



# National Economy and Core Sectors of the Economy

## STRATEGIC ROAD MAPS







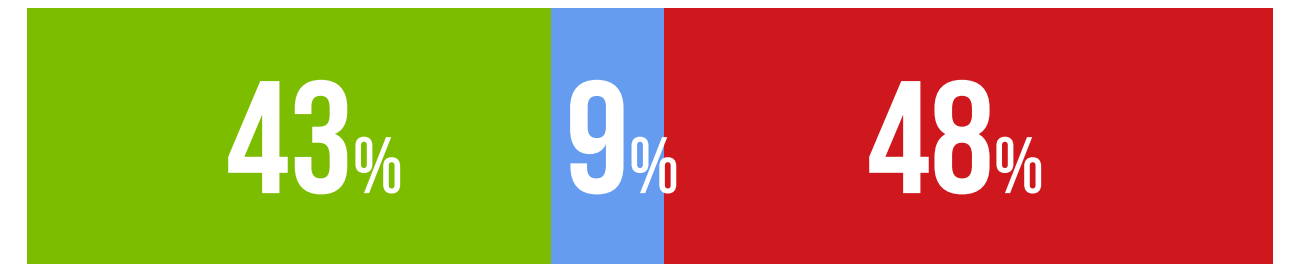
**"Further diversification of the economy and continuation of economic reforms will create additional opportunities for the sustainable development of our country, and I am sure that Azerbaijan will become even stronger in the coming years".**

ILHAM ALIYEV,  
President of the Republic of Azerbaijan

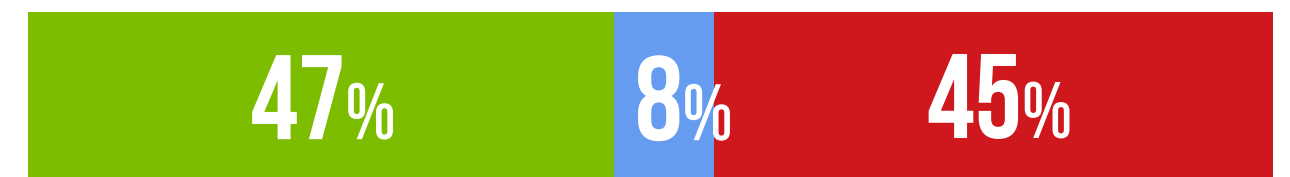
# PROGRESS IN THE IMPLEMENTATION OF STRATEGIC ROAD MAPS AS OF JANUARY 1<sup>ST</sup>, 2019

## OVERALL PROGRESS

■ Implemented
 ■ Partially implemented
 ■ Implementation is pending



Strategic Roadmap for the **National Economy Perspective** of the Republic of Azerbaijan



Strategic Roadmap for the **Development of Financial Services** in the Republic of Azerbaijan



Strategic Road Map for the **Development of Telecommunication and Information Technologies** in the Republic of Azerbaijan



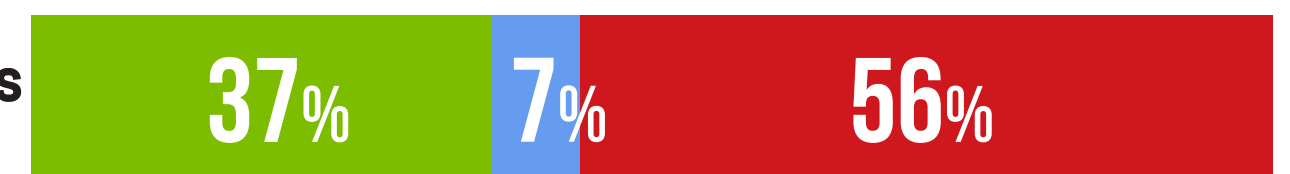
Strategic Roadmap for the **Production of consumer goods by small and medium-sized businesses**



Strategic Road Map for **Development of Utility Services** (Electricity and Heating Energy, Water and Gas) in the Republic of Azerbaijan



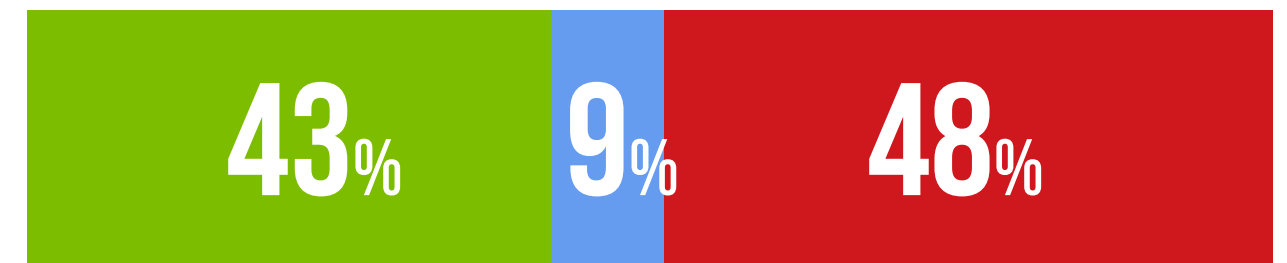
Strategic Road Map on **Production and Processing of Agricultural Products** in the Republic of Azerbaijan



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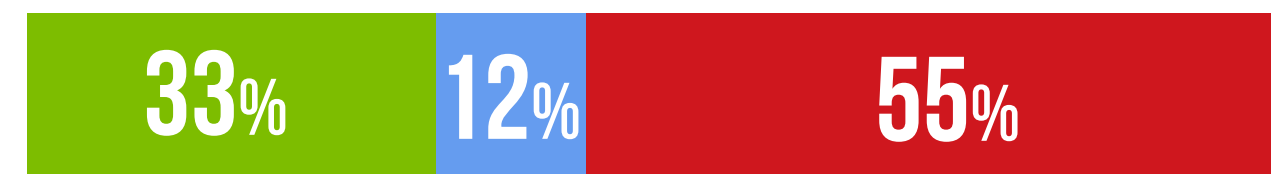
Strategic Roadmap for  
**Development of Logistics and Trade**  
in the Republic of Azerbaijan



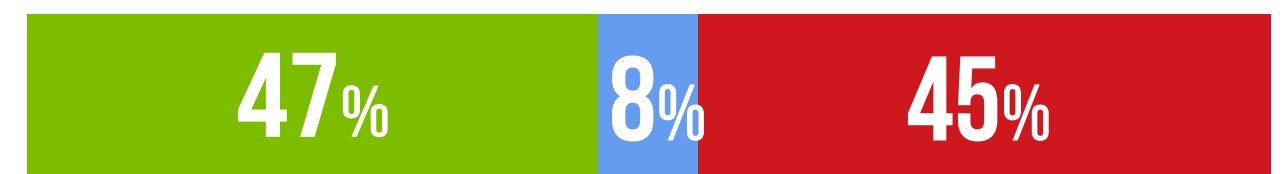
Strategic Road Map for  
the **Development of Affordable Housing**  
in the Republic of Azerbaijan



Strategic Road Map on  
**Vocational Education and Training**  
in the Republic of Azerbaijan



Strategic Roadmap on  
**Heavy Industry and Machinery**  
in the Republic of Azerbaijan



