

AZERBAIJAN

**Written Statement by Mr. Rufat Mammadov,
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Cooperation with EBRD is one of the priorities of foreign economic policy of Azerbaijan. Since 1992, EBRD invested USD 3.63 billion through 167 projects bringing best international experience, most advanced technologies and innovations to the country. Azerbaijan highly appreciates EBRD`s support for the development of the public and private sectors.

The economy of Azerbaijan continued its growth in 2018 as result of major economic reforms focused on maintaining economic stability, diversification and development of the non-oil sector, enhancing the business environment and promotion of private entrepreneurship. In 2018 GDP grew by 1.4 % with the share of private sector in GDP reaching 85%, non-oil sector increased by 1.8%, non-oil industry by 7.4%. Meanwhile, USD 15.3 billion was invested to the economy.

The first quarter of 2019 resulted in economic growth due to the comprehensive economic reforms undertaken by the Government of Azerbaijan. In the first quarter of 2019, GDP grew by 3%, non-oil sector by 1.7%, non-oil industry by 16.1%, agriculture by 3.6% and foreign exchange reserves reached USD 46.7 billion. The inflation rate was 2.1%. The trade turnover grew by 37.6% and amounted USD 7.6 billion.

Development of private sector in general, and small and medium-sized businesses in particular remained one of the main priorities of the Government policy. The Small and Medium Business Development Agency of the Republic of Azerbaijan established in the end of 2017 was mandated to provide “G2B” and “B2B” service platforms, analyse the business environment, operate the business support mechanisms, protect the interests of SME`s as well as to facilitate the access of SMEs to the financial resources and foreign markets.

Industrial parks in Sumgayit, Garadagh, Mingachevir, Balakhani and Pirallahi created attractive environment for the development of innovative and high-technology-based competitive industries and offer incentives to support entrepreneurship in this field. Residents of these industrial parks have invested up to USD 3.3 billion so far, resulting in creation of 10,000 new jobs. More than USD 400 million will be expected into existing projects.

At the same time, as part of the industrialization policy, several industrial zones in Nefchala, Masalli, Hajigabul and Sabirabad were established to promote private sector investment, in particular by SMEs in the regions. The industrial zones already host the production of automobiles, plastic products, agricultural equipment, furniture and wood products, food and other products. Forecasted investment in all four zones by the private sector is worth USD 46 million.

Implementation of state programs on cotton growing, silkworm breeding, citrus fruits and wine growing and other potential areas of agriculture give additional impetus to the development of the agriculture sector. In addition, major efforts are done to establish agro-parks and large-scale farms in order to develop agriculture by using the intensive technologies. This plan includes 51 agro-parks and large farms with total investment of AZN 2.2 billion on the territory of 257 thousand hectares in 33 regions of the country. To date 17 agro-parks and large farms have been already launched and cover 96 thousand hectares of land.

In order to facilitate the access of entrepreneurs to the financial resources, Entrepreneurship Development Fund under the Ministry of Economy has provided 35.7 thousand entrepreneurs in non-oil sector with soft loans with total worth of AZN 2.3 billion.

Last year Azerbaijan continued implementation of its huge regional projects. In May 2018, an official ceremony, marking the inauguration of the “Southern Gas Corridor” (SGC), was held at Sangachal Terminal near Baku. Costing more than USD 40 billion, SGC envisages the transportation of gas to be produced within the second phase of “Shah Deniz” gas condensate field operating in Azerbaijani sector of the Caspian Sea, to Turkey and then

to Europe via South Caucasus Pipeline, TANAP and TAP. SGC will play a key role in diversifying EU's energy sources and improving the security and diversity of the energy supply to Europe and Turkey. In June 2018, opening ceremony of the next step of SGC – TANAP was held at Eskishehir, Turkey. On October 19, 2018 the opening ceremony of Star Oil Refinery was held in Izmir, Turkey. STAR will be able to process up to 10 million tons of crude oil annually (214,000 barrels per day). This will meet a significant portion of the existing demand for petroleum products in Turkey and the Mediterranean, as well as petroleum needs of “Petkim”.

As a part of national environmental policy, the “National Strategy on the Improving Solid Waste Management in the Republic of Azerbaijan for the years of 2018-2022” was approved by the Presidential Decree No. 637, dated November 1, 2018. The Strategy covers all technical, financial, institutional and capacity analysis of solid waste management system of the whole country including detailed proposals for the expansion and enhancement of the scope of solid domestic waste collection, transportation and utilization systems.

Rural development remains the major focus of economic policy. The forth “Socio-Economic Development Program of the Azerbaijan regions for the years of 2019-2023” was approved in the beginning of 2019. These programs on regional development have been successfully implemented since 2004 and changed significantly the image of cities, towns and villages in the regions and provided opportunities for the regions to increase their capacities, improve infrastructure, the quality of public services, business and investment environment, and welfare of the population.

Legislative enactment and infrastructure measures implemented in the field of tourism have made huge contribution to the development of this sector. Last year, 2.85 million foreign tourists have visited the country resulting in the increase of 6% over the previous year. According to the statistics, foreign guests spent over USD 2 billion in our country. Currently, there are more than 500 hotels in Azerbaijan, 150 of which are located in Baku.

The main goal of these reforms was to increase the welfare of the population, including the minimal standards of social welfare. As a result of measures done, in addition to the increase in the amount of social benefits and labor pensions, the minimum salary was increased by more than 38% since March 1 of the current year.

In 2018, in accordance with relevant Presidential Decree of the Republic of Azerbaijan, a lot of work was done to establish the new “DOST” (Sustainable and Operational Social Security) Agency and Centers under the Ministry of Labor and Social Protection of Population. It covers 126 services in labor, employment, social security, targeted state social assistance, disability, pension, social insurance and other related fields. The first “DOST” Center is expected to be opened in the coming months.

Recent changes in the Tax Code resulted in raising wages, introducing benefits for the private sector, as well as expanding the coverage of the employment system.

A significant measure of social policy was introduced by the Presidential Decree on "Additional measures to solve the issues of problem loans of natural persons in the Republic of Azerbaijan", which provides for the payment of compensation to citizens whose credit burden increased as a result of the devaluation of local currency manat in 2015.

The positive results of the reforms implemented by the Government of Azerbaijan are also highly assessed by international organizations and financial institutions. According to “Doing Business Report 2019” of World Bank Azerbaijan showed the most notable improvement in performance on the Doing Business indicators implementing a record number of reforms among the 10 top improvers. Azerbaijan is ranked 25th among 190 countries for ease of doing business.

However, 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 the internationally recognized territory of Azerbaijan is occupied by Armenia, and over 1 million Azerbaijanis live in the status of refugees and internally displaced persons, which causes enormous damage to the economy of 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.

In conclusion, I would like to thank EBRD once again for the contribution to our economy and the support to the reforms of the Government of Azerbaijan to ensure sustainable and inclusive economic growth for the years ahead and to wish another successful year for the Bank and its team.