



Economic News Bulletin  
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## Macroeconomics

### EBRD allocates €294M to Azerbaijani SMEs

The European Bank for Reconstruction and Development (EBRD) has allocated over €294 million since the beginning of cooperation to support small and medium-sized enterprises (SMEs) in Azerbaijan. The priority of lending is to support the diversification of the Azerbaijani economy beyond the energy sector, which is one of the main tasks of the EBRD in the country.

Thousands of small businesses have acquired new skills, improved governance and invested to modernize

and expand, thanks to the support of the EBRD and donors such as the European Union, Sweden, Taipei China and the EBRD Early Transition Country's Fund.

“The EBRD has also provided €33 million in indirect finance, supporting an SME lending portfolio of banks reaching over 94,000 micro, small and medium-sized enterprises annually,” the report reads.

Moreover, more than 850 SMEs in Azerbaijan have received consulting assistance since 2003, including assistance to improve accounting, to enter new markets, and work under the Women in Business program, whose goal is to provide financial and consulting assistance to companies run by female entrepreneurs.

One of the main priorities of the EBRD in Azerbaijan for 2017 is support the local corporates with direct financing. The EBRD continues to pursue investments in energy projects, especially where there is a gap to improve efficiency and energy security.

### Azerbaijan ranks 35th in Global Competitiveness Report

Azerbaijan has moved up two spots to rank 35th in the Global Competitiveness Report 2017-2018 published by the World Economic Forum. The country left behind even G20 countries, including Italy, Russia, Indonesia, India, Turkey, and the South African Republic in the economic competitiveness index. Azerbaijan improved its position in 9 out of 12 pillars in the report.

“As a result of measures taken and reforms implemented in the country, Azerbaijan has become one of the most attractive countries for business in the world. Reforms were carried out in all spheres. The efficiency of business in the country has increased, the flow of tourists to Azerbaijan has increased as well, and measures have been taken to turn Azerbaijan into a tourist center of the region. In addition, work was carried out to provide not only domestic markets with own products, but also to enter new markets, as well as ensure macroeconomic stability and stability of manat,” Vusal Gasimli, Executive Director of Centre for Analysis of Economic Reforms and Communications told reporters.

The improvement of Azerbaijan's position in the rating of the WEF is the result of the state policy that has been carefully considered. This indicator shows that despite the global

economic crisis Azerbaijani economy is developing rapidly.

“Azerbaijan ranked the best positions on the indexes Labor Market Efficiency – 17<sup>th</sup> place, Goods Market Efficiency – 31<sup>st</sup> place, Institutions – 33<sup>rd</sup> place, Infrastructure – 51<sup>st</sup> place,” Vusal Gasimli added.

Due to the fact that the Azerbaijani economy is built on a solid foundation, it is able to successfully pass through tests. A major step that systematizes the directions of economic development reforms is the development of the "Strategic Roadmaps for the National Economy and the Main Sectors of the Economy." Particular attention at this stage is paid to the implementation of energy and transport projects, the development of agriculture and tourism.

## Industry

### Balakhani Industrial Park to serve as driver of economic development

The opening of Balakhani Industrial Park was held on September 22 with participation of President Ilham Aliyev. The park was established in order to create favorable conditions for entrepreneurs and potential investors in the field of secondary production. The economic diversification and development of the non-oil sector represent an important component of socio-economic policy pursued in Azerbaijan. The main goal

is to realize the vast potential by taking advantage of it effectively, where industrialization process offers great opportunities.

Industrial and high-tech parks are drivers of the economic development in developing countries. Their



residents are exempted from virtually all taxes for several years. Moreover, parks provide all the necessary communications for launching business projects, which reduces the cost of investors to create infrastructure. In accordance with the current industrialization policy of the Azerbaijani government, hundreds of modern industrial enterprises began to operate, and new industrial sites have been created in the country. The share of local products and export has significantly increased thanks to this.

Main purpose of the establishment of such parks in the country are the creation of favorable conditions in the country for further development of industrial production, provision of support to entrepreneurs, and increasing employment of population in the sphere.

Since industrial parks are one of the most important factors supporting positive economy development, Azerbaijan so far established five of them namely, the Sumgait Chemical

Industrial Park, Balakhani, Garadagh, Mingachevir and Pirallahi industrial parks.

Currently, the Balakhani Park has five residents engaged in the field of recycling of used motor oil, waste plastic bottles, paper and cardboard products, waste plastic materials, sponge waste, who invested 23 million manats.

One of the residents of the industrial park is 'