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Content

1. STRATEGIC ROAD MAP ON NATIONAL ECONOMY AND KEY SECTORS OF THE ECONOMY OF AZERBAIJAN.....	3
2. AMENDMENTS TO THE LAW " ON ACCOUNTING " OF THE REPUBLIC OF AZERBAIJAN.....	17
3. CHANGES TO "REGULATIONS ON THE FORM AND RULES OF CONDUCTING UNIFIED REGISTER OF INSPECTIONS IN THE FIELD OF ENTREPRENEURSHIP.....	20
4. COMMISSION ON REGULATION AND COORDINATION OF LABOR RELATIONSHIPS.....	23
5. DEVELOPMENT OF BEACH TOURISM IN AZERBAIJAN	26

© Objectives of the Center for Analysis of Economic Reforms and Communication is to develop proposals for realization of economic reforms based on analytical data by conducting analyses and researches on macro - and micro - economic levels directed to ensuring sustainable economic development of the country, as well as prepare mid – and long-term forecasts, provide government authorities and agencies with the same and organize promotion of the achievements made by the Republic of Azerbaijan in various sectors of the economy.





Strategic Road Map on National Economy and Key Sectors of The Economy of Azerbaijan

Strategic Road Map on National Economy and Key Sectors of The Economy of Azerbaijan is designed to ensure economy's competitiveness, 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 Map covering national economic perspectives and strategic road maps on 11 economic sectors consists of 12 documents and was approved by the President of the Republic of Azerbaijan Mr. Ilham Aliyev on December 06, 2016. Center for Analysis of Economic Reforms and Communication was mandated to conduct monitoring, evaluation and communication of the implementation of such an ambitious reform document.

Strategic Road Map on National Economic Perspectives covers 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.

Foundation of economy for medium and long term will be laid through focusing on selected short-term priorities. Strategic Road Map will facilitate all factors contributing to economic development, including communications and cooperation with local and international private sector representatives. Public investments will act as a catalyzer, while private sector will be a locomotive for the economic development.

Main specifications of national economy prospects

During the last 10 years Azerbaijan was among global leaders of economic growth ratio. Based on successful oil strategy infrastructure has been modernized; non-oil resource economy developed; social welfare improved; state-owned assets increased and strategic currency reserves exceeding the level of GDP have been accumulated.

In the context of cumulative output deficit, institutional and structural reforms, balance of payments and non-oil budget deficit, developments in finance and bank sectors resulting from the sharp decline of oil prices starting from 2014 and economic crisis experienced by trade partners, Azerbaijan chooses a new economic development paradigm.

By focusing on new “high-end” sectors, which will ensure sustainable development, the structure of economy will be re-balanced through higher growth of non-tradable sector versus tradable sector, processing versus production, private business versus public business, high technology intensive sectors versus low technology intensive sectors, sectors based on highly qualified labor versus low qualified, high return markets versus low return markets and high value added generating sectors versus low value added generating sectors.

The structure of national economy may be renewed through the improved business environment, establishing fiscal institutes within medium term expenditure framework, recovery of the financial and banking system and improvement of the monetary system based on floating exchanges rate, as well as enhanced access to foreign markets.

For this reason four strategic targets have been selected under national economic perspectives. Achievement of these targets and implementation of road maps on 11 sectors will enable sustainable economic development through the balance ensured between real and finance sector.

In accordance with the first strategic target, Azerbaijan will ensure fiscal sustainability and formulate monetary policy on the basis of the floating exchange regime.

Coordination of fiscal and monetary system will ensure macroeconomic stability. Second target under the national economic perspectives is to improve performance of legal entities with the state’s major shareholding and to ensure dynamic character of the economy through implementation of privatization. Third goal is related to human capital development, where labor market development will be aligned with the national economic perspectives. Finally, fourth target is to improve business environment. General issues that will secure Sustainable development of 11 sectors defined in national economic perspective are covered herein.

The economy of Azerbaijan will develop in medium and long term prospects within an environment subject to various



changes. Observation and understanding such influences is important in terms of overcoming difficulties entailed thereby and taking advantage of opportunities they offer. In such case, although there is a significant probability of unforeseen processes taking place, initial signs of influence by some of the global trends on global economy are already visible today. It is certain that four of these influences will be important for Azerbaijan: shift of global power center to emerging market in Asia, significant impact by technological innovations, changing geopolitical configuration as well as oil and gas prices.

New oil price levels

Oil prices have declined and price volatility has increased during the preceding years: while oil prices for one barrel was close to 150 USD in 2008, it declined below 30 USD in 2016. Global decline in oil prices had significant impact on the economy of Azerbaijan. In 2010-2014 economic growth rate slowed and equaled average annual 2,7%. Reduced volumes of export and state budget revenues in 2015 led to 2% increase in the level of unemployment comparing to the previous year. Tension in the Balance of Accounts arising from low oil prices increased pressure on manat exchange rate and in 2015 national currency underwent two devaluations.

Forecasts indicate that increase in demand for oil and gas will reduce by 0.7 percent annually by year 2050 (30 percent less than indicated in the previous forecasts) and the share of fossil fuels in overall energy sector will diminish. Since return to previous high oil prices are not anticipated under these conditions, it is not forecast that highly sustainable development will be achieved based on oil income in the future. The International Monetary Fund forecasts that Azerbaijani economy will grow 2-3 percent per annum by year 2025. This rate is consistent with that of preceding few years. However, such low rate of growth is not sufficient to achieve economic goals as well as to create required number of new jobs for current and future generations. In this regard, a higher rate of growth will be achieved in Azerbaijan by building economy on new foundations under low oil prices conditions.

Decreasing potential of oil and gas sector to boost economy countries of the world rich with natural resources, including Kazakhstan, Saudi Arabia and Russia face problems and make efforts to diversify their economies.

Oil prices are not likely to return to 2008-2009 level and even if this happens, resource industry is not a true answer for all questions. Despite its importance in the past, the share of oil and gas sector never exceeded 1% in total employment. Diversified economic growth will allow 10 million Azerbaijani citizens to fulfill their professional dreams and to increase welfare.

There are two potential opportunities related to the expedited economic diversification and appropriate steps shall be undertaken right now to use opportunities. Region's overall economic development dynamics constantly changes and creates opportunities to increase export. Azerbaijan is located between three large economies with total population exceeding 300 million and GDP reaching US\$ 3 trillion - Iran, Turkey and Russia.

Economic reforms implemented in Azerbaijan were accompanied with the significant improvement of global ratings. Azerbaijan was assessed as a "leading reformer of the world" in 2009 by the World Bank's "Doing Business" Report. Based on the World Economic Forum's "Global Competitiveness Report for 2016-2017" Azerbaijan now ranks 27 ahead comparing to 2006 and is 37th among 138 countries. In accordance with this report, Azerbaijan is 39th in the world for the quality indicators of macro-economic environment, 26th for labor market efficiency, 37th for national income to GDP ratio and 55th for infrastructure quality.

Economic policy implemented by Azerbaijan caused noticeable increase of per capita national income in Azerbaijan among the countries of the globe. Based on the World Bank's classification (atlas methodology), while Azerbaijan was included in the poor countries category for per capita national income level in 2004, in 2005- it was lower-middle income and in 2009 in upper-middle income countries category.



Existing economic growth model successfully completed its life cycle and enabled achievement of its targets. Currently the most significant strategic challenge of new era is to ensure transition from “capital accumulation” based model to “productivity (efficiency)” based growth paradigm. This requires improved quality of institutional environment, accessible financing sources, adequate business segmentation and specialization, modernization of macroeconomic policy in accordance with the new challenges and, finally and most importantly, intensive building of highly qualified human capital.

Low oil prices era created significant challenges for the economy of Azerbaijan. Thus, key impact channels on the national economy under new conditions are: foreign balance (balance of payment), domestic balance (public financing, including strategic currency reserves; private investment requirement → economic growth → macroeconomic stability), including banking and finance sector (financial stability).

New economic growth paradigm: strategic choice

Choosing the “growth points” for the country’s future economic growth is an important strategic decision. Two options are sought on the growth paradigm as a result of shrinking of the added value generation capacity of the intensive capital accumulation model in the new strategic period: a) labor-intensive growth model and b) productivity and efficiency based growth.

Transition to the productivity and efficiency based growth appears to be an obvious strategic choice in terms of integration to the global value chain, quality and sustainability of economic growth. However, combination of both models in the short and medium term can enable faster transition to the strategic choice model.

It should be particularly kept in mind that workforce is much cheaper in the regions of Azerbaijan compared to Baku city and this makes a big potential for the development of labour-intensive cluster. Nevertheless, strategic choice is the establishment of productivity based growth. To this end,

high-quality institutional environment, available sources of finance, proper segmentation and specialization of business and foremost, development of highly specialized human capital is required.

Large scale institutional reforms are the most important in the reform agenda in terms of providing adequate reaction to the strategic challenges whether in short and medium term or in long term. Higher quality, more effective and inclusive institutes will improve a business and investment environment, developing a foundation enabling minimization of adverse impacts of low oil prices in the short term and transition to the productivity based growth in the medium and long term. The following steps are necessary in order to implement institutional reforms in the first turn:

Continued judicial reforms. Further strengthened judicial institutes and the rule of law are the pre-condition for property rights protection. Expedited reforms in this area will increase the trust of existing and potential investors in the investment protection and future return on investments.

Strengthening rule of law. Improved legislation, strengthened and more transparent enforcement arrangements and improved projection capacity for the legislation and, at the same, time strengthened mechanism supporting legislative initiatives.

Improved business environment. Liberalized business regulation by the government, further improved quality of tax and customs administration, minimization of market entry limitations and, at the same time, free competition environment will enable improvement of the business environment.

Expanded financing sources for the new growth paradigm are among the issues on the reform agenda. Firstly, capacity of public and private financing sources needs to be confirmed and then significant efforts shall be undertaken to promote foreign investments.

Optimization of domestic financing sources. Public financing. Firstly, priority development sectors needs to be established. Then these areas can be



financed through sector based crediting by the National Entrepreneurial Support Foundation and other financing sources.

Investing private savings. Improved business environment may encourage businesses and household to invest their savings, contributing to the economic development. Considering financial amnesty. Financial amnesty can increase the domestic financing of growth, provided that business environment is improved.

Expanding foreign financing sources. Expedited judicial reforms and rule of the law in the country can facilitate expansion of business initiatives of foreign investors. In addition to these reforms, intensive investment fairs held abroad, provision of specific privileges for investments in priority sectors (same conditions as for domestic investors) can facilitate provision of foreign financing for the growth model. Economic policy and economic policy formulation and implementation arrangements need to be further improved and modernized in order to ensure efficiency of the new growth model. For this purpose the following reform measures need to be undertaken:

Improved fiscal policy efficiency. Reducing dominance and increasing conductivity of the fiscal policy is one of the essential directions in the new growth paradigm. Diversification of competitive non-oil sector comparing to the regional countries and key trading partners, may support the expansion of the taxable base of the budget. For this purpose urgent measures aimed at identification of the most appropriate and competitive tax and tariff rates, development of new framework enabling enhanced business and investment capabilities may be considered. On the other side, introduction of counter-cycle fiscal regulations, ensuring transparency and accountability, improving quality of public investments management are key priorities in terms of improvement of the technocratic framework of fiscal management.

Improved efficiency of money-exchange rate. In this area significant challenge relates to money policy conductivity to the economy. High conductivity requires interbank money market development, reduced dollarization through the increased confidence in the money policy,

choosing interest rates as alternative anchors, building economic expectations on the basis of adequate management framework, strengthened coordination with the financial stability policy. At the same time, in the medium term expedited works to implement transition to an inflation targeting regime in the medium term can support increased money policy efficiency.

Predictable economic policy model. Predictability of the economic policy by economic agents allows development of adequate expectations forming the basis for reasonable decision making. This requires improved expectations development mechanism for the economic policy makers, advance consideration of the impact of analysis and information made publicly available, coordinated and highly focused approach to public relations within the government. Achieving high level transparency and accountability, strengthened sincere links with business will improve economic policy and reform efficiency.

Expanding high level coordination. There is a need for strengthened coordination and improved efficiency of institutions in formulation and implementation of macroeconomic and structural policy. For this purpose, Financial Stability Council was established by the Presidential Decree dated July 15, 2016. Further expansion of these activities will enable improvements in economic policy efficiency.

Transfer to new growth approach: efficient communication

One of the least desired situations under complex economic conditions and during the implementation of economic reforms is the economic agents (investors and consumers) having inadequate expectations and irrational decisions being taken under the influence of such expectations.

Plummeting oil prices as well as economic and financial crises in Azerbaijan's major trade partner countries has caused psychological tension among economic agents. One of the reasons and maybe the major reason for increased psychological tension is the shortfalls in communication of macro-economic policy and in the formation mechanisms



of adequate expectations. Informational gap appears in an environment, where there is no adequate information flow from policymakers to economic agents, allowing the speculators to avail themselves of the situation for their own benefit and maximize their income by increasing speculations. Eventually, business and households place the responsibility for damage they face as a result of speculations on economic policymakers rather than the speculators, and rate of trust to those policymakers decrease. However, it should be kept in mind that one of the major values in modern economic relations is strong trust. Strong trust is deemed to be the most important pre-condition for future successful economic reforms.

