National Economy and Core Sectors of the Economy

STRATEGIC ROAD MAPS
“Further diversification of the economy and continuation of economic reforms will create additional opportunities for the sustainable development of our country, and I am sure that Azerbaijan will become even stronger in the coming years”.

ILHAM ALIYEV,
President of the Republic of Azerbaijan
Overall Progress

- **Strategic Roadmap for the National Economy Perspective of the Republic of Azerbaijan**: 47% Implemented, 8% Partially Implemented, 45% Implementation is Pending

- **Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan**: 64% Implemented, 8% Partially Implemented, 28% Implementation is Pending

- **Strategic Road Map for the Development of Telecommunication and Information Technologies in the Republic of Azerbaijan**: 50% Implemented, 8% Partially Implemented, 42% Implementation is Pending

- **Strategic Roadmap for the Production of consumer goods by small and medium-sized businesses**: 52% Implemented, 11% Partially Implemented, 37% Implementation is Pending

- **Strategic Road Map for Development of Utility Services (Electricity and Heating Energy, Water and Gas) in the Republic of Azerbaijan**: 47% Implemented, 16% Partially Implemented, 37% Implementation is Pending

- **Strategic Road Map on Production and Processing of Agricultural Products in the Republic of Azerbaijan**: 37% Implemented, 7% Partially Implemented, 56% Implementation is Pending
## OVERALL PROGRESS

<table>
<thead>
<tr>
<th>Strategic Roadmap</th>
<th>Implemented</th>
<th>Partially Implemented</th>
<th>Implementation is Pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of Logistics and Trade</td>
<td>27%</td>
<td>10%</td>
<td>63%</td>
</tr>
<tr>
<td>Development of Affordable Housing</td>
<td>66%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Vocational Education and Training</td>
<td>33%</td>
<td>12%</td>
<td>55%</td>
</tr>
<tr>
<td>Heavy Industry and Machinery</td>
<td>47%</td>
<td>8%</td>
<td>45%</td>
</tr>
<tr>
<td>Development of Niche Tourism Industry</td>
<td>30%</td>
<td>7%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Progress in the Implementation of Strategic Road Maps as of January 1st, 2019**

- Partially implemented: 9%
- Implementation is pending: 48%
- Implemented: 43%
## Performance of Key Implementing Bodies

<table>
<thead>
<tr>
<th>Organization</th>
<th>Progress (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission on Business Environment and International Rankings</td>
<td>100</td>
</tr>
<tr>
<td>State Agency for Mandatory Health Insurance</td>
<td>100</td>
</tr>
<tr>
<td>Ministry of Taxes</td>
<td>95</td>
</tr>
<tr>
<td>State Agency for Services to Citizens and Social Innovation</td>
<td>93</td>
</tr>
<tr>
<td>“Azerishiq” OJSC</td>
<td>81</td>
</tr>
<tr>
<td>State Housing Development Agency</td>
<td>79</td>
</tr>
<tr>
<td>State Statistics Committee</td>
<td>75</td>
</tr>
<tr>
<td>Financial Markets Supervisory Authority</td>
<td>68</td>
</tr>
<tr>
<td>State Oil Company of the Republic of Azerbaijan</td>
<td>68</td>
</tr>
<tr>
<td>“Azersu” OJSC</td>
<td>63</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>55</td>
</tr>
<tr>
<td>State Committee for Property Issues</td>
<td>53</td>
</tr>
<tr>
<td>Central Bank</td>
<td>52</td>
</tr>
<tr>
<td>Ministry of Economy</td>
<td>46</td>
</tr>
<tr>
<td>Ministry of Transport, Communication and High Technologies</td>
<td>44</td>
</tr>
<tr>
<td>Others</td>
<td>47</td>
</tr>
</tbody>
</table>
The budgetary guidelines ("golden rule") were approved regulating the transfer of funds of the State Oil Fund of the Republic of Azerbaijan to the state budget, whereby:

- Effective use of oil revenues;
- Increase in the share of non-oil revenues in the state budget shall be ensured.

(SRM on National Economy Perspectives: Priority 1.1)

Debt strategy and mid-term expenditure framework have been approved, and financial stability has been strengthened.

(SRM on National Economy Perspectives: Priority 1.2)

Targeting the monetary base, the country achieved macroeconomic stability, stabilized exchange rate of manat, reduced inflation by optimal level and substantially increased strategic currency reserves (by 23 percent).

(SRM on National Economy Perspectives: Priority 1.3)

Some institutions have been established in the banking sector, relevant measures have been taken to address issues such as capitalization, asset recovery, full deposit insurance and non-performing loans.

(SRM on Financial Services: Priority 1.1; 1.2; 3.1; SRM on SME, Priority 2.2)
Appeals Council has been established under the President (SRM on SMEs: Priority 1.5);

Public-private dialogue has been built (SRM on SMEs: Priority 1.7);

Small and Medium-sized Business Development Agency and "Enterprise Azerbaijan" portal have been established to support the development of small and medium-sized businesses (SRM on SMEs: Priority 1.1; SRM on Heavy Industry, Priority 3.1);

Platforms such as "Azexport.az" and Digital Trade Hub were established, promotion tools, including trade representatives, online export application, export missions, trade houses and export subsidies were used (SRM on SMEs: Priority 3.2);

Azerbaijan has been the first country in the world to offer m-Residency and the second country to offer e-Residency;

“Unified Web Portal of Public Procurements” has been established and the legislation has been improved (Actions Plan for Business Environment: 16.24);

By expanding the scope of industrial parks, industrial blocks, agro-parks and techno-parks significant tax, customs and other benefits are offered to businesses (SRM on SMEs: Priority 1.6, SRM on Agriculture: 2.5);

Comprehensive reforms have been contacted in protecting minority investors, electronic courts, starting a business, dealing with construction permits, getting electricity, getting credit and registering property (SRM on SMEs: Priority 1.5, 1.8, 2.1, 2.2, 2.3, 2.4; Action Plan on Business Environment: 1.1.1; 5.1.1; 6.1.1; 14.1.1; 15.1.1; 17.1.1);

Significant customs reforms have been conducted, as well as, have “Green Corridor” gating system has been introduced (Actions Plan on Business Environment: 11.1.1);

Comprehensive tax reforms were conducted (SRM on National Economy Perspective: Priority 4.1; Actions Plan on Business Environment: 8.1.1).
**INFRASTRUCTURE AND MEGA-PROJECTS**

- **Southern Gas Corridor** has been officially launched, and **South Caucasus** and **TANAP – Trans-Anatolian** gas pipelines were commissioned (SRM on Oil and Gas: Priority 2.1);
- **Baku-Tbilisi-Kars** and **Astara-Astara** railway project were commissioned (SRM on Logistics: Priority 1.2);
- **“SOCAR Polymer”** and **SOCAR Carbamide** plants started to operate (SRM on Oil and Gas: Priority 3.2);
- **“New Contract of the Century”** has been signed, laying the foundation of a new stage in the oil strategy of Azerbaijan;
- Opening ceremony of **“Star” Oil Refinery** took place in Izmir, Turkey (SRM on Oil and Gas: Priority 2.2);
- **Baku International Sea Trade Port Complex** started to operate (SRM on Logistics: Priority 1.2).

**SOCIAL SPHERE**

- Pilot project on **mandatory health insurance** has been implemented, the legislative framework for introducing mandatory health insurance in the entire country has been developed, with view to introduce in overall country starting from 2020 (SRM on Finance: Priority 1.3, SRM on Telecommunication: Priority 3.2);
- **Unemployment Insurance Fund** has been established;
- **Employment strategy** has been adopted, the scope of **social allowances** were expanded and the implementation of the self-employment program has started;
- **One time allowance** was paid to the families of martyrs, minimum salaries, minimum pensions, scholarships for doctoral and bachelor students, as well as some other allowances were increased.
2016-2018 are remembered for positive economic figures

**ANNUAL INFLATION** (% per)

- 2016: 12.4%
- 2017: 12.9%
- 2018: 2.3%

**STRATEGIC CURRENCY RESERVES** (BLN. MANAT)

- 2016: 37.9
- 2017: 42.0
- 2018: 44.8
- 2019: 46.7

**AND AZN/USD EXCHANGE RATE**

- 2016: 1.95
- 2017: 1.85
- 2018: 1.75
- 2019: 1.65

**BUDGET REVENUES** (BLN. MANAT)*

- 2016: 17.5
  - Transfers from SOFAZ: 8.3
  - Tax revenues from oil and gas sectors: 8.6
  - Non-oil gas revenues: 1.6
- 2017: 16.5
  - Transfers from SOFAZ: 8.6
  - Tax revenues from oil and gas sectors: 8.1
  - Non-oil gas revenues: 1.8
- 2018: 22.5
  - Transfers from SOFAZ: 9.1
  - Tax revenues from oil and gas sectors: 2.4
  - Non-oil gas revenues: 9.5
- 2019: 23.2
  - Transfers from SOFAZ: 11
  - Tax revenues from oil and gas sectors: 11.4

**BUDGET EXPENDITURES** (BLN. MANAT)*

- 2016: 17.8
  - Budget expenditures: 2.7
  - State-funded investments: 5.1
- 2017: 17.6
  - Budget expenditures: 2.7
  - State-funded investments: 6.1
- 2018: 22.7
  - Budget expenditures: 5.1
  - State-funded investments: 6.4
- 2019: 25.2
  - Budget expenditures: 6.4
  - State-funded investments: 8


Source: Central Bank and the Ministry of Finance of the Republic of Azerbaijan
**Export of Goods and Service in Non-Oil Sector**

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Oil Export (bln. USD)</th>
<th>Oil Export (bln. USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>6.1</td>
<td></td>
</tr>
</tbody>
</table>

**Nominal GDP (bln. manat)**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth (%)</th>
<th>GDP (bln. manat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>-3.1%</td>
<td>54,4</td>
</tr>
<tr>
<td>2016</td>
<td>+0.2%</td>
<td>60,4</td>
</tr>
<tr>
<td>2017</td>
<td>+1.4%</td>
<td>70,3</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>79,8</td>
</tr>
</tbody>
</table>

**Doing Business Report**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>63</td>
<td>-2</td>
</tr>
<tr>
<td>2017</td>
<td>65</td>
<td>+8</td>
</tr>
<tr>
<td>2018</td>
<td>57</td>
<td>+32</td>
</tr>
<tr>
<td>2019</td>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

**Economic Freedom Report**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>91</td>
<td>+23</td>
</tr>
<tr>
<td>2017</td>
<td>68</td>
<td>+1</td>
</tr>
<tr>
<td>2018</td>
<td>67</td>
<td>+7</td>
</tr>
<tr>
<td>2019</td>
<td>60</td>
<td></td>
</tr>
</tbody>
</table>

Source: Central Bank and the Ministry of Finance of the Republic of Azerbaijan
21 MONTH ARE AHEAD: WHAT ELSE DO WE TARGET?

- Business environment and **Competition Code**
- Transition to **Medium Term Expenditure Framework**
- Introduction of **corporate governance**
- **Attracting private investment** in priority sectors
- Interbank market and **market-maker** institute
- Financial deepness to reach **60 percent**
- Development of **agricultural insurance**
- Full implementation of **“E-Agriculture Information system”** throughout the country
- **Joint production** in oil machinery
- Attracting **foreign direct investment**
- To reach **share of SMEs in GDP to 15 percent**, and in **non-oil export to 10 percent**
- Establishment of **model enterprises** for industry-oriented **SMEs**
- Full operation of the **“Licenses and Permits”** portal
- **“Open Skies”** Agreements
- Attracting new foreign **low-cost** airline companies
- Development of human capital
- Increasing labor productivity
- **Education** reforms, including **vocational education**
- **Modernization** of **electricity** system
- Enhancing **efficiency** in **utility services** sector
- Ensuring full functionality of **“Unified Web Portal of Public Procurements”**, making it the only platform for public procurements
• Not only the government, but also all levels of the society should join their efforts to implement the planned actions;

• The implementing agencies should not only focus on implementation of separate actions but also on achieving the 2020 targets by applying result-based approach;

• Our entrepreneurs need to operate transparently, follow the principle of responsible borrowing, and increase productivity, as well as, revenues by showing initiative and using the enabling environment and infrastructure introduced by the state;

• Cooperation with international organizations and leading consulting agencies should be further expanded.

• Organizational measures should be taken;

• Long-term vision should be re-defined taking into account the global, regional and local trends, challenges, risks and threats;

• To achieve long-term perspectives, result-based strategy papers for 2021-2025 need to be developed.
THANK YOU FOR YOUR ATTENTION!