National report on the implementation of
the Vienna Programme of Action in Azerbaijan

1. Introduction

After gaining independence, about half of the Azerbaijan population was considered poor like in the other former Soviet Republics. However, as a result of successful reforms, Azerbaijan has now decreased poverty to a very minimum level. Towards the end of the last century and from the beginning of the current century Azerbaijan has launched new programs to reduce the poverty among its citizens, increase employment and work places.

Increasing the population income level and employment rate, development of profitable labour-intensive areas, development of non-oil sector and promotion of non-oil products export, increasing the effectiveness and competitiveness of economy at all levels and in all areas of the national economy, improvement of investment and business climate, defining the opportunities on effective usage of the current investment potential are set as a main objective for the nearest future.

2. Mainstreaming of the Vienna Programme of Action into the National Development Plan

Azerbaijan continues to make efforts towards achieving inclusive growth and sustainable development since the adoption of the Vienna Programme of Action for Landlocked Developing Countries for the Decade of 2014-2024. According to this Programme our country focused on development and implementation of a number of infrastructure projects of regional and sub-regional importance. Azerbaijan considers Vienna Programme of Action for LLDCs as another tool to ensure country’s sustainable development and efficient integration into the global economy, as well as to break into strategic markets.

3. Coherence and linkages with the Post – 2015 Development Agenda and other global processes

National priorities and their indicators have been identified in line with the global goals and targets that are considered necessary for Azerbaijan, the harmonization of state programs and strategies covering socio-economic issues with the Sustainable Development Goals is ensured, as well as the Voluntary Report on the initial steps of the Republic of Azerbaijan on the Transformation of the World: Sustainable Development Agenda up to 2030 were prepared and submitted to the High-Level Political Forum on Sustainable Development in 2017.
4. Assessment of key economic, social and environmental trends

Economic Development
Strategic Roadmaps on the main sectors of economy and national economy approved by the Presidential decree dated 6 December 2016 number 1138 are playing significant role in providing the sustainability of country’s current successes and those to be gained in future in the field of socio-economic development. The strategic roadmaps on the main sectors of economy and the national economy are aiming to provide the economic competitiveness based on sustainable economic development, inclusiveness and enhancement of social welfare in Azerbaijan.

Agriculture is one of the perspective areas for the diversification of the country’s economy. As a result of the measures taken in this direction significant growth has been achieved in agricultural sector, self-sufficiency level has been raised due to local production, export capacity increased. This gives reason to say that in next few years Azerbaijan will be able to provide itself with main food products and to become the main exporter in the region.

With the aim of economy diversification in Azerbaijan necessary steps have been taken for the financial support to the priority areas of non-oil sector. On purpose of the development of SME in the country the process of issuing the preferential loans and investment promotion documents has been launched. Besides, within the frame of directing revenues from oil to the development of non-oil sector industrial parks and agroparks have been constructed.

Measures are being taken to stimulate the sustainable growth of non-oil sector, increase the export capacity of the country’s economy, as well as the production of competitive products and employment level.

According to the indicator of 2017, GDP in non-oil sector increased by 2.7%, agriculture increased by 4.2%, inflation rate stood at 12.9%. Foreign trade turnover in 2017 increased by 12.3% and made up 24.3 billion USD.

Social Development
Currently, Azerbaijan is one of the countries with a medium-income economy, and the GDP per capita by the end of 2017 was 4100 USD, which is 3.5% (140 USD) more than the previous year.

As one of the "Millennium Development Goals", achieving to eradicate extreme poverty and hunger by half by the end of 2015 had been declared as a commitment. While the poverty rate in the country was 49% in 2001, it dropped to 5.4% in 2017. Since July 1, 2006, assignment of Targeted State Social Assistance (TSA) has been started throughout the country.
During 2006-2016, the average monthly sums of TSA in the country increased from 44.28 to 148.47 AZN, and the monthly salary per member of the family increased from 9.7 to 36.39 AZN. The service is automated and carried out electronically.

Protection of citizen’s labour rights, social and material support of employees is one of the social-economic politic priorities in the Republic of Azerbaijan. As a result of measures undertaken by the state in recent years, the population’s access to income is further expanded, ensuring macroeconomic stability, development of the non-oil sector, the development of balanced and direct poverty reduction through the creation of favourable conditions in this area, as well as modern principles identifying the integration of functioning social protection mechanisms into the country's economic environment has further enhanced the social orientation of the national economy.

Formation of a young competitive human resources potential in the "Azerbaijan 2020: Look Into the Future" Development Concept, approved by corresponding Decrees of the President of the Republic of Azerbaijan and "Strategic Road Map on the Main Sectors of the National Economy", promoting healthy and active lifestyle, and the integration of society has been identified as one of the key priorities for the socio-economic development of the country. The experience of developed countries in this area has been studied, close relationships have been established with relevant international organizations, particularly the International Labour Organization, the European Education Foundation, United Nations Development Program, the World Bank and various projects have been implemented.

Application of the Decree of the President of the Republic of Azerbaijan "On Additional Measures to Ensure Employment of the Population" dated April 7, 2016 is implemented by the Ministry of Labour and Social Protection of Population for self-employment of able-bodied persons, in particular the youth. Family businesses take part in self-employment program by implementing their own business idea. The work is underway in this direction. In 2017, 303 young persons and 929 young persons during the first 6 month of the current year were provided with the relevant assets as participants of the "self-employment" program based on their business plans.

In accordance to April 3 2014 Decree signed by the President of Azerbaijan, beginning from July, 2014, electronic information system has been introduced for labour contract notifications. The introduction of this system has created conditions for the formation of a complete database of all workers and employers, formal approaches to employment agreements and elimination of stereotypes that put under question the future social security rights of the employees and led to unlawful employment were eliminated, which has greatly increased state control over the labour market. Significant efforts have been made in recent years to ensure the transition of informal economic relations to the legal framework.
In order to eliminate informal employment in the country, the Commission on Regulation and Coordination of Labour Relations was established by the Order No. 2760 of the President of the Republic of Azerbaijan dated March 17, 2017, led by the Deputy Prime Minister of the Republic of Azerbaijan, and composed of the heads of the relevant state bodies and organizations representing social partners. There are also working groups on investigation into the causes of income concealment as a result of non-formal employment generated by the Commission on Legislation and Management are functioning under the commission fields of economic activity.

