

AZERBAIJAN

**Written statement by Mrs. Sevinj Hasanova,
Temporary Alternate Governor of EBRD for Azerbaijan**

The year 2017 was special for EBRD as the Bank's principles on its procedures, operations and strategies reached the highest level for the measurement of Expected Transition Impact and stepped up financing of Green Economy Transition with 43% of EBRD investment for 2017 that led to a 6.3 million tone reduction in annual CO₂ emissions.

EBRD delivered a record annual investment of €9.7 billion to 412 projects, the most the EBRD has signed in a single year, with signing its 5000th project since the Bank was established.

EBRD's record net profit from continuing operations of €772 million and accumulated reserves of €10.0 billion for the end of 2017 according to the Annual Financial Report provides us with a huge sense of accomplishment and these are indicators of efficient implementation of Bank's strategy.

We congratulate the Bank's team for the Thomson Reuters Project Finance International Global Award for Multilateral Deal of the Year.

Moreover, as a Government of Azerbaijan we are highly appreciate the alignment of the policy and strategies of EBRD towards the most comprehensive initiatives of the world, UN 2030 Agenda for Sustainable Development. As EBRD has accumulated huge experience and knowledge in various areas of development we consider it to be a powerful catalyst for foreign direct investment and the channelling of equity and private financial flows into emerging market countries. Azerbaijan has actively joined to this ambitious initiative, consequently the high level National Coordination Council for Sustainable Development was established, sector working groups have been made

operational, first Voluntary National Review was presented in New York on July 2017, UN Mainstreaming Acceleration and Policy Support Mission was conducted. Azerbaijan and UN are organizing an international high level Forum in coming October which will bring together high level representatives from European and Asian countries responsible for implementation of Agenda 2030 at national level, UN officials, international and local experts to discuss and share the challenges and best experience in implementation of SDG's around the world. I would like to invite the EBRD and member countries to be a part of this Forum and to share their valuable development experience.

Beside this initiative, taking the advantage of this opportunity I would like also to inform you that on May 22, 2017 Azerbaijan officially nominated Baku to host the World Exhibition in 2025. Member countries support during the elections to host the Expo 2025 could contribute not only to the development of Azerbaijan but also to the region.

New focuses of Strategy Implementation Plan of 2018-2020 are fully in line with the strategic focus priorities made by the Government of Azerbaijan to achieve desirable quality of market economy.

It must be highlighted that EBRD's investment in support of Eastern Europe and the Caucasus region countries of operations increased by 13 percent compared to a year earlier whereas this increase for Azerbaijan was significantly higher and the Bank delivered total € 456 million to 9 new projects, 7 times more than a year earlier.

Today, EBRD's operation in Azerbaijan focuses to promote market-driven diversification aimed at stimulating the non-oil sector development, develop sustainable financial sector and improve governance and the business environment.

We expect that the EBRD will continue to increase and strengthen its delivery of operations in our country during the reminder of Strategic and Capital Framework 2018-2020 and beyond.

We strongly welcome EBRD's engagement in the development of local currency funding to support SMEs and the strengthening of money markets. Last year EBRD granted its first corporate loan in local currency under SME LCY programme. We expect the Bank to strengthen its activities on this mechanism and increase local currency financing.

Targeted economic policy allowed Azerbaijan to improve economic infrastructure, to deepen market relations, to reduce poverty, and to strengthen economic security and state administration.

Series of reforms taken to improve the business environment, to fight against corruption and bureaucracy, namely the suspension of inspections, the public service improvements, the simplification of licensing and customs procedures, the modernization of tax system, an introduction of investment and export promotion mechanisms, such as investment certification, 'Made in Azerbaijan' brand promotion, the exhibitions and export missions, the trade houses and foreign representatives establishment led to increase of 24.4% in non-oil export last year.

Through the established Transit Coordination Council transportation services and corridor performance have been improved significantly. In a short period, the number of procedures for transit was decreased, the costs for certain types of transit services were diminished up to 40%, and as a result, the volume of transit freight in 2017 was increased by 81%.