STRATEGIC OUTLOOK BY 2020

Strategic outlook for the national economy by 2020 is to achieve stabilization in short-term in order to ensure recovery of the economy of Azerbaijan from situation resulting from adverse effects of foreign shocks; to ensure diversification and restore development through new drivers in the medium-term; to increase competition capacity through further integration to global economy by the end of the period.

Strategic outlook by 2020 will serve the development of economic foundations of year 2025 and the following period. Besides maintaining Azerbaijan's important role in European energy security and development of transport-logistic corridors, it will be ensured that Azerbaijani economy progresses in the directions described in the Strategic Roadmap.

The main goal of economic diversification and increased specialization is to boost income and achieve its equitable allocation through creating more value in non-oil sector. Income from oil earned during the last 10 years has increased the employment level of population. Nevertheless, due to low labour intensity in oil sector, the number of workers directly involved in this sector is only 1 percent of overall workforce.

Strategic outlook by 2020 also encompasses the enhancement of access to the markets. Improvement of trade infrastructure and strengthening trade openness need to be accorded with internal market protection policy, so that more value from effective

use of natural resources is left in the country and fairly distributed.

Dependence of country's economy, state budget and currency from oil should be decreased in order to increase sustainability of development. Because oil proceeds significantly affect domestic demand in goods and services, fluctuations in oil prices distort economic stability in the country. For example, as a result of average 11.5 percent change in annual growth rate in 2004-2014, companies' forecasting potential was limited and there was a decrease in investment into private sector. Other than that, because oil proceeds are the main source of foreign currency changes in oil prices cause the national currency of the country lose value.

Introduction of "Golden rule" is envisioned in order to address dependence of macroeconomic indicators, particularly, the state budget from oil revenues. This way, equitable distribution of accumulated oil revenues between the generations will be ensured and the level of SOFAZ transfers to the state budget will be aligned with sustainable development needs. Price stability caused by the money policy will increase the confidence in national currency, serve the purpose of disciplined fiscal policy development and have positive impact on economic growth. Summarizing, monetary policy objectives, fiscal framework and economic growth targets will support each other. Depth of financial markets, as well as variety, quality and advantages of services will be increased.

In the course of Strategic Road Map implementation in 2016-2020 social impacts will be assessed; in addition to the new jobs generation, efforts will be undertaken to improve housing provision; to support system development supporting provision of education and health services in line with the latest requirements; to reduce poverty through utility services improvement and transition from the targeted social assistance to rehabilitation.

LONG-TERM OUTLOOK UP TO 2025

Long-term outlook up to 2025 is to achieve a strengthened competition capacity through value added under the useful cooperation among all components of



Azerbaijani economy, which has embarked on sustainable development.

Comment on Long-term outlook

Development of free competition environment accompanied by the private sector support will specifically result in an increased size of investments to the national economy and enhanced access to markets. National economy growth will be sustained considering primary factors in global and regional context and integration to global and regional value chains will form a basis as well. Protection of macroeconomic stability, improvement of business environment, promotion of investment inflow from private sector and supporting public sector represents a fundamental basis of the economic growth perspectives of Azerbaijan up to 2025.

Macroeconomic stability

Stable macroeconomic environment forms a basis for more diversified and sustainable economy. Macroeconomic policy choices define the form of this environment. In accordance with World Economic Forum Global Competitiveness Report, Azerbaijan held a place among 10 countries with most stable macroeconomic environment. More diversified income structure will be established during coming 10 years in order to maintain Azerbaijan's position among 10 countries with most stable macroeconomic environment. The implementation of "golden rule" with respect to SOFAZ transfers and fiscal discipline conditioned by strong cost framework will spare the economy from oil price volatility, allow SOFAZ to accumulate reserves and let keep public debt at a low level. Fiscal rules will be developed to keep debt levels in line with sustainable growth potential and to consider natural resources proceeds and off balance sheet debts.

Moreover, this rule will bind state costs with non-oil GDP and increase the level of payment of state costs by non-oil proceeds. Budget requirements will be linked with clearly defined goals as well as with performance indicators in order to maintain efficiency of state costs. These all may allow Azerbaijan to receive investment grade rating from major rating agencies. Moreover, important economic indicators and the system of following such crucial

risks as open credit rating or potential asset bubbles will support sustainable development.

Azerbaijani manat will continue to be a floating currency in order to ensure provision of important information and the level of transparency required by the local and international investors. Decreased volatility of the Manat Exchange Rate will reduce investment risks in Azerbaijan. Risk Premium required by the international creditor will decrease as a result of this effect and consequently will reduce the capital expenditures.

Stability and liquidity in financial sector will be ensured by 2025 in order to maintain effective fiscal and monetary management. To that end, liquidity of state bonds and other publicly traded securities need to be ensured. Being an important price indicator, growth in liquidity will contribute to the development of liquid inter-bank market resulting in the flow of more credit funds to real economy. Furthermore, deeper capital markets will create new opportunities for flexible local investments and this is particularly important for the investors seeking temporary investment opportunities. The main objective of this priority is to involve more creditors and credit seekers into the capital markets, entailing better diversification of capital markets and decrease in volatility as well as creating more extensive opportunities for investments nominated in manat in order to make manat more attractive. Eventually, deposits which are currently held in US Dollars will be gradually converted into manat. Deeper capital market will also allow the Central Bank to run a more effective monetary policy and act as the creditor of last resort in case the market is unstable. Stability in financial sector will be ensured in short-term, development will be strengthened by structural reforms in medium-term and financial sector will be prepared for open competition at global level in long-term in Azerbaijan during the period by 2025. Carrying out reforms in the financial sector within the country at a faster pace than in other countries of the region will serve as an impetus for sustainable development of national economy by enhancing the flow of foreign investment into the country.



Improved Business Conditions and Private Sector Investments

Till the year of 2025 Azerbaijan will develop a competitive environment enabling equal access to the fourth wave of industrial revolution technologies, markets and finance. Azerbaijan will achieve a business environment, which will create conditions supporting revival of local business and activities of foreign investors in accordance with global standards. Ease of business activities includes 3 key areas: creating conditions for investments; integration to the international value chains; and achieving global standards for business transactions.

Efficient infrastructure investments will be kept at high level in order to strengthen Azerbaijan as a regional hub. In 2025 economy of Azerbaijan will benefit from the Baku-Tbilisi-Gars and Astara-Astara railway projects, connecting national railways network with the railways network of Georgia, Turkey and Iran, as well as from the construction of Baku International Trade Sea Port in the Caspian Sea basin. Azerbaijan's for diversified transport-logistics potential will serve as basis for increasing export from the country and in overall result in business cost saving. Moreover, enhanced transportation infrastructure will serve as an additional impetus for the development of business in the regions by laying pavement for better integration of all regions of Azerbaijan. The scope of electronic services (e-education, e-medicine, e-banking, e-trade etc.) will be expanded through high-speed broadband network and using modern communication facilities. In particular, digitalization in public governance will enable transparent, accountable, favorable and foreseeable prospects for business. Expanding the scope of electronic services will serve as basis for the internationalization of business in Azerbaijan. Private sector's closer participation in building infrastructure will be ensured and this will entail increase in economic efficiency. Furthermore, high quality utilities will be provided with competitive prices and subsequently, Azerbaijan will be holding one of the leading places in the region in terms of utilities prices (in global rating Azerbaijan will rise from current 65th place to 35th place).

Particularly, favorable customs procedures in an environment of low customs tariffs based on trade agreements with CIS countries and important countries of the region as Turkey, Georgia and Iran will strengthen Azerbaijan's position as regional trade hub in 2025 economic perspective. Regional integration in terms of non-oil commodities and services is important for Azerbaijan's geopolitical and economic standing. For example, nearly 90 percent of all agricultural and food products of Azerbaijan is exported to Russia, Georgia and Central Asia. Finalizing trade agreements with neighboring countries will let Azerbaijan expand export of commodities and services to foreign markets under more favorable conditions. Furthermore, regional integration will boost export-oriented investment appeal of Azerbaijan for foreign investors. Azerbaijan will build networks and enter into agreement with the aim of integrating into global value chain for high-value products and services through continuing regional integration by 2025.

International standards and certificates will be applied in Azerbaijani companies to facilitate trade and accurately evaluate quality. Compliance with international standards before 2025 will make the products exported from Azerbaijan more competitive. Wider use of international certificates will create a more reliable quality criterion and boost the level of local consumption. Because two regional markets closest to Azerbaijan - European Union and Eurasian Union use WTO standards, non-oil export will be expanded through the goods and services in compliance with those standards. Local companies will meet the increasing quality requirements of local consumers by improving the quality of their products. Consequently, "Made in Azerbaijan" brand will become an indicator of quality in international markets. An internet portal that describes the products produced in Azerbaijan and their producers will be created in order to improve the effectiveness of works aimed at making "Made in Azerbaijan" brand popular. Placing information on this portal in three languages - Azerbaijani, English and Russian will widen the range of users and be more useful in terms of advertising local products. As a consequence, producer-



consumer relations will be easier, export of competitive local goods will boost.

In 2025 prospect, the investors who have invested in Azerbaijan will strengthen their positions and new direct foreign investment will be ensured. In particular, specific foreign investment projects which have competitive advantage will be presented to foreign investors. Special investment prerogative and proposal will be granted to involve those investors who possess the capacity to integrate Azerbaijan into global value chain or are capable to give serious signals to the companies operating in the same sector. Services provided to existing and potential investors will allow them to quickly finalize administrative processes and contact construction companies, suppliers or the organizations from educational sector. Special mechanisms will be established to create more demand by foreign investors in domestic goods and services.

A stable and deep financial system providing various and favorable financial services will be established and this, in its turn, will contribute to the development of economy by meeting the needs of economy or households.

Public sector, which supports and facilitates

Azerbaijan will give momentum to economic growth during the next decade. As a part of state interventions to the economy, governance, regulation, public requests and public entrepreneurship will be institutionally separated from each other. Instead of being the key driving force for the economy, the public sector will focus primarily on the following three areas: creating facilities and conditions for the citizens of Azerbaijan; giving momentum to economic growth through appropriate macroeconomic and regulatory framework; setting administrative governance up enabling the tax revenues to be spent in the most reasonable manner.

Stable macroeconomic conditions, strong fiscal discipline and firm legal basis will create a business environment that protects physical and intellectual property rights and consequently, the amount of private investment will increase significantly. Furthermore, proper regulatory policy will cause serious strengthening of competition

and will open a way for an increase in supply, quality and favorableness of domestic goods and services. Particular attention will be paid to the development of local small and medium enterprises. These initiatives will improve access to credit, growth of export, proposal of qualitative training programs or simplification of administrative procedures. A better state planning will allow to build logistics hub and better infrastructure for economic integration of the regional countries and will help to minimize difference in income between the urban and rural areas.

Operation of state entities will be strictly monitored and governed in order for the state sector to perform its new role in 2025 economic perspective. The main purpose here is to clarify the management framework of the state as well as apply monitoring and strategic management. Development of clear mandate and performance goals that takes the operation of most state entities into account will increase transparency and develop constructive dialogue between the state, state entities and society. Monitoring and ownership will become firm and professional corporate structures will be strengthened. Moreover, Azerbaijani state will strategically evaluate its portfolio and non-strategic assets which are expected to be more productive after privatization will be privatized. In overall, this process will take public and national interests into account and generate necessary regulatory and market structure at the beginning of each privatization process.

TARGET OUTLOOK FOR THE PERIOD AFTER 2025

Target outlook for the period after 2025 provides strong competitive and inclusive economy, which will improve social welfare and achieve maximum possible human development index.

Comment on Target Outlook

Strong middle class, deep specialization on areas with competitive advantages, effective integration with global economy, ensuring national economic security and developed infrastructure will represent primary pillars of a strategic outlook for the period after 2025. Azerbaijan will be



committed to implement urgent, determined and transformation measures which will make the globe sustainable and strong in accordance with the UN Sustainable Development Goals.

Social welfare

Strategic outlook for the period after 2025 provides wide opportunities for human capacity. Primary condition for the high living standard includes welfare, health and education. After 2025 poverty will be fully eliminated in a targeted manner and there will be enhanced access to high quality health services and education. Continuing efforts performed during the last decade, the state will ensure that economic growth includes the poorest and, thus, will ensure that poverty is eliminated in a targeted manner. There will be two approaches to the resolution of poverty issue in post-2025 period: increase in the number of decent jobs; targeted social support to the people, who are not able to meet their needs with salaries and other sources of income. Gradual increase in minimum salary will minimize the special weight of working poor people. In particular, minimum salary will reach 60 percent of average salary.

Major economic, social, demographic, natural and technological changes and problems in post-2025 period will be taken into consideration in order to ensure food security of the country. Use of new food chain technologies will be expanded (increase in the level of biotechnologies and nanotechnologies, increasing food production through the use of other production technologies, medicalization of food and creation of new food types) and new structures of agro-food chain (expanding production of organic products, formation of regional, domestic and alternative food chains, reduction of loss and waste in food chain and development of recycling potential) will be established in order to set up adequate food security system. According to Global Food Security Index, Azerbaijan currently holds 61st position in terms of food supply and 86th position in terms of food quality. Better agricultural system will allow Azerbaijan to rise approximately to 40th position for both indicators.

Appropriate accommodation opportunities in cities will let current workforce from rural

areas of Azerbaijan to avail themselves of employment opportunities in the cities. This may not only help to reduce poverty levels, but also reduce income inequality between the regions. Accommodation supply will also meet the needs of increasing urban population and special weight of these people will increase from current 55 percent to 70-75 percent. Inequality in income will reduce as a result of flow to the city for better employment opportunities and growth of employment opportunities with higher pay in villages. Difference in income per capita between Baku and other regions of the country during post-2025 period will fall from approximately 50 percent to 40 percent.

Economic growth will be maintained at a high rate as a result of strengthening middle stratum- improving welfare, buying capacity and work productivity of middle stratum through planned urbanization with consideration of economic growth prospects.

Contribution to human capital by improvement of quality of medical services and education will play an important role in economic growth in post-2025 period. The fact that Azerbaijan holds 107th place in global ranking means that there is still great potential for improvement. State services will be available for the people to the same extent and those with technological skills will be provided with digital services. Improvement of efficiency and service level in power, water, sewage, heating and natural gas supply sectors in post-2025 period will serve to improve social welfare and development of human capital.

Improved educational system will be basis for transition to economy based on efficiency and innovation. This system will allow income that has enabled Eastern European countries, which are member of the European Union, to reach the level they have achieved. In particular, increase in salary needed to ensure such quality life for low-income workers is dependent upon productivity and access to proper employment opportunities. Azerbaijani education system will be evaluated by international standards as PISA points provided by the Organization of Economic Cooperation and Development in post-2025 period. The level of education will



at least reach that of Eastern European countries. Furthermore, availability of pre-school education will be brought to traditional European level and children will be provided with an opportunity to step into their educational life. The share of people with higher education will increase significantly (Azerbaijan currently holds 91st place with 20 percent in global ranking). Teaching IT skills starting from primary to higher education will be the core part of post-2025 modern education program. Adaptation to international education standards will allow for more exchange opportunities at school and university levels.

The main driving force for the economy of Azerbaijan in post-2025 period will be competitive workforce. Particular attention will be paid to employment of the youth and women. Development of social dialogue and increase of inclusive employment will be achieved through the institutions ensuring flexible policy in labor market. Development of human capital in Azerbaijan in line with the requirements of not only national economy but also with those of globalizing world economy will allow to regulate labour migration so that more value will be left in the country. Strong, highly-qualified and innovative workforce will play an important role in strengthening Azerbaijan's positions in global value chains. Growing technological potential will let Azerbaijani workforce to be exported in certain service areas. As a result of development of skills and effective use of workforce, labour productivity in Azerbaijan will reach relevant indicator levels of Eastern European countries. In general, during regulation of labor market in post-2025 period such factors as high technologies, including use of smart machines and systems as well as enhancement of the ways of communication will be taken into account.

After 2025, Azerbaijan will pay more attention to environmental protection and carbon emissions reduction will provide conditions for air, water and soil to become cleaner from environmental perspective. Based on energy efficiency principle, energy spent to produce each unit of GDP will be minimized and the share of renewable types of energy will be increased in Azerbaijan's energy balance

after 2025. In addition, efficient system will be developed for waste management, including hazardous gas, wastewater and radioactive waste management on the basis of environmental balance protection.

Economic welfare

In 2025, economy of Azerbaijan will be sustainable to shocks as a result of macroeconomic stability, particularly, fiscal sustainability, favorable business environment, developed infrastructure, free access to foreign markets and attracted foreign investments and labor productivity in the country will be close to that of Eastern European countries.

As advised at the World Economic Forum, Economy of Azerbaijan will move from efficiency based model to innovation based model. Real per capita incomes of population will increase approximately by 5% per year and Azerbaijan will become a "high income country" in accordance with the World Bank's classification. As a result of these development processes, income level per capita in Azerbaijan after 2025 almost reach the corresponding level of EU's Eastern European members. Physical, human, institutional and social capital will be provided in order to develop an innovation based model.

More than three fourth of overall extra value generated in Azerbaijan's diversified and sustainable economy in post-2025 period will be generated in non-oil sector. Competitive labor costs will play the role of short-term catalyst in the coming years. However, actual competitive advantage will be created by qualitative education and vocational training along with the use of leading technologies and other innovations. In other words, pre-2025 will be the period of transition to knowledge-intensive economy.

Transition in post-2025 to innovation-based development model will cause more value to stay in the country through deepening specialization in developed non-oil sectors which had competitive advantage in the preceding years. Transfer of technology and increase in commercialization of knowledge will boost effectiveness of investment. There will be growth in optimality of regional and inter-field structure of economy which in turn will



ensure stable and sustainable development. In particular, establishment of regional development centers in Azerbaijan will help ensure overall economic growth through deepening specialization of competitive areas of economy in the regions. Baku will turn into an industrial and service center with international level of significance.

Balance will be hit between carbohydrogen and non-carbohydrogen income and annual injections from SOFAZ into the budget will be made in accordance with "golden rule". This approach will soften the impact of volatility in oil-gas prices and increase trust in free floating currency and ensure sustainability of economic development. Macroeconomic stability will serve as basis for the motivation of the representatives from both local and foreign private sector. Integration into international financial markets and application of financial technologies will support competitive financial system, sustainable economic development and improve welfare of people.

Additional investment into non-oil sector will serve as an important driving force for competitive economy in pre and post-2025 period. Therefore, more direct foreign investment will be made into industrial and service sectors in the future. Investment into non-oil sector by big foreign companies that offer access to technologies, skills and global value chains will strengthen Azerbaijan's positions in global economic map. Foreign investors will be strategically attracted to Azerbaijan for three aspects: establishment of extremely attractive investment opportunities (e.g., industrial parks with modern infrastructure); effectual access to leading international companies; first class services for current and future investors.

Export will be diversified and increase due to growth of not only products, but also service variety in post-2025 period. The fact that export will be based on the quantity of increased products and services will reduce dependence on volatility of oil and gas prices and will stabilize income in foreign currency.

Target indicators

Strategic Road Map provides more than 3% annual real increase of GDP and

generation of additional 450 thousand jobs by 2025. Through these measures the following specific targets will be met.