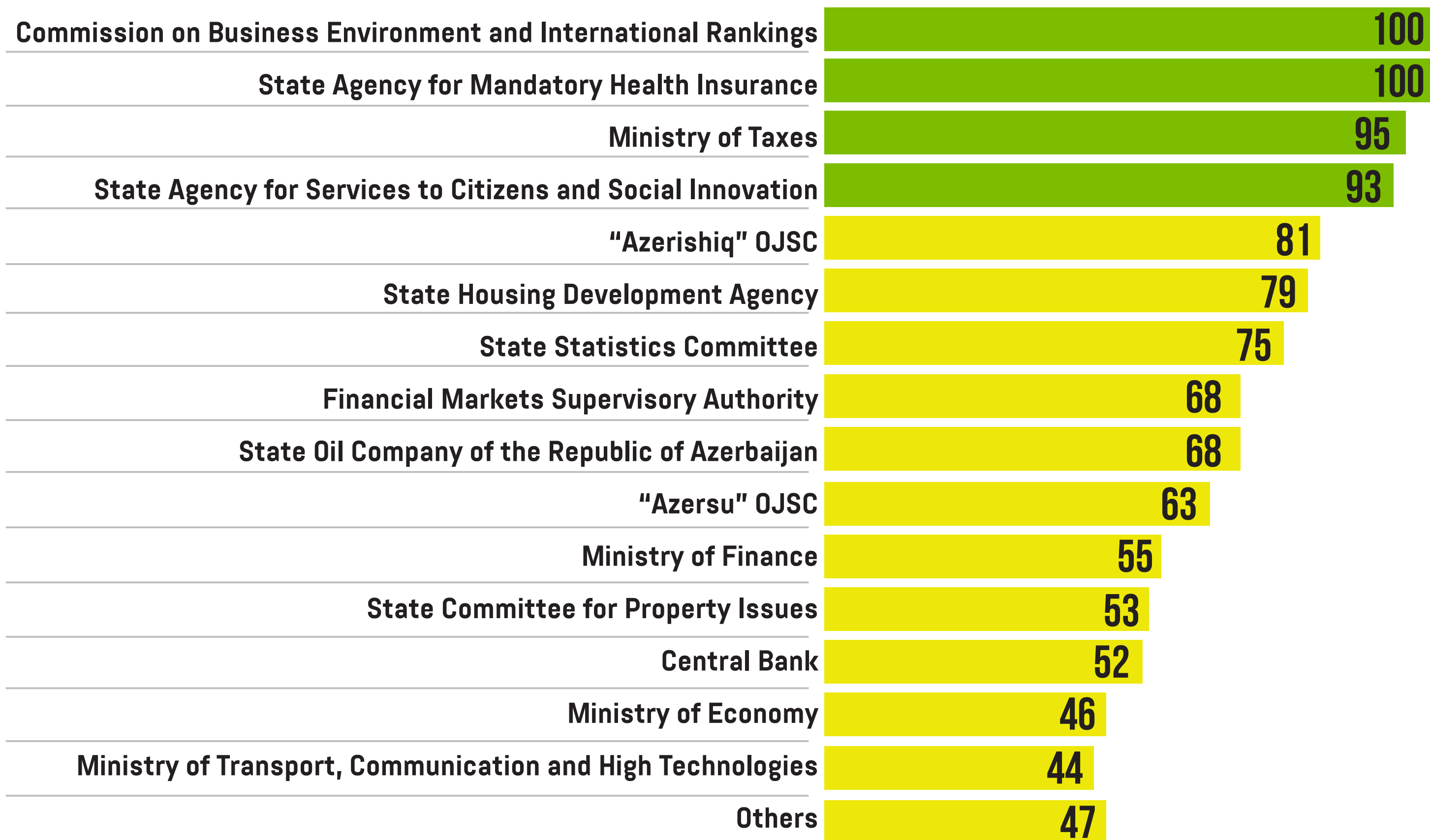
Strategic Road Map for  
the **Development of Niche Tourism Industry** in the  
Republic of Azerbaijan



# PROGRESS IN THE IMPLEMENTATION OF STRATEGIC ROAD MAPS AS OF JANUARY 1<sup>ST</sup>, 2019

## PERFORMANCE OF KEY IMPLEMENTING BODIES

■ <10%   ■ 10% < 90%   ■ >90%





## MACROECONOMICS



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)

## BUSINESS ENVIRONMENT



- **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 conducted 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

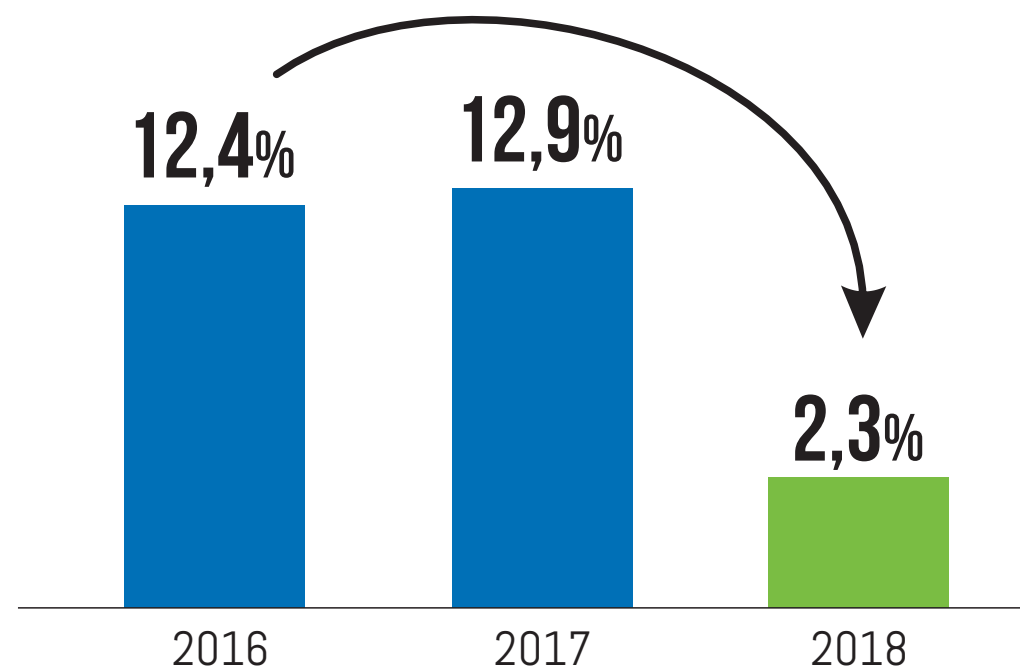


- Pilot project on **mandatory health insurance** has been implemented, the legislative framework for introducing mandatory health insurance in the entire country has been developed, with view to introduce in overall country starting from 2020 (SRM on Finance : Priority 1.3, SRM on Telecommunication : 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.