The "Employment Strategy of the Republic of Azerbaijan (2018-2030)" was elaborated with the support of the International Labour Organization (ILO) in order to formulate long-term employment policy by defining institutional reforms aimed at promoting effective employment based on existing demographic trends and economic development priorities. The draft was submitted to the Cabinet of Ministers after coordination with relevant agencies.

The new strategy is based on the creation of equal and inclusive employment opportunities for all population groups throughout the country.

There are many successful projects in collaboration with the International Labour Organization, one of the UN's most prestigious specialized agencies that has contributed significantly to increasing the employment level in the country, particularly to the active involvement of youth, women and vulnerable population groups.

Implementation of the "Pilot subsidy program aimed at expanding the opportunities for decent employment of young people" will be launched in 2018 with the support of the ILO within the implementation of the Country Program on the Decent Work for 2016-2020.


Within the framework of joint cooperation between the Ministry of Labour and Social Protection of Population, the United Nations Population Fund and Karloff University, a comprehensive analysis of demographic trends for the country and for the first time in the economic regions was carried out in order to assess existing demographic situation in the Republic of Azerbaijan and create a system of full forecasts. Population forecasts and projections have been developed for individual ages, Population forecasts and projections for separate age groups have been developed by 2050.
Providing vocational training and professional development to ensure that elderly people are adequately and flexibly adapts to the dynamic changes taking place in the society and in the economy as a result of the "Strategic Road Map on the Development of Vocational Education and Training in the Republic of Azerbaijan" approved by the Decree of the President of the Republic of Azerbaijan dated December 6, 2016 and the establishment of an appropriate legislative framework for the training or further education of the elderly in vocational education institutions and the proposals on making the relevant supplements to the existing legislation have been prepared and submitted in this regard.

Environmental Development
As a developing country, the Republic of Azerbaijan supported the adoption of the Paris Agreement, the international legal instrument for the fight against climate change for 2021 to 2030, during the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris in 2015, and relevant measures have been taken in this direction.

Unlike the Kyoto Protocol, the Paris Agreement for 2021-2030 covers all states. Taking into account the national conditions, future development prospects and national interests in the Intended National Determined Contributions submitted to the Convention Secretariat, as a contribution to the initiatives to mitigate the impacts of global climate change, Azerbaijan has taken a commitment to decline 35% in the emission level of gases, which generates greenhouse gas effects by 2030, compared to the base year (1990).

Thanks to the use of environmentally friendly technologies, increased use of inexhaustible energy sources, transition from black oil to natural gas in thermal power plants, improving waste management, construction of modern road and afforestation measures, in 2013 the country's greenhouse gas emissions were reduced by 15 million 752 thousand tons compared to the 1990, base year.

The key responsibilities of relevant government agencies on sectors where gas emissions are generated have been identified and summarised to implement the work carried out in this direction in effectively and coordinated manner, including the successful implementation of the commitments, set out in the INDC document. Also, a Working Group comprising representatives of relevant government agencies has been set up to develop a National Strategy for low carbon development.

According to preliminary studies conducted in collaboration with other relevant agencies with the coordination of the Ministry of Ecology and Natural Resources, water resources, agriculture, human health, hydropower, tourism, forest, mountain, alpine meadows, wetlands, coastal areas and other sectors are assessed as more vulnerable sectors to the effects of expected climate change and it has been determined that losses in these sectors will be more effective and adaptation plans should, first of all, be prepared for those priority sectors. For this purpose, preliminary
information on essential directions of national adaptation measures to climate change has been developed, and a Working Group on the preparation of the National Adaptation Plan for the vulnerable sectors of climate change comprised of representatives of relevant government agencies is established.

**Priority Area 1: Fundamental transit policy issues.**

The Government of the Republic of Azerbaijan gives priority to the policies to facilitate transit and eliminate the regulatory and procedural barriers to transport and trade.

Transit policy is one of the priority policy instruments implemented by the state. Relevant documents have been adopted by the state in this direction: "Azerbaijan 2020: Look into the Future" Development Concept. One of the main goals of the transformation of the country into a transit centre in the region has been defined in the Concept, and reforms to be undertaken in this direction have been identified.

Currently, about 70% of the economy falls into the share of the non-oil sector. The development of the non-oil sector is one of the main directions in the Development Concept "Azerbaijan – 2020: Look into the Future" and the work done in accordance with the concept will further enhance the role of the non-oil sector in the economy till 2020.

The transport sector, in particular, transit freight is of great importance in this area. A number of major projects are realized in order to increase the transit potential of Azerbaijan, and large-scale public investments are directed towards this area. The launch of Baku International Sea Trade Port, Baku Shipyard Plant, and the reconstruction of the Baku-Boyuq Kesik and construction of the Baku-Tbilisi-Kars railway projects, as well as construction of international airports play an important role in strengthening the transport infrastructure of Azerbaijan, as well as in expanding the country's transit potential. North-South international transport corridor is of great political and economic significance, and will increase the volume of freight and passenger traffic many times.

The Coordinating Council on Transit Freight was established by Decree № 655, dated October 21, 2015 of the President of the Republic of Azerbaijan in order to use the transit potential of our country more extensively and effectively. The main objectives of the Coordinating Council are the establishment of common principles and conditions of transportations, optimization of tariffs, coordination of the activities between the carriers and state bodies, ensuring transparency, simplification and improvement of transit procedures, reducing their number and duration, implementation of fully convenient system in the area of transit transportation, enhancing cooperation between the countries of destination and relevant agencies and promotion of transport corridors passing through the territory of the country.
The Coordinating Council is the collegial executive body engaged in the creation of new transit facilities, aimed at maximum usage of the existing infrastructure, elimination of obstacles for developing of transit cargo transportation, impediment for creation of unfair competition. The Council also works on consideration of applications of transit freight participants, taking appropriate measures to protect their rights, ensuring the registration of agreements between carriers and customers.

The Coordinating Council performs state regulation on tariffs in the field of transit cargo transportation services by railway, marine transport, marine ports and marine terminals.