Increasing the share of non-oil sector's FDI in non-oil GDP from current 2,6 % till 4% by 2025. Foreign investors play very significant role in economy diversification. Thus, contribution made by foreign investors comprises not only investment itself, but also introduction of new skills, technologies and networking opportunities necessary to enter new sectors and value chains. Diversification of economy requires more investment into non-oil sector.

Increasing the share of non-oil sector export from current US\$ 200 per capita to US\$ 450 per capita by 2025 and US\$ 1,200 per capita by 2035. In 2025 import demand of the economy of Azerbaijan equaled US\$ 1,000 per capita. In order to ensure equilibrium with the import, goodsequalent to US\$1,500 per capita were exported by Azerbaijan and 90% of these goods were oil and gas products. Balancing goods and services export with import is extremely important for economic independence and stability, however there is a larger need to the export of non-oil sector goods to reduce the dependency from oil prices.

Generating up to 150 thousand additional jobs by 2025 and up to 400 thousand additional jobs by 2035 in the tradable goods and services sector, such as manufacture and tourism sectors. Provision of new jobs to citizens is at all times important. However in some sectors economic impact opportunities are larger than in others. There is a need for new jobs in tradable goods and services sector, i.e. in sectors manufacturing goods (for example, industrial goods and food supplies) or services (for example, tourism and transport), which have a potential to be sold at international markets in order to diversify exports.

Reduced dependency of the state budget from the Oil Fund's transfers. Today each second manat spend in the public sector is financed by the transfers from the Oil Fund. This figure should be brought to 25% by 2025 and to 15% by 2035. The amount of transfers by SOFAZ is closely linked to



its revenues, namely the oil prices. Such dependence is one of the major reasons for the serious impact of oil prices on Azerbaijani economy. It is very important to have stable growth rate in order to increase the share of private investment into the economy. It is also required that dependence of state budget from the transfer by Oil Fund be reduced.

It is important to implement strategic targets and priorities stipulated in strategic road maps for the economy and 11 sectors of the economy in order to achieve these goals. Amount of the Oil Fund's possible transfers is closely linked to its revenues, i.e. to oil prices. This dependency is one of the key reasons stipulating significant impact of oil prices on the economy of Azerbaijan. It is important to maintain stable growth rate to increase the share of private investment in the economy and this requires less dependency of the state budget from the Oil Fund transfers.

It is necessary to mobilize investments and other resources in order to implement envisioned measures in order and to ensure effective monitoring and evaluation. Based on estimates, investments equal to 25 billion AZN are required for the economy in order to achieve envisioned priorities by 2020. As shown in the road map, mainly resources of local and foreign private sector will be mobilized to achieve this goal. In addition to targets provided for the economy of Azerbaijan, these investments will act as a foundation impacting targets envisioned for the future. Identification of new strategic targets for priority sectors or other economic sectors will enable achievement of higher targets for Azerbaijan under the positive trajectory of priorities under the Road Map.

STRATEGIC GOALS

Road Map provides four key goals under the national economic perspectives.

Current global environment and oil price volatility necessitates strengthened financial sustainability, reasonable use of revenues from natural resources and adoption of sound macroeconomic framework. The state undertakes efforts to achieve better coordination of fiscal and monetary policy seeking to meet its objectives through efforts aimed at

economic development. Azerbaijan's future actions related to strong fiscal sustainability and monetary policy are described under the first target of the Road Map on National Economic Perspectives.

From this perspective, in addition to measures aimed at ensuring fiscal policy framework and achieving sufficient savings on revenues generated from natural resources, proper management of natural resources of Azerbaijan is considered as well. Suggested key institutions are the following: "golden rule" approach aimed at sound use of oil revenues and fiscal framework necessary for public debt management. In this context further strengthening of the Medium-Term Expenditure Framework, strong budget administration and its harmonization with outcome-based budget arrangements shall represent follow-up measures on public expenditure efficiency and reduced volatility of oil revenues. In addition to sound fiscal framework, first objective is related to the monetary framework as well.

Sound monetary policy framework and effective implementation of objectives represent an important part of macroeconomic environment. From this point of view, coordination of monetary policy with fiscal policy, assessment of adjustments in monetary conditions needed to effect changes in the economy are necessary for the purposes of further strengthening of economic capacity.

In addition to links between monetary and fiscal frameworks aimed at further strengthening of economic potential, other objective is related to privatization and state owned enterprises. Comments were provided here on increased efficiency of the activities performed by public sector in the economy as a result of state shareholding approach and implementation of reform program at state-owned enterprises. Road Map of Azerbaijan is aimed at supporting relevant initiatives increasing the involvement of private sector in Azerbaijan, increasing efficiency of the state-owned enterprises and increasing FDIs for the purposes of business environment development.

Third objective is identified as faster human resources development as a part of efforts undertaken to achieve



competitive, inclusive and sustainable economy objectives. For these purposes efforts to be undertaken are being justified and measures are planned in accordance with the following directions: education contribution to the human capacity, improved labor productivity to improve performance of the companies. Fourth objective is related with the improved business environment. Momentum given to the economy by the fiscal and monetary policy may enable more efficient use of existing resources in the context of favorable business environment. More detailed approach on improvement of business environment to support the economy is provided in the road map on national economy sectors.





Amendments to the Law "On accounting" of The Republic of Azerbaijan

The President of the Republic of Azerbaijan has approved the Law of the Republic of Azerbaijan on making amendments to the Law "On accounting" of the Republic of Azerbaijan. The relevant document incorporates changes such as making amendments in 4 articles of the Law of the Republic of Azerbaijan "On accounting", as well as adding Chapter V-I consisting of new articles number 12-1 – 12-10.



It is well known that, diversification of the economy of the Republic of Azerbaijan and its integration into the world market within the framework of the reforms carried out in recent years are considered as one of the priorities of state policy. To this effect, a number of crucial decisions have been adopted in the direction of adaptation of the Rules for conducting accounting, which is considered the key basis of the financial structure of state, to the International Financial Reporting Standards.

It should be noted that, the Law of the Republic of Azerbaijan "On accounting" regulates rules for organisation and conducting of accounting, including preparation and submission of financial statements by legal entities that operate in the territory of the Republic of Azerbaijan, regardless of their ownership and legal forms, and natural persons who are engaged in entrepreneurial activities without establishing legal entity.

As a part of reform measures carried out in this direction, on October 18, 2016 a decree "On making amendments to the Law of the Republic of Azerbaijan "On accounting"" has been signed by the President of the Republic of Azerbaijan. It is set out in the decree that the Cabinet of Ministers is to submit to the President of the Republic of Azerbaijan its proposals on adaptation of the laws and acts of the Republic of Azerbaijan according to the Law of the Republic of Azerbaijan "On making amendments to the Law of the Republic of Azerbaijan "On accounting"" within three months.