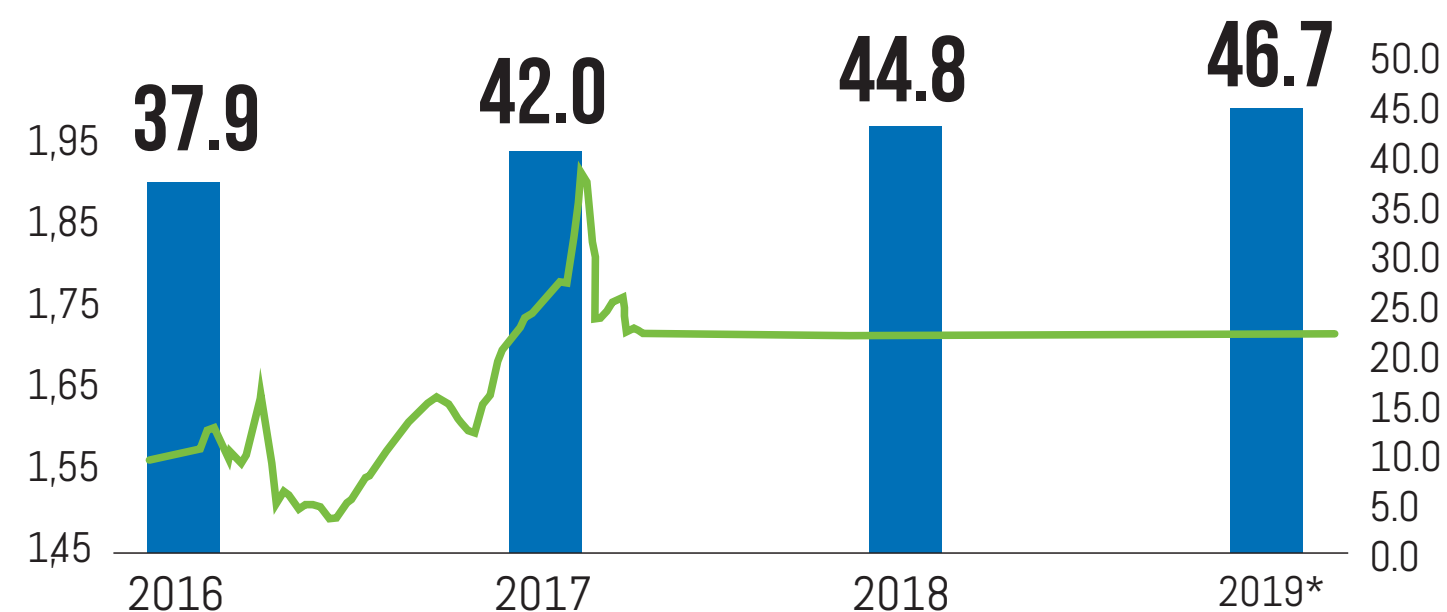


# 2016-2018 ARE REMEMBERED FOR POSITIVE ECONOMIC FIGURES

## ANNUAL INFLATION (% PER)



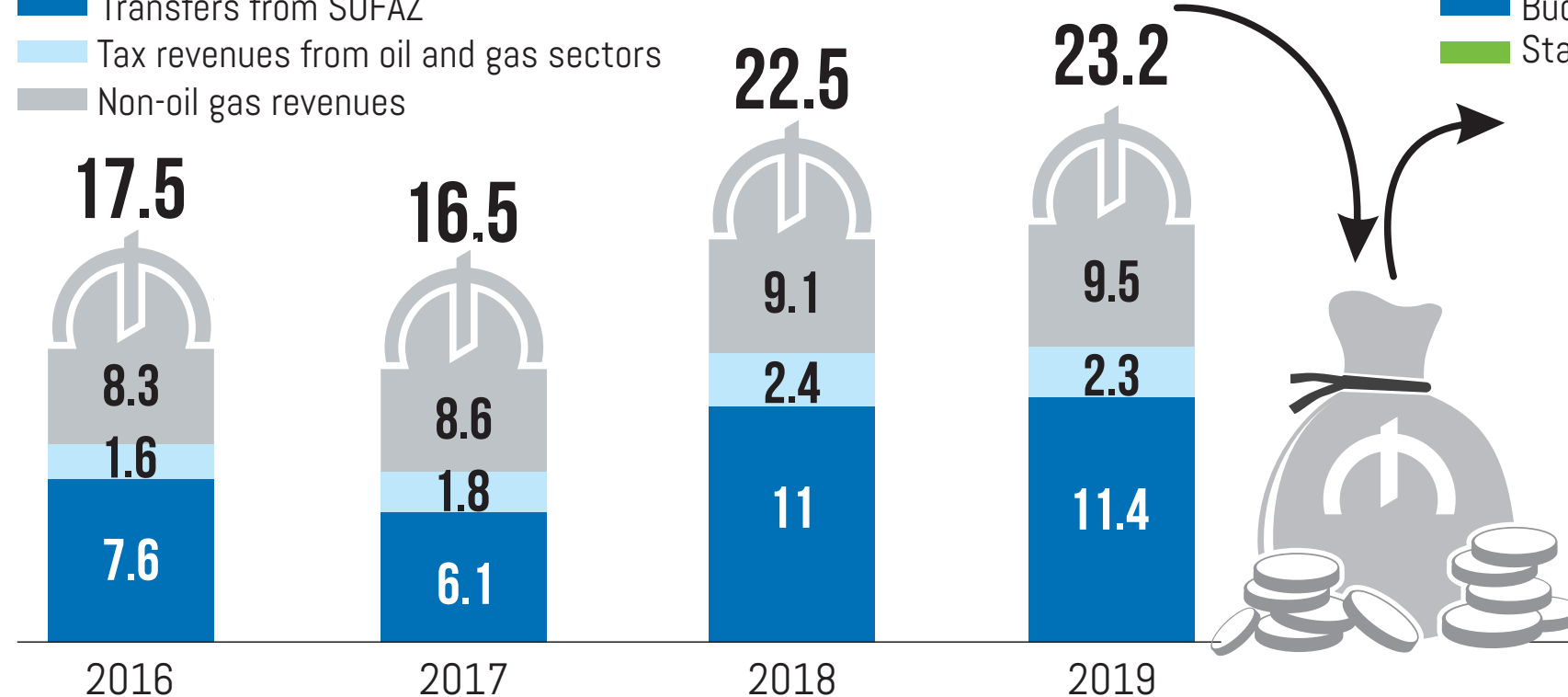
## STRATEGIC CURRENCY RESERVES (BLN. MANAT) AND AZN/USD EXCHANGE RATE



\*As of March 31, 2019

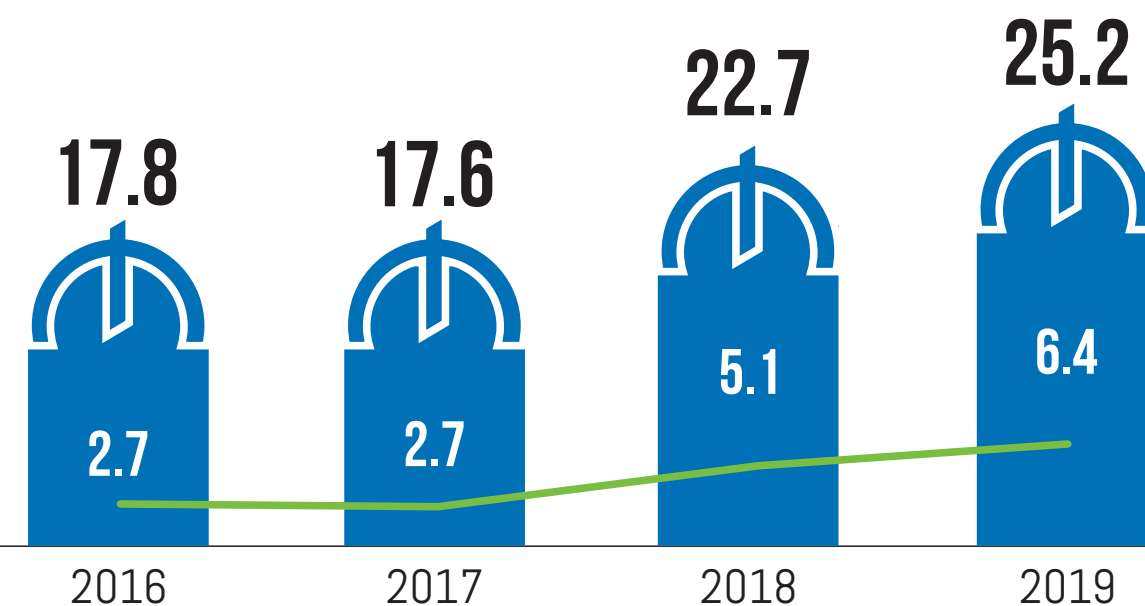