With a view to improve the legal base in the customs field, new Customs Code was developed taking into consideration the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention) of the World Customs Organization and its Protocol amending the Convention. The import and export procedures and operations have been facilitated and simplified by the application of the new Customs Code.

At the same time, "Rules for use of the Green corridor and other border crossing systems for transportation of goods and vehicles through the customs border" approved by Presidential Decree No. 920 dated May 21, 2016.

Furthermore, Strategic Roadmaps for the national economy and main economic sectors were approved by the Presidential Decree 1138 dated December 6, 2016. "Strategic Roadmap for development of logistics and trade in the Republic of Azerbaijan" is the main part of those Strategic road maps. The Strategic Roadmap sets short, medium and long term policy directions for the periods by 2020, by 2025 and post 2025.

**Improving Trade Logistics**

LLDCs face economic challenges deriving from transit dependence on neighbouring countries, as well as insufficient connectivity, higher transport costs and consequent impact of these factors on economic performance. There is an urgent need for LLDCs to develop a transit strategy that contributes to their economic development, by establishing better connectivity, maintaining relevant transport infrastructure and simplifying border-crossing procedures.

As a landlocked country transit dependence has caused vulnerability for Azerbaijan, which makes it necessary to diversify transport routes to gain access to international markets. Therefore, Azerbaijan’s transit policy is largely focused on benefiting from the full potential of the geographical location to increase the transit potential of the country, through implementing strategies that encompass the development of all modes of transport, especially inland transport, facilitation of border-crossing and promoting the shortest rail and road linkages via its territory. This transit policy has a
crucial impact on the country to become one of the most competitive transit routes in international transport and diversify its access to foreign markets.

The country's economy has the fast growing tendency in recent years. At the turn of the new stage of socio-economic modernization of the country, the international trade volume also increased that consequently contributed to the development of all fields of economy, as well as to the creation of favourable conditions for investing in the improvement and modernization of transport sector, to ensure its competitiveness in the global market and thus stimulate growth of trade flows through the country. Bringing national transport legislation to conformity with international standards and integration into international transport system is also a significant step in this respect.

During the past years there has been positive growth of cargo transit through the territory of the country, with an average increase of 6% per year. This is mainly due to the increased transit volume of timber, oil and oil products, fruits, vegetables and other goods transported by rail. Thus, the increase in transit volumes by rail only for 2009-2012 amounted to more than 16% (2009 - 6.4 million tons, in 2012 - 7.4 million tons). In 2013, the share of transit in the total rail traffic through the country was 31%.

In general, increase in transit traffic has been made possible due to ongoing activities in the field of modernization, renovation and development of the main railway network, highways, airport infrastructure, as well as the development of international cooperation.

Participation in international organizations on development of transport corridors
Azerbaijan participates in the development of international transport corridors. Activities in this area are also realized within international organizations and initiatives, such as the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the United Nations Economic Commission for Europe (UNECE), Black Sea Economic Cooperation Organization (BSEC), the Intergovernmental Commission TRACECA, the Economic Cooperation Organization (ECO), the Organization for Cooperation of Railways roads (ORC), the Central Council for Rail Transport of CIS countries, etc.

Azerbaijan attaches importance to regional transit cooperation within TRACECA corridor, which is involved in gradually developing trends of trade and economic development. The Intergovernmental Commission (IGC) TRACECA is open for all the initiatives promoting the development of regional transport dialogue and ensuring the efficient and reliable Euro-Asian transport links, promoting the regional economy on the whole. At present the TRACECA countries are gradually implementing the IGC TRACECA Strategy for development of the international transport Europe-Caucasus-Asia corridor for the period up to 2015, aimed at creation of a sustainable infrastructure chain ensuring multi-modal transport with step-by-step integration of the corridor into the Trans-European Transport Networks (TENs). Major traffic flows passing through a corridor formed on the one hand, in Western and Central Europe,
and on the other - in Central and South-East Asia, while Azerbaijan’s territory serves as the main segment for this transportation.

With a view to facilitate transit on the East-West corridor, by fostering cooperation among transit countries, Azerbaijan, Turkey, Kazakhstan and China put efforts to realize Silk Way project, aimed at attracting additional traffic flow to the TRACECA corridor, through establishing regular, efficient container route and providing complex logistics services and applying information exchange system between customs administrations and participants of shipping chain. The container block train is envisaged to run Dostik/Altinkol-Jezkazgan-Aktau port-Baku port-Tbilisi-Kars railway line route. In order to develop transit transport on TRACECA corridor, Azerbaijan applies concessional tariffs (20%-50%), exempts excess tolls and taxes for goods transportation by railway on this corridor.

Azerbaijan is an active participant of the Model Highway Initiative within International Road Transport Union (IRU). The project, which is an important step to further boosting regional transit potential, includes creation of modern highway and complementary roadside infrastructure along Baku-Tbilisi-Batumi-Trabzon road (1135 km). It is also not excluded that, given Turkmenistan’s interest in the project, the route may also be extended to the port of Turkmenbashi.

The country undertakes to improve the international legal framework, resulting in more than 100 concluded international treaties. Azerbaijan is a party to a number of international conventions and agreements, including, but not limited to “Basic Multilateral Agreement on International Transport for Development of the Europe – the Caucasus – Asia Corridor (TRACECA)” of 1998, “Agreement on the development of Multimodal Transport TRACECA” of 2009, “European Agreement on Main International Traffic Arteries (AGR)” of 1975, “Convention on the Contract for the International Carriage of Goods by Road (CMR)” of 1956, “Intergovernmental Agreement on the Asian Highway Network” of 2003, etc. Moreover, the Republic of Azerbaijan has joined the Convention concerning International Carriage by Rail (COTIF) since April 14, 2015.

As the continuation of implemented programs and projects since gaining independence, it is envisaged to accomplish important steps - including, but not limited to the following measures - to ensure sustainable functioning of transport-road complex and increase transit potential of the country until 2020:

- Integration into the international transport system;
- Accession to international transit transport agreements and application of international norms and standards;
- Supporting entrepreneurship in the field of transport, promotion of “public-private partnerships”, “Build-Operate-Transfer” (BOT) principle;
- Creation of roadside infrastructure along highways;
- Creation of transport-logistics management centres;
Azerbaijan is a contracting party to the abovementioned "Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), of 14 November 1975. Azerbaijan is actively participating in the framework of UNECE in TIR Convention matters. The representative from State Customs Committee of Republic of Azerbaijan was elected as a permanent member of UNECE TIR Executive Board for the years of 2003-2005, 2005-2007 and 2009-2011 and his work was highly praised by the UNECE members.

Priority 2: Infrastructure development and maintenance

Transport
The State Programme on modernization of railway transport in 2010-2020, envisages development of railway infrastructure on East-West corridor, meeting the international requirements. Works include track renewal, installation of electrification, signalling and communication systems, purchase of new locomotives and railcars, establishing centralized dispatching system with a view to upgrade speed of passenger trains to 140 km/hour and increase cargo capacity to 50 million tons/year.

Opening ceremony of the Baku-Tbilisi-Kars railway has been held at Baku on October 30, 2017 which is shortest and reliable route connecting Europe with Asia. This project is the best example in financing infrastructure development in neighbouring countries with a view to overcoming bottlenecks and missing links, to creating critical infrastructure for regional transport operations. This new railway line will be able to handle 1 million passengers and 6.5 million tons of freight at the first stage. This capacity will then extend to 3 million passengers and over 15 million tons of freight.

Azerbaijan's participation in the international "North - South" corridor project will allow increase the volume of freight traffic and help attract additional cargo to the corridor.

Azerbaijan and Iran signed the "Agreement on Financing the Construction of the Astara-Rasht Railway in the Territory of Iran" in Baku on March 28, 2018. The line between the two cities of the same name has been one of the missing links on the International North–South Transport Corridor (INSTC), a 7,200 kilometre-long freight route connecting India, Iran, Azerbaijan and Russia via ship, rail and road.

Iran is responsible for two more lines on the crucial North-South Corridor: a line connecting Astara with Rasht and a line connecting Rasht with Qazvin. The Astara-Rasht is the longest section on the line, with 164-kilometers of railway connecting the Iranian cities. According to the latest reports, RAI is negotiating with foreign partners about the financing scheme of the project, totalling a cost of 425 million Euros. The Rasht-Qazvin section comprises of 163 kilometres of railway, of which the remaining construction work is expected to be completed by the end of 2018.
Once completed, the Rasht-Astara line will connect to the existing Iranian network with Bandar Abbas as its important sea port terminal and, in the north, to the network of Azerbaijan, with railway hubs in Astrakhan and Baku. The North–South Corridor will reduce journey times between Mumbai and Moscow from forty to fourteen days. Test runs have already been carried out, while a dry run was conducted last year. It is anticipated that in the future 10 million tons of freight will be transported within the network. The main objective of the corridor is to provide an alternative to the traditional routes carried out by sea through the Suez Canal and the Mediterranean and the Baltic Sea.

On February 9, 2018, the first test freight train was launched on the Astara-Astara railway line. This terminal consists of 4 sections including dry cargo, container, grain and oil terminals. The 1st phase of the dry cargo terminal was put into operation on March 26, and the foundation of the grain terminal was laid. At the initial stage of the North-South route, it is planned to transport 35,000 tons of grain per month.

The completion of railway infrastructure projects in Iran will connect railways of Russia, Azerbaijan and Iran and open routes for cargos from South Asia to Western and Northern Europe as well as from Russia to Iran.

**Baku International Trade Port**

The construction of New International Sea Trade Port Complex in Alyat settlement of Baku is also underway. The new port area – Alyat settlement of Baku city is about 70 km distance from the capital and is located on the intersection of “East-West” and “North-South” transport corridors with direct access to main railways and highways of the country. The Port will cover the 400-hectare territory, including 100-hectare for the International Logistics Centre. Construction of the port is being conducted by three phases. Recently the first phase has been completed and total capacity at this stage has reached 15 million tons of cargo and 100,000 containers a year. This phase includes construction of two ferry and three cargo bridges for acceptance of containers, Ro-Ro and usual dry-cargo (universal) vessels.

Construction of the next phases will commence, subject to traffic growth in the port and the total port capacity will reach 25 million tons of cargo and 300,000 containers. Ensuring unhindered and uninterrupted maritime transportation on East-West corridor is an important issue. In this context, 12 tankers with 13,000 tons capacity and 6 ferries with 52 and 54 railcar capacities were purchased.

**Transport reconstruction**

Currently, the overall length of motorways of the country is 18,994 km. 1915 km has international, 2725 km has republic significance. The 14,354 km of the rest is of local importance. During 2003-2013, the major highways of international importance on Baku-Iranian Border, Baku-Georgian border, Baku-Russian Federation border have been constructed and rehabilitated with application of modern engineering
technologies. In the last 10 years, over 7 thousand kilometres of motorways were constructed and renewed. The construction and reconstruction works are implemented from both budget resources and loans of international financial institutions. Since 2003, 13,6 billion USD have been invested for road transport development. This includes 3,2 billion USD loans from international financial institutions, while the rest was allocated from public funds.

To ensure the better quality of transport services, lately, 4 modern international airports were commissioned and international bus terminal was built to provide the passengers with necessary services.

In total, during the years 2003-2014, the investment in transport sector has amounted to 21 billion USD, including 13,6 billion USD to road transport, 1,3 billion USD to maritime transport, 2,7 billion USD to aviation.

Azerbaijan strives to ensure that the outcomes of implemented projects contribute to the development of competitiveness and attractiveness of the transportation through its territory to facilitate further trade liberalization and reduction of barriers in the path of goods along the whole corridor.

Energy
The official inauguration of the Southern Gas Corridor project, contributing to Europe's energy security and delivering gas to the European markets from the Caspian region, was held at Sangachal Terminal on 29 May 2018. Trans-Anatolian Natural Gas Pipeline (TANAP), an important component of this project, which was implemented as a result of leadership of Azerbaijan and joint efforts with international partners, was inaugurated in Eskisehir on June 12, 2018. The first commercial gas produced from the Shah Deniz-2 field in the Azerbaijani sector of the Caspian Sea by TANAP has been delivered to Turkey on June 30 this year.

As it was noted at the Forth Meeting of the Southern Gas Corridor Advisory Council on 15 February 2018, the total volume of works done on the Trans-Adriatic Pipeline (TAP), which is the last component of the Southern Gas Corridor, was estimated at 74.6%.

Moreover, works are continuing on the Greek-Bulgarian Interconnector and Ion-Adriatic Pipeline Interconnector for the expansion of the Southern Gas Corridor. As an important step in this direction, within the last meeting of the Advisory Council, letters of intent were signed among "Albgaz" and "SOCAR Balkan" as well as "Plinacro", "Albgaz", "BH Gas" and "Montenegro Bonus".

While the implementation of the Southern Gas Corridor is happening during the global economic crisis and financial difficulties, all projects are carried out without financial problems. Totally about 31 billion USD have been spent on the Southern
Gas Corridor project so far. By allocating 9.1 billion USD of this amount, Azerbaijan has met about 80 percent of its financial obligations.

The next milestone event related to the future development of the Azerbaijani economy is signing the amended and revised agreement on the joint development of "Azeri" and "Chiragli" fields and the deep-water part of the "Gunashli" field and the production sharing among the State Oil Company of Azerbaijan Republic (SOCAR), BP, Chevron, INPEX, Statoil, ExxonMobil, TP, ITOCHU and ONGC Videsh. In fact, with this agreement, the "Contract of the Century" is extended until the year 2050 and it is estimated that more than 500 million tons of oil will be produced from these fields over the next 32 years.

The economic indicators of the petrochemical industry, which is one of the main directions of the country's economy, continue to rise. SOCAR's Carbamide Plant and SOCAR-Turkey's STAR Oil Refinery, which are significant facilities to the country are planned to be put into operation by the end of this year. The main purpose of the work carried out in this area is the fulfilment of the reconstruction and modernization of this establishment, and the production of various products of high quality.

On December 10, 2016, Declaration of Cooperation on stabilization of prices in the world oil market, recovery of balance between supply and demand was signed between the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC countries in Vienna. Azerbaijan, as one of the first countries to join in OPEC + format, fully implements its commitments this year as well.

Another step that has strengthened Azerbaijan's position as an energy country in international fora, became joining the Hague II Document of the International Energy Charter on March 15 2018.

Azerbaijan closely cooperates with international organizations in order to continue the reforms in the energy sector, to form market relations in this area, to effectively utilize energy resources, increase investments in this area, and to expand entrepreneurial activities. In this regard, draft laws and other documents have been prepared jointly with USAID, EU, EBRD, ADB, International Energy Charter and other organizations.

As a result of institutional reforms in the energy sector, the Energy Regulatory Agency was established within the Ministry of Energy of the Republic of Azerbaijan by the Presidential Decree of December 22, 2017, The Agency is responsible for regulating relations between producers, transmitters, distributors, suppliers and consumers in the fields of electricity and thermal energy, as well as gas supply, analysis of activities of enterprises, making proposals on restructuring measures, developing incentive mechanisms for attracting investments, the compliance with engineering-communication system and the quality of services.
Information and Communication Technologies

ICT is also the most rapidly growing sector of the economy of Azerbaijan. Numerous state programs and other related important documents have been endorsed to create a sustainable information infrastructure in the country. National Strategy on the Development of Information Society encompasses the development of ICT infrastructure and services, high technologies, promotion of e-government and more effective and transparent public administration, strengthening the scientific and technical potential of high technologies, training of personnel, as well as ensuring cyber security.

78.2% of the population is internet users, while 77.4% of households has permanent internet connection. "According to the Global Competitiveness Report 2017-2018 Azerbaijan is ranked 34 in the world for the percentage of internet users". Over the past few years, Azerbaijan has been dynamically developing mobile communications and the number of mobile subscribers increased to 10.3 million, which makes up 112% of the population. 3G and 4G services are provided in the mobile sector.

Modernization of communication infrastructure is of utmost importance for the government. Almost all telephone networks have already been digitalized.

Government of Azerbaijan also initiates national and trans-national broadband project, such as Trans-Eurasian Information Super Highway (shortly TASIM projects) which aims to build a trans-national fibre-optic line between the Hong Kong and Frankfurt.

Priority 3: International trade and trade facilitation

The structure of Azerbaijan's trade in terms of its growth, product composition, and relative importance of trading partners has changed in an important way since 2014 as a response to improved policy environment and investment climate in general and trade policies in particular.

Azerbaijan continues to shape an optimal structure of the country's economy, reducing its dependence on the oil sector. According to the country's long-term development strategy, one of the priorities of economic policy is the diversification of export, including increase of non-oil products export.

New enterprises have been built, technological infrastructure has been renewed and strengthened with the imported technological equipment. The export of competitive local products to the global markets has been increased. Furthermore, the expansion of the export geography and access to new markets along with traditional ones are important achievements of the last years. Now, Azerbaijan is conducting trade operations with almost 187 countries. During this period, (2015-2017) the foreign
trade turnover increased by 3.0%, including 8.7% in exports. Also, the range of export products increased by 28.3% and the number of trade partners by 22 units.

Non-oil exports are well diversified both by products and markets. The fastest growing non-oil exports include a mixture of resource based manufacturing products (iron/steel structures, parts, tubes, electric wires, chemical products, transformers), a wide range of agricultural goods (fruits and vegetables) and agro-processing products (vegetable oil, beverages, dried fruit, fodder bran, tea, cotton yarn) as well as other labour-intensive final and intermediate goods (furniture, sheepskin).

In terms of exports destination, oil is exported primarily to developed countries (Italy, US, Israel, Canada, France, Germany and others). Non-oil exports mainly go to the CIS and developing countries in the region led by Russia, Turkey, Georgia, Turkmenistan, Kazakhstan, Ukraine, Iran, Iraq and Afghanistan.

There is considerable potential to diversify non-oil exports to developed country markets, particularly to the EU, US, China and etc.