The President of the Republic of Azerbaijan has approved the Law of the Republic of Azerbaijan on making amendments to the Law of the Republic of Azerbaijan "On accounting" on February 1, 2017. The relevant document incorporates changes such as making amendments in 4 articles of the Law of the Republic of Azerbaijan "On accounting", as well as adding Chapter V-I consisting of new articles number 12-1 – 12-10.

As a result of amendments made in Article 4 of the Law on "State regulation in the field of accounting", directions such as developing accounting in the country

on the basis of international standards and ensuring transparency in financial statements by preparing International Standards of financial statements and National Accounting Standards based on them, as well as National Accounting Standards based on International Public Sector Accounting Standards are specified as the main priorities and the principal purpose of state regulation in the field of accounting in the Republic of Azerbaijan.

Chapter IV-I with the title of "Financial statements of public legal entity" has been added to the Draft Law as well. That being said, the chapter is comprised of 10 articles on drawing up financial statements of Public legal entities. In accordance with the amendments made to the Draft Law Public legal entities shall prepare their financial statements in compliance with the International Financial Reporting Standards. It should also be mentioned that, any public legal entity having one or more subsidiary public legal entity and (or) joint stock company shall draw up consolidated financial statements in addition to the financial statement. Reporting period for the financial statements of public legal entities shall be specified in compliance with the periods set out in the relevant law. After the completion of reporting period Public legal entities shall submit their annual financial statements no later than April 30 of the following year, and their consolidated financial statements no later than June 30 of the following year to the superior organization, as well as to the persons specified by the law and their charters. It is also specified in the Law that Public legal entities are obliged publish their annual financial statements and consolidated financial statements together with auditor's report on their official websites or publications.

In addition, medical institution, orphanages, social service facility, open and closed type special educational institution, pre-school educational institution, secondary school, primary vocational education institution, secondary vocational education institution, higher education institution, private educational institution and the family-type small group home that are established by the State and municipality are required to prepare their financial statements in the manner



stated below:

1. in compliance with the National Accounting Standards or depending on their choice, International Financial Reporting Standards, for the Commercial Organizations, if the right to engage in entrepreneurial activity is set forth in their charters;

2. in compliance with the National Accounting Standards for Budget Institutions, if the right to engage in entrepreneurial activity is not set forth in their charters.

The abovementioned Law has been prepared on the basis of assumptions (principles) on International Standards and National Standards.





Changes to “Regulations on the Form and Rules of Conducting Unified Register of Inspections in the Field of Entrepreneurship”

The President of the Republic of Azerbaijan signed a Decree on amendments to “Regulations on the form and rules of conducting unified register of inspections in the field of entrepreneurship” on March 17, 2017.



Creation of business enabling environment and expansion of the scope of reforms to this end are the key requirements of economic development strategy. Development of entrepreneurship has turned into one of the a priority objectives in Azerbaijan. So that, Actions taken as part of the reforms in this area have targeted to increase efficiency and favorability of public support measures.

Sequential measures are underway in support of the realization of this strategic route. On March 17, 2017, the President of the Republic of Azerbaijan signed a Decree on amendments to "Regulations on the form and rules of conducting unified register of inspections in the field of entrepreneurship".

It is also worth to note that the Regulations on the form and rules of conducting unified register of inspections in the field of entrepreneurship was approved by the Presidential Decree dated 15 February 2011. A unified data registry of inspections carried out in the field of entrepreneurship is an interagency public information resource, which enables the regularity, sequence, duplication of inspections, while also facilitating acquisition of full and operative data on results of inspections.

The Presidential Decree on amendments to "Regulations on the form and rules of conducting unified register of inspections in the field of entrepreneurship" introduces changes to 9 paragraphs, addition to several paragraphs and semi- paragraphs, as well as several technical changes.

According to the amendments, the information resource of the register is maintained in the unified space by the Ministry of Justice of the Republic of Azerbaijan and the Ministry of Justice of the Nakhchivan Autonomous Republic of Azerbaijan within their responsibilities. Besides, it is also worth to note that the Ministry of Justice ensures creation, maintenance, management, integrity and protection of the registry data- base. Inspections in the field of entrepreneurship will be carried out once they are registered in the registry as provided for in Regulations. The following inspections will not be registered in the Registry:

1. Inspections in border-crossing points;
2. Inspections derived from control in sea and air ports;
3. Inspections with respect to agreements on transfer of state- owned enterprises to private management.

The Decree further specifies that the inspecting bodies and entrepreneurship entities will be enabled to input data on business, as well as on inspections and restrictive measures.

The following data on inspecting bodies are included into the Registry:

1. List of inspecting bodies (along with structural bodies authorized to carry out inspection) (based on the list approved by the Cabinet of Ministers of the Republic of Azerbaijan);
2. Areas of control by inspecting bodies (based on the list approved by the Cabinet of Ministers of the Republic of Azerbaijan);
3. List of questions subject to inspection by inspecting bodies (based on the list of questions, which the inspecting body prepared, approved and submitted automatically).

According to the Presidential Decree, the following information are included in the Registry: tax payers identification number (TPIN); name, organizational-legal form, key types of activities, personal identification number (PIN) of the executive, legal address, e-mail of the legal entity, its branches and representative offices, branches and representative offices of foreign legal entities (where it is a company, type of their activity, address, the code issued by tax authorities); PIN, surname, name, patronymic, address as per tax registration data, key type of activity, e-mail of physical persons acting without creating a legal entity; date of registration of the business, dates of registration, reregistration and deregistration as a tax payer, type of taxes registered as a



taxpayer; data on entrepreneurship activity, as well as suspension and termination of activity; data on categories such as small, medium and large entrepreneurship criteria applicable to an entrepreneur.

The Registry is maintained electronically using unified form, method and principles. Yearly information plan developed electronically using the information system, which reflects data on inspections planned for the next year, will be submitted to the Ministry of Justice of the Republic of Azerbaijan by the head or acting head of inspecting body no later than 1st of November upon its approval via strengthened electronic signature. In addition, information on each inspection to register the planned inspections in the yearly inspection plan will be approved by head or acting head of inspecting body using strengthened electronic signature and submitted to the Ministry of Justice of the Republic of Azerbaijan via the information system at least 5 days prior to the inspection (at least 15 days prior to tax inspection).

Formation and maintenance of the registry will be financed by the public budget.





