	-	-
15.5	Sales and service personnel, chefs	1 - 9 15 - 1 3 - 3 2 - 3 6 - 1	1 - 2	300 - 1 200 - 4 150 - 6 250 - 1 100 - 2 600 - 1
15.6	Agricultural and fisheries personnel	1 - 1	-	150 - 1
15.7	Artisans and craftsmen (clock repairers, tailors, cobblers, etc.)	-	-	-
15.8	Laborers (mechanics, controllers, fitters, etc.)	1 - 1	-	100 - 1
15.9	Unqualified personnel	-	-	-

16. How difficult is for your company to find suitable staff?

A) easy - 72

B) somewhat difficult - 13

C) difficult - 13

D) don't know- 2

17. What are the main reasons your company does not hire more new staff? (indicate up to 3 major reasons)

- A) no need - 20
- B) unstable situation and lack of finances - 91
- C) impossible to obtain a loan on good terms - 74
- D) high wages and /or high personal income taxes - 3
- E) problems with labor legislation, especially when dismissing an employee - 0
- F) avoiding attention - 0
- G) can't find suitable qualified personnel - 22
- H) high business taxes (profit tax, VAT) - 2
- I) bureaucratic obstacles for expanding business (receiving a permit or license, formalization of a transaction, bribes, etc.) - 4
- J) lack of infrastructure (electricity, roads, communications) - 0
- K) illegal (artificial) monopoly - 3
- L) inadequate demand and /or excessive competition - 11