Boosting up non-resource tradable sector of Azerbaijan 5 industrial parks have already been established in the fields of chemistry, pharmacy, textile, waste recycling and 27 residents have been already operated there. Totally, over \$2.5 billion has been invested to the industrial parks by residents and more than 11,000 new job places were created. In the next time period, it is expected that more than \$1.1 billion will be invested in which will allow to generate 7,500 more jobs. Beside of industrial parks, four industrial zones were formed in four priority cities of the country hosting farms and plants in the field of

automobile production, agricultural installations, polyethylene pipe, modular school buildings, fish feed and other production facilities. It is planning to establish these zones in all regions of the country, so we encourage the Bank to engage in private sector in order to support above mentioned parks and zones.

To achieve recovery and sustainable growth, the Strategic Road Maps were put in action. We applied some of the IFI's, including EBRD to support us in the implementation of the tasks set forth in Road Maps. Currently, we commence a work with EBRD's team on the identification of possible cooperation areas.

On the other hand, to support small and medium-sized businesses and co-ordinate entrepreneurship activities with government agencies "the Small and Medium Entrepreneurship Development Agency of the Republic of Azerbaijan under the Ministry of Economy" was established in year of 2017.

We have done a number of measures in the field of tourism:the country's infrastructures have been modernized, the preferential loans granted to SMEs operating in the field of tourism, tourism relating activities have been removed from the list of activities requiring licenses, the new hotels and hostels were constructed and the old facilities were repaired and a Tourism Portal, namely "www.azerbaijan.travel" covering a vast database of tourism potential of the country was activated, "the National Tourism Promotion Bureau" has been established.

Taking the advantage of new tourism portal the electronic visa issuance has been commenced and currently it takes maximum 3 hours to acquire a visa. By the way, it could be emphasized that the citizens of several countries are permitted to obtain visas at the airports, and also some countries such as CIS countries and Georgia continue to get a benefit on the visa-free regime, and additionally, it could be mentioned that on the way of tourism advancement the new law on tourism was drafted.

As a result of taken measures the value added in tourism has grown about 5 times in last decade, the number of operating hotels and hotel-type buildings reached to 563, over the period of past 10 years the number of foreign tourists visiting the country has grown more than 3 times, and in 2017 it has grown by more than 20%. According to the World Economic Forum's "The Travel & Tourism Competitiveness Report 2017" Azerbaijan ranked the 2nd place among 15 reformer countries.

Hereby, we encourage the EBRD to take active part and increase activities in tourism as well as SME development sector throughout its variety of instruments.

The undertaken measures and made achievements have been also highly appreciated by the prestigious international institutions. According to the World Economic Forum's "Global Competitiveness Report 2017–2018", Azerbaijan ranked number 35 maintaining its leading position among CIS countries for nine consecutive years. Azerbaijan ranks 57th among 190 countries and was one of the three most reforming European and Central Asian countries in the Doing Business 2018 report prepared by the World Bank.

In 2017, Azerbaijan continued to implement huge regional projects. In line with other International financial institutions EBRD delivered significant investment to Southern Gas Corridor to support the Trans - Anatolian Natural Gas Pipeline (TANAP) which will play a key role in diversifying the EU's energy sources and improving the security and diversity of the energy supply to Europe and Turkey. The completion of constructions of TANAP is expecting to launch in June, 2018.

Last year we celebrated opening ceremony of one of the biggest regional projects - Baku-Tbilisi-Kars railway and "the North-South Transportation Corridor". Both projects will connect Asia and Europe and contribute to the economic revival and prosperity of the regions. These projects are successful examples for Azerbaijan's contribution to regional cooperation.

However, regrettably we must stress that, occupation of Azerbaijani territories by the Armenian armed forces is one of the main obstacles to mutual cooperation of the regional countries and their economic development. Today 20% of our territories are occupied by Armenia, and over 1 million Azerbaijanis live in the status of refugees and internally displaced persons, which causes enormous damage to the Republic of Azerbaijan. The fact of occupation and non-implementation of UN Security Council Resolutions, impose the biggest threat to the security and economic prosperity of the region.

Last but not least, I would like to thank EBRD for contributions to our economy and its efforts to support the Government of Azerbaijan in the implementations of reforms forward to ensure sustainable and inclusive economic growth for the years ahead and wish another successful year for the Bank and its team.