## BUDGET REVENUES (BLN. MANAT)\*

- Transfers from SOFAZ
- Tax revenues from oil and gas sectors
- Non-oil gas revenues



## BUDGET EXPENDITURES (BLN. MANAT)\*

- Budget expenditures
- State-funded investments



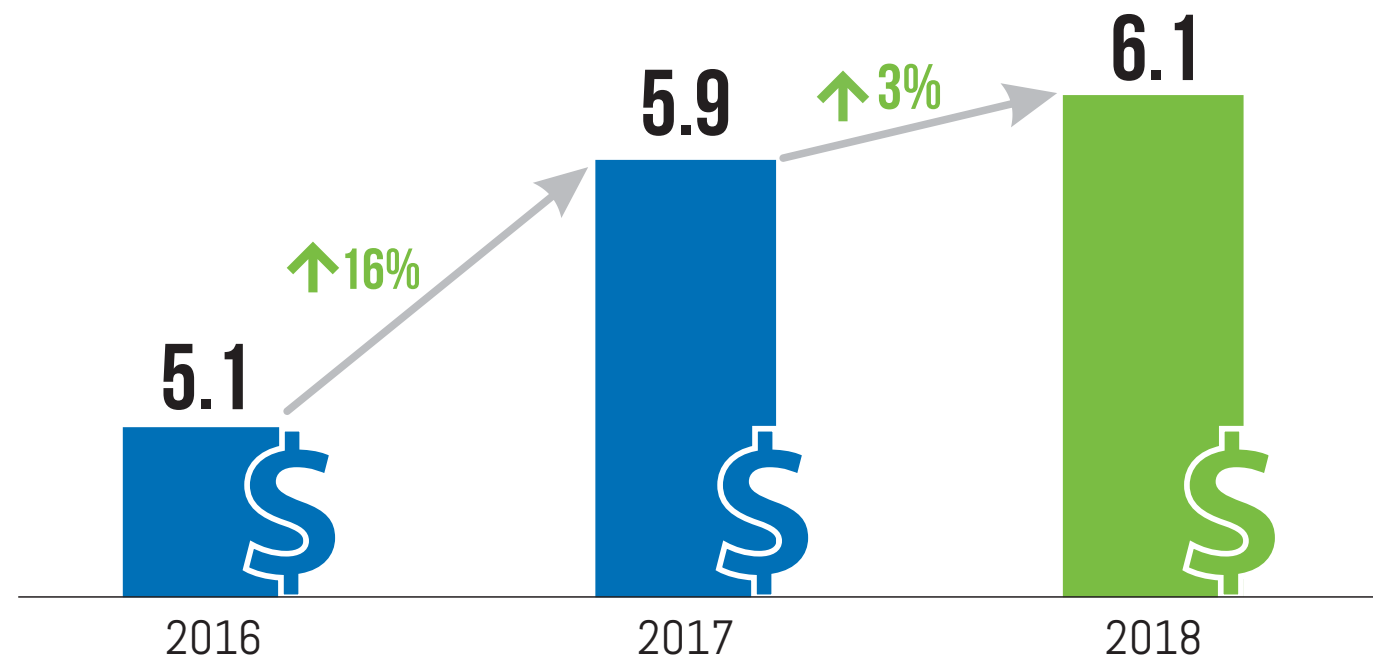
Source: Central Bank and the Ministry of Finance of the Republic of Azerbaijan

\* Actual performance indicators for 2016, 2017 and 2018, Projected performance indicators for 2019

# AZERBAIJAN AS THE MOST REFORMIST COUNTRY IN THE INTERNATIONAL RANGINGS...

## EXPORT OF GOODS AND SERVICE IN NON- OIL SECTOR

(BLN. USD)