"Azerbaijan – 2020: Look into the Future"
In line with the government’s policy agenda for transition to a new stage of development and implementation efforts so far, “Azerbaijan - 2020: Look into the future” Development Concept was adopted. The document sets the target of boosting diversification of economy, increasing GDP at the expense of non-oil sector. Furthermore, it is planned to turn the country into the region’s commercial centre and to increase the volume of per capita non-oil export. Conducting reforms and bringing legislation in line with the international trade system in order to join the World Trade Organization (WTO) will ultimately open new opportunities for the development of local companies and the country’s economy in general.

WTO accession process
WTO accession process is continuing in the framework of multilateral, plurilateral and bilateral negotiations. The 14th meeting of the Working Group was held on 28.07.2017. As a result of the bilateral negotiations 5 bilateral agreements were signed (Turkey, Oman, UAE, Georgia and Kyrgyzstan) and Azerbaijan still conducts bilateral negotiations with 22 countries. Issues related to the level of domestic support to agriculture and the negotiations on the market access are still being discussed. The main goal in the negotiations for Azerbaijan is to obtain flexibilities provided in WTO agreements for the developing countries and to achieve membership on favourable terms for the economy.

Law on anti-dumping, countervailing and safeguard measures
The law was adopted on May 31, 2016 (No. 261-VQ). This law for the purpose of protection of economic interests in the Azerbaijan Republic regulates rules of application of anti-dumping, countervailing and safeguard measures against the
dumping, subsidized or increased import causing damage or creating threat of causing damage to the local production sphere.

Strategic road maps
By the presidential decree (06.12.2016) "Strategic road maps for the national economy and main economic sectors" were endorsed. Strategic Road Maps are designed to ensure economy's competitiveness (including increasing scale and effectiveness of foreign trade relations), inclusion and increased social welfare based on sustainable economic development in Azerbaijan. Mobilization of investments meeting global challenges, free competition environment, market access and human capital development will strengthen position of Azerbaijan in global economy. Strategic Road Maps cover short, medium and long-term horizon and comprises economic development concept and action plan for 2016-2020, long-term outlook by 2025 and target outlook for the period after 2025. It covers not only economic objectives and principles, but global trends for each area, 360 degree diagnostics of the economy and SWOT analysis of current situation, actions to be undertaken, required investments and key indicators as well. Under strategic road maps the following measures have been considered on increasing scale and effectiveness of foreign trade relations:

- Creating 7 Logistic and Trade Centres;
- Preparation of exportable product list based on relevant analysis and promoting their export;
- To conduct relevant analyzes for the signing of free trade agreements;
- Measures to facilitate exporters' access to financial resources and etc.;
- Promotion of the policy to assist national firms, especially small and medium-sized enterprises, to participate better in international trade;
- Improving small and medium entrepreneurship in Azerbaijan plays an important role in terms of gaining more economic diversification, providing employment, increasing competitiveness, providing the demand for consumer products with the help of internal resources as well as achieving more economic development.

With the decree of the President of the Republic of Azerbaijan, 12 Strategic Road Maps have been endorsed which encompass national economy and 11 different main economic sectors like logistics and trade, oil and gas, industry, education, tourism and others.

One of these strategic road maps is called "Strategic Road Map for the manufacture of small and medium entrepreneurship-level consumer goods in the Republic of Azerbaijan". The strategic road map entails 5 main strategic targets in itself, one of which is to increase the export opportunities of SMEs and SME internationalization in order to ensure the internally produced products to fit the internationally accepted standards.
After the strategic road map was confirmed things started to be carried out more intensively. The aforementioned strategic target entails different measures. One of those measures is providing SMEs with appropriate financial resources within their international trade operations. Indeed quite a lot of things have been done concerning this; especially quite plenty of surveys have been implemented among entrepreneurs-exporters to define exactly the problems they come across during international trading. As a result of the surveys, a wide report was prepared which clearly indicated the problems SMEs meet while executing such trading. Meanwhile, the best international practices also were investigated and analyzed fully to see which elements still needed to be applied or reconfigured in the country. These obviously helped to define need-to-do matters and after those more mechanisms started to be applied in the country and this process is going on intensively.

The next measure was called “Supporting SMEs in terms of their products to be adequate with the international standards”. To achieve much better results comprehensive program was prepared by the Ministry of Economy of the Azerbaijan called “Improving SME competitiveness”. Certainly this could hardly be done without analyzing best international practices. Also lots of work is being done for making production processes to fit the latest international standards and regulations and an Action Plan is being prepared to achieve more profound results.

In addition to the above mentioned, in order to support SMEs more in terms of attracting FDIs lots of measures are being carried out. “Invest in Azerbaijan” project has probably been the most outstanding measure which is expected to play a prominent role on expanding FDI to SMEs in the country. Finally, export associations have been created and this process is still going on today.

Public-private partnership in trade facilitation initiatives, regulatory framework to promote private sector involvement

“Strategic Road Map for the manufacture of small and medium entrepreneurship-level consumer goods in the Republic of Azerbaijan” includes a strategic target which is called “creating more favourable business environment and regulatory basis for SMEs”.

The named target includes two different and important strategic priorities from which the former called “Deepening PPP (public-private partnership)” and the latter called “Expanding public-private dialogue”.

Improving PPP included several measures and indeed quite a lot of work has already been done for implementing the priority. This included improving legal basis of PPP for which different legislative acts have been prepared, accepted or improved. Besides this, a concept has been provided for the development of PPP which included the international experience of the developed countries. Perhaps one of the most outstanding measures accepted was prioritizing so-called “build-operate-transfer” in the country or increasing the number of projects being done under that.
Indeed there are several projects already having implemented under BOT system which include university accommodations, special buildings etc. Finally, in order to increase the minimum participation share of SMEs in public procurement a new legislative act has been prepared and sent to endorsement.

When it comes to the second priority, again lots of things have already been done to improve public-private dialogue in the country as well. After full investigation of the international practices and their analysis the most outstanding example for PPD business associations were defined which started to be more and more improved. In fact, there already were several business associations in the country representing appropriate areas of businesses like, fruit and vegetable, date, textile, packaging, construction, tea and others. However their legal status was to be improved and for that to be achieved a new legislative act was prepared which defined their status, rights and other issues referencing to the best international practices in the world. Of course creation of new business associations is going on and not only they are just created as organizations, but also they are being supported highly by definite establishments.