Commission on Regulation and Coordination of Labour Relationships

The President of the Republic of Azerbaijan has signed the decree on establishment of the Commission on Regulation and Coordination of Labour Relationships on 17 March 2017, in connection with the implementation of the Decree on "Approval of Strategic Road Maps for primary sectors of national economy".



Protecting the labour rights of the Azerbaijani citizens, meeting material and social needs of the workers and providing them with decent living standards is one of the priorities of socio-economic policy in the country. The state has taken systematic and purposeful actions in this direction during the last years in order to ensure equality, protection of interests and performance of contractual obligations of labour relationship parties.

Actions taken in this direction are coming to fruition. So that, the opportunities for the population to earn income has increased based on economic growth, social orientation of national economy has been increased through ensuring macroeconomic stability, development of non-oil sector, implementation of balanced development aimed at directly reducing poverty by creating favorable conditions in this area, as well as ensuring that integration of social security mechanisms based on contemporary principles into the economic environment is set as a priority.

Strategic roadmaps on primary sectors of national economy approved by the Decree of the President of the Republic of Azerbaijan dated 6 December 2016 set goals of providing Azerbaijani economy with competitive workforce, achieving social dialogue and inclusive employment through the institutions ensuring flexible policy in labour market, as well as boosting labour productivity through efficient utilization of labour resources as strategic targets and priorities.

In order to do so, the President of the Republic of Azerbaijan has signed the decree on establishment of the Commission on Regulation and Coordination of Labour Relationships on 17 March 2017, in connection with the implementation of the Decree on "Approval of Strategic Road Maps for primary sectors of national economy".

Operation of the Commission on Regulation and Coordination of Labour Relationships is intended to ensure the implementation of the following objectives:

1. strengthening workers' social security in the country, making employer-employee relations official;

2. improving mechanisms for the control on labour remuneration;

3. ensuring effective protection of other labour rights of the labour relationship parties and enforcing a state policy coordinated between the state bodies;

In accordance with the aforementioned decree, the Commission will operate under the chairmanship of Ali Ahmedov, Deputy Prime Minister. The Minister of Labour and Social Protection of the Republic of Azerbaijan, the Minister of Taxes of the Republic of Azerbaijan, the Minister of Economy of the Republic of Azerbaijan, the Head of the State Statistics Committee, the president of National Confederation of Entrepreneurs' (Employer') Organizations of the Republic of Azerbaijan are appointed as members of this commission.

Moreover, it is noted in the Decree that the Secretary of the Commission will be established with purpose of organizing current operation of the Commission and the functions of the Secretary will be delegated by the Ministry of Labour and Social Security of the Republic of Azerbaijan. Among the tasks assigned to the Commission is submission of proposals on administration and development of this area to the President of the Republic of Azerbaijan within 2 months by analyzing current situation in the country's labour market and local legislation by taking into account international practice in regulation of labour relationships. Furthermore, coordination of control actions with respect to making labour relationships official and strengthening social security of the employees is among the primary tasks assigned to the commission.

In addition, it is expected that the Commission will submit its proposal on improvement of our country's position in international ratings on performance of labour market regulation to the Commission established by the Decree of the President of the Republic of Azerbaijan dated 13 July 2016 on additional actions for the improvement of business environment in the Republic of Azerbaijan and raising our country's position in international ratings.

In connection with the implementation of aforementioned decree, other assignments



are set forth, where the Cabinet of Ministers will ensure that its legal acts are adapted to this Decree; and where Central and local bodies of executive power, state owned enterprises and public legal entities are assigned to provide necessary support submit relevant documents and data upon request to the Commission with respect to the implementation of other duties arising from the Decree.





Development of Beach Tourism in Azerbaijan

“Action Plan on the development of beach tourism in the Republic of Azerbaijan for 2017-2020” dated March 30, 2017 was approved by the decree of the President of the Republic of Azerbaijan.



Measures are being taken in the direction of enabling local and foreign tourists to make use of the tourism services in Azerbaijan that are favorable and meet international standards, as well as ensuring competitive bid. Favorable geographical environment of Azerbaijan has paved the way for the development of most areas of tourism, particularly beach tourism. Our country, which is located on the shore of the Caspian sea (lake), has great potential in terms of the development of beach tourism.

In this regard, "Action Plan on the development of beach tourism in the Republic of Azerbaijan for 2017-2020" has been approved by the relevant decree of the President of the Republic of Azerbaijan. Following the actions that will be taken in connection with the development of the beach tourism in the suitable areas of the Caspian sea (lake) belonging to Azerbaijan as a result of the implementation of the action plan, the interests of local and foreign investors in the tourism sector will increase in the coming years.

Pursuant to the Decree, the Ministry of Culture and Tourism of the Republic of Azerbaijan has been identified as the coordinating body for organizing the implementation of the Action Plan.

Installation of information boards compatible with the standards in points of access to sea in the beach areas, taking measures with respect to establishing free auto parking zones for the vehicles in the vicinity of those areas, creation of utility services (wardrobes, shower cabins, feet washers, trash cans and containers) are envisaged within the framework of the Action Plan.

That is, the Action Plan on the development of beach tourism in the Republic of Azerbaijan for 2017-2020 incorporates the following measures in six parts:

- 1.Improvement of the legal framework with respect to the beaches;
- 2.Establishment and development of infrastructure in the beaches;
- 3.Regulating activities of beach operators;

4.Measures on environmental protection;

5.Security measures;

6.Establishment of information database on beaches and promotion of beach tourism.

In addition, preparation of proposals regarding the construction of the relevant infrastructure facilities along the coastline of the section of the Caspian Sea (lake) belonging to the Republic of Azerbaijan and in the vicinity of the suitable areas of the sea allocated for the beach by taking international practice into consideration, as well as supporting the projects proposed by entrepreneurs on the matter have also been mentioned in the Action Plan.

Measures on environmental protection have particularly been emphasized within the framework of the relevant Decree. So that, submission of proposals with respect to the management of waste water generated in the areas allocated for the beaches, establishment of sanitary protection zones and types of activity permitted to be carried out in these areas by the law, improvement of the mechanism for the management of domestic waste have been specified therein.

At the same time, creation of separate section on beach tourism in tourism register, which will be created in connection with the implementation of the Decree of the President of the Republic of Azerbaijan dated September 1, 2016 "On additional measures with respect to the development of tourism in the Republic of Azerbaijan", and in relevant informational website, placing the maps of the beaches and detailed information about them in this section, and development of electronic bulletins in connection with the beach season have been set out in the Action Plan.

Taking relevant promotional measures to attract tourists, holding seminars and trainings on beach tourism for the purpose of improving the quality of service, and learning international practice are among the key issues set forth in the action plan as well.





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