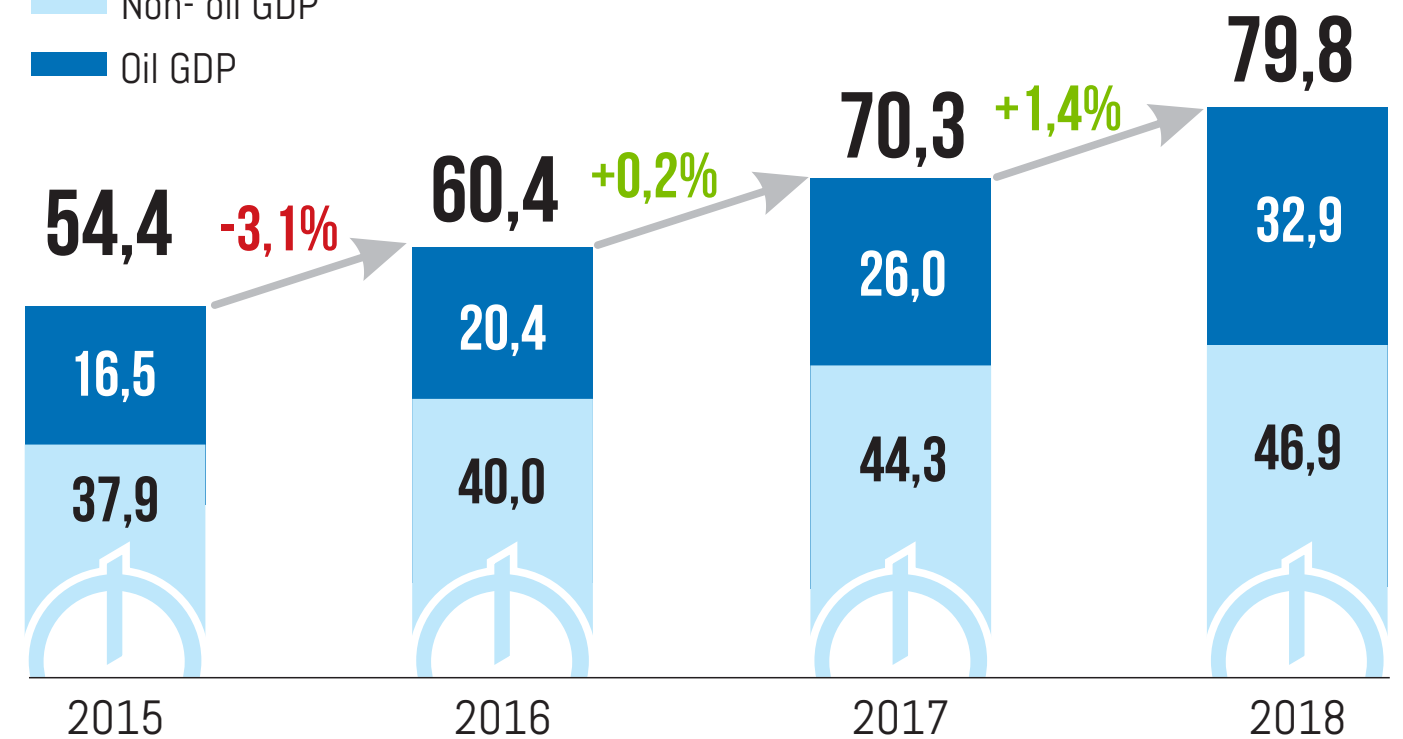


## NOMINAL GDP (BLN. MANAT)

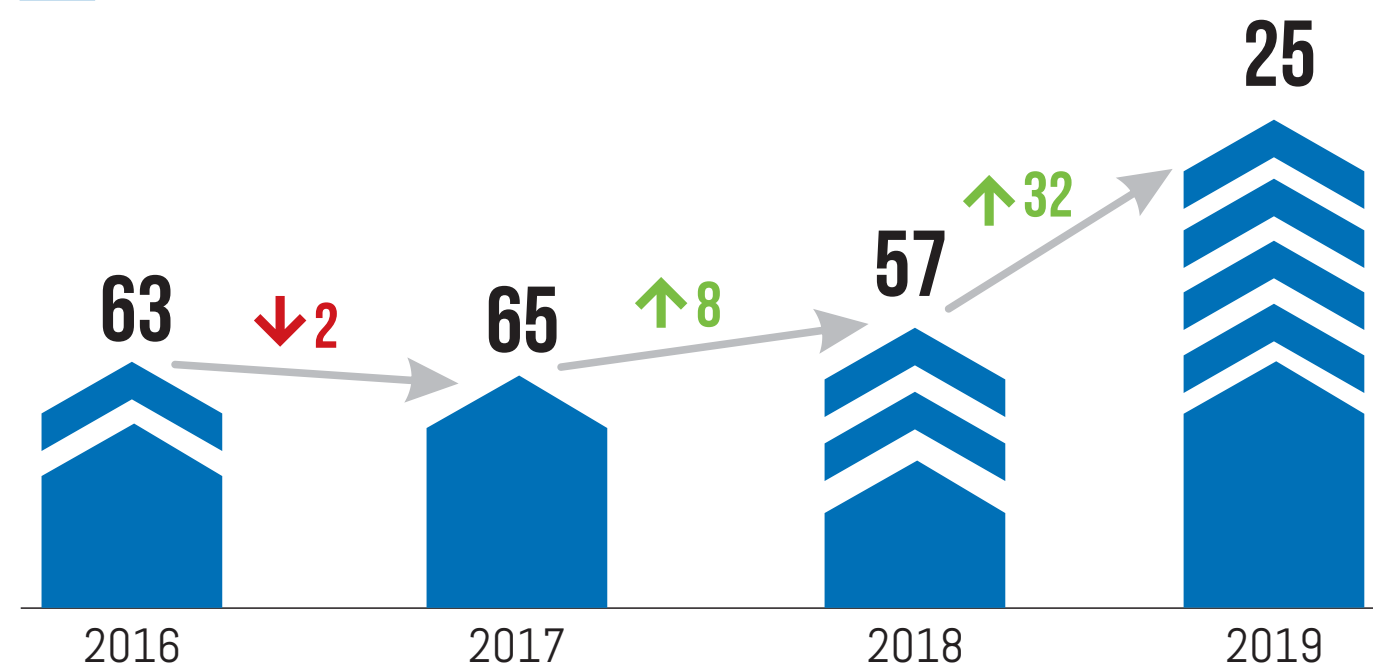
XX % - annual growth (fall) percentage of real GDP

Non- oil GDP

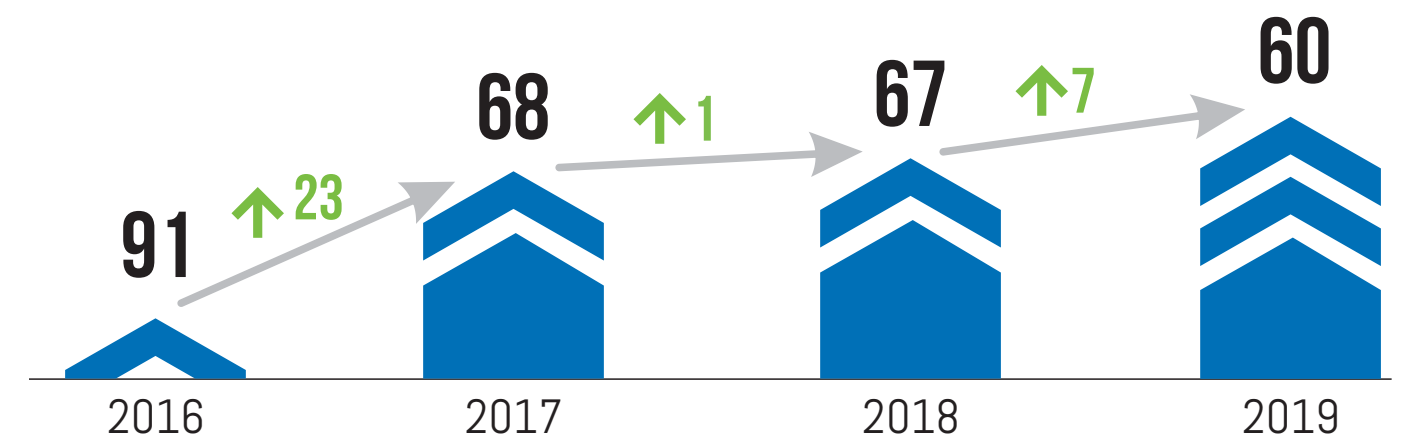
Oil GDP



## DOING BUSINESS REPORT



## ECONOMIC FREEDOM REPORT



Source: Central Bank and the Ministry of Finance of the Republic of Azerbaijan

## 21 MONTH ARE AHEAD : WHAT ELSE DO WE TARGET?

1 > 2 > 3 > 4 > 5 > 6 > 7 > 8 > 9 > 10 > 11 > 12 > 13 > 14 > 15 > 16 > 17 > 18 > 19 > 20 > 21

- 
- 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



# WHAT HAS TO BE DONE TO ACHIEVE THE PROJECTED TARGETS?

## IN THE SHORT RUN

## IN THE LONG RUN



- 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!**