**Trade representatives**

Within framework of realization of presidential decree on appointment of trade representatives in the country's embassies and consulates abroad trade representative administrations in four countries (Russia, China, UAE and Poland (for Central European Counties) were created. Main functions of trade representatives in Azerbaijani embassies and consulates abroad are: to facilitate business ties and increase the effectiveness of export promotion measures, represent and fully protect the trade and economic interests of the country and exporters in foreign countries, and expand the delivery of Azerbaijani products to foreign markets.

**Export promotion**

A Presidential decree on large-scale promotion of local non-oil products in foreign markets as "Made in Azerbaijan" was signed on 05.10.2016. The Decree contains following different support mechanisms to stimulate non-oil exports and promote "Made in Azerbaijan" abroad:

- Export and buyer missions;
- Market research;
- Participation at international exhibitions and fairs under national stand;
- Individual participation at international exhibitions and fairs;
- Promotion of "Made in Azerbaijan" through state-owned legal entities;
- Obtaining international recognizing certificates;
- Research and development programs and projects;
- Depending on the support mechanisms, the costs relating to their realization are fully or partially covered by the state budget.
AZPROMO
In accordance with goals to diversify national economy, to integrate into world economic system and develop non-oil sector, Azerbaijan Export and Investment Promotion Foundation - "AZPROMO" was founded by the Ministry of Economy, with the aim to contribute to the economic development through attracting foreign investments in the non-oil sectors of economy and stimulating expansion of country's exports of non-oil goods to the overseas markets. AZPROMO has huge international networking capabilities. AZPROMO is the member of the World Association of Investment Promotion Agencies (WAIPA) and currently, its president holds WAIPA's vice-presidency position. AZPROMO's international offices in Georgia, Austria, Italy and China coordinated by the centre in Baku deliver services in a short period of time. AZPROMO's close relations with many international investment promotion agencies, chambers of commerce and other business promotion institutions have been maintained. AZPROMO have signed memorandums on cooperation and partnership with over 80 such organizations from 37 countries of the world. Export support to domestic exporters is provided by AZPROMO.

Simplification of import-export procedures
An Order was adopted by Cabinet of Ministers (10.04.2017) to reduce number of documents required during import-export operations. According to this Order following documents was removed from the list of documents required from customs authorities:

In export - document confirming payment of customs payments, certificate of quality and certificate of origin.

In import - document confirming payment of customs payments, certificate of compliance, licenses for the import of ethyl (food) alcohol, alcoholic beverages and tobacco products.

By the Presidential Decree (28.06.2018) Action Plan for improving import-export control system was adopted. Under the action plan following measures were identified:

- Improvement of customs administration;
- Development of risk management system;
- Development of international cooperation;
- Customs duties.

A new document (17.11.2017) - "Commodity Nomenclature of Foreign Economic Activity, Rates of Import and Export Customs Duties" in order to improve effectiveness of foreign economic activity by modernizing the mechanism of setting customs tariffs, strengthening state support for domestic production and non-oil exports, protecting the domestic market, as well as switching to a system with fewer
customs duties was approved by the Cabinet of Ministers. Under the document followings were identified:

Three-level differentiated tariff system – 0%, 5% and 15% (the previous was 7 type of ad valorem tariff – 0%, 0.5%, 1%, 3%, 5%, 10% and 15%)
Commodity nomenclature adapted to HS 2017

Implementation of the WTO Trade Facilitation Agreement in Azerbaijan
Preliminary assessment report on the readiness of the Republic of Azerbaijan to implement future commitments, arising from the WTO Trade Facilitation Agreement was prepared by the United Nations Economic Commission for Europe (UNECE) and the Ministry of Economy.

The Ministry of Economy and UNECE organized a consultative seminar (21-22 June, 2018) on the follow up of the UNECE-Azerbaijani project on assessing the readiness of Azerbaijan to implement the WTO Trade Facilitation Agreement (TFA) and to demonstrate report for discussion.

Participants in the consultative seminar included national stakeholders: representatives of the Ministry of Economy, the Ministry of Foreign Affairs, the Ministry of Transport, the Ministry of Agriculture, the State Customs Committee and business representatives.

The seminar was held in the form of interactive sessions: short presentations followed by interactive discussions with the participants, addressing such organizational issues of establishing a functional NTFC as ToR, program of work, secretariat, financing, contents of work, and scope of activities.

The preliminary assessment of readiness of the Republic of Azerbaijan to the Trade Facilitation Agreement demonstrate that Azerbaijan has fully compiled with 26 out of 37 trade facilitation measures, reaching the compliance ratio of 70%. Out of remaining 11 measures, 10 measures were considered to be partially implemented.

Priority 4: Regional integration and cooperation

Located at the crossroad of East-West and North-South international transport corridors, Azerbaijan has managed to become a pioneer in the region in initiating and enabling a number of strategic projects in trans-regional transport (Astara (Azerbaijan) - Astara (Iran) railway connection, Baku-Tbilisi-Kars railway project, Baku International Sea Trade Port Complex and others).

Besides, free trade zone type special economic area to be established in the country represents another element of Azerbaijan’s policy to strengthen the country's position
as a regional logistics and transportation hub and create a multi-vector transport infrastructure.

Meanwhile, Azerbaijan has been successful in becoming one of the key players and investors in energy infrastructure projects in the South Caucasus region and beyond. Through initiating and implementing sustainable energy projects Azerbaijan has established itself as a reliable energy supplier and become a vital bridge between Asia and Europe (Baku-Tbilisi-Ceyhan Pipeline (BTC), South Caucasus Pipeline (SCP), Trans Anatolian Pipeline (TANAP) and Trans Adriatic Pipeline (TAP)).

Azerbaijan also emerges as an important ICT transit hub of the region, especially through the perspective implementation of UN General Assembly-supported Trans-Eurasian Information Super Highway (TASIM) project which will help to build broadband connectivity, promote development of ICT infrastructure and e-commerce across Eurasia and will further contribute to UN’s bridging the digital divide initiative.

**Priority 5: Structural economic transformation**

**Investment Promotion Document**

In order to diversify FDI made in the economy and to ensure attractiveness of non-oil industry for investments, Investment Promotion Document has been launched.

An Investment Promotion Document is issued for an investment project for 7 years. The Document allows its holders to benefit from 50% reduction on income and corporate tax, exemption from property and land tax, exemption from VAT and customs duties on machinery, technological equipment and installations imported in connection of the investment project.

To be eligible to obtain an IPD an investment project should be related to the selected economic activities, such as sorting and packaging of agricultural products, transportation of food products by special refrigerator vehicles, intensive horticulture, intensive plant growing, tea growing, cattle farming, manufacture of food and beverages, tobacco products, paper and paperboard, pharmaceuticals, rubber and plastics products, construction materials production, electrical equipments production, machine and equipment production, alternative energy production, metallurgy articles production, chemicals production etc.

The issuance of an IPD is subject to the certain investment thresholds differing depending on 5 investment regions.

294 IPDs have been issued, 141 facilities operate on IPD. As a result of this, it is estimated that more than 2.5 b manat investment will be made in the economy, and 19 thousand new jobs will be created.
Industrial and technology parks
Residents of industrial and technology parks enjoy certain tax holidays and exemptions within 7 years starting from the year of registration in the park. Those zones offer income and corporate tax exemption, VAT and customs duties exemption on machinery, technological equipment and installations imported with the purpose of construction of production facilities in the parks and research and development works, exemption from tax on land and property used in the parks.

The amount of investments made in industrial parks is 2.6 b USD, it is estimated that the amount will increase to 3.6 b USD. The number of new jobs created is about 11 thousand, plus estimated 7500 additional jobs.

Opportunities for export-oriented FDI
Export promotion and stimulation mechanisms are available for non-oil goods produced in Azerbaijan. Export reimbursement system is applied to certain goods depending on their value and local components used for their production at the basis rate of 3% of their customs value indicated in the export customs declaration.

Measures taken to create conducive environment for investments
The one-stop-shop issuance of the licenses is carried out by the Ministry of Economy via ASAN service centres as of 2 November 2015, except the licenses for national security and financial markets related activities. The number of licensed activities has been reduced from 59 to 29. The fixed-term licences were declared termless by the Order of the President of the Republic of Azerbaijan on 21 December 2015. From that on licenses are issued for a life-long period. The state duties for licenses have been reduced twice and in the regions four times (except for regional television and radio broadcasting), and additionally, the respective procedures have been simplified.
In accordance with the new Law on Licences and Permits, adopted on 15 March 2016, the number of permits was reduced four times to 86.

In order to streamline the procedures, issuance, reauthorization, suspension, renewal, revocation of licenses and permits, issue of duplicate and single registry thereof are made possible through Licenses and Permits Portal. The Portal is in operation from March 2018, and up to the date more than 200 electronic licenses have been issued via the Portal by the Ministry of Economy.

In accordance with the Decree of the President of the Republic of Azerbaijan on 6 December 2016, 12 Strategic Road Maps on national economy and main sectors of economy have been adopted. The Strategic Road Maps set targets and define appropriate measures for the development of national economy generally, oil-gas sector, agricultural production, SME, tourism, financial services, logistics and trade, heavy industry and machinery, telecommunications and information technologies, utilities, housing, vocational education and training.
The SRM on National Economy set improving favourable business climate as one of the strategic targets. With a view to meet that target the implementation of certain actions has been determined in the SRM, such as, enhancement of free competition, ensuring effective tax system, increasing flexibility and effectiveness of public services, approximation of technical regulation and national standards to international requirements, conclusion of free trade agreements, improvement of statistical infrastructure, continuing reforms towards improvement of business climate, realization of foreign investment strategy.

Prioritization of private sector development
On 28.12.2017 President of Azerbaijan Ilham Aliyev signed a decree to create the Agency for Development of Small and Medium-Sized Enterprises. According to the decree, the SME Agency is a public legal entity that supports the development of small and medium-sized businesses in the country, provides a range of services to the SMEs, coordinates and regulates the services of state bodies in this field. On 26.06.2018 President of Azerbaijan Ilham Aliyev signed a decree to approve the Charter of the Agency.

According to the decree small and medium-sized business houses (SMB Houses) will render a range of services for entrepreneurs in a single space in more professional, comfortable, transparent and responsible manner (including necessary mobile services). More than 30 governmental entities will provide nearly 120 services for entrepreneurs, including training, consulting, information, business incubation, innovation center, financial and other services.

Small and Medium Business Development Centers, Public-Private-Partnership (PPP) Development Centers, Small and Medium Business Development Funds will also be the integrated part of SMB Development Agency's structure.

The SMB Development Agency is needed to coordinate efforts in supporting SMEs, create favourable conditions regarding SME business environment. The SMB houses will provide the services in Baku and in the regions using its own platform.

"Made in Azerbaijan"
The President of the Republic of Azerbaijan Mr. Ilham Aliyev signed the Decree on large-scale promotion of local non-oil products in foreign markets as "Made in Azerbaijan" on 5 October 2016. This Decree contains 10 different support mechanisms to stimulate exports and promote “Made in Azerbaijan” abroad. Depending on the support mechanisms, the costs relating to their realization are fully or partially covered by the state budget. Every exporter engaged in exporting of the local non-oil products has the right to apply for these support mechanisms:

- Export missions of local producers abroad;
- Participation of entrepreneurs at international exhibition and fairs under national stand;
- Buyer’s missions to Azerbaijan;
- Market research for entrepreneurs;
- Individual participation of entrepreneurs at international exhibitions and fairs;
- Promotion of "Made in Azerbaijan" by state-owned legal entities;
- Placement of "Made in Azerbaijan" shelves in "Duty Free" shops and stores operating in foreign countries;
- Promotion of the brand "Made in Azerbaijan" in public spaces and on international media;
- Financial support for obtaining certificates and patents in foreign countries for non-oil products and registration of trademarks;
- Financial support for research and development programs and projects.

As a result of reforms taken in the field of creation effective business environment, Azerbaijan was rated at 57th place among 190 countries in the "Doing Business 2018" report which is considered one of the main reports prepared by World Bank, and 35th place among 137 countries in the "Global Competitiveness" report for the years of 2017-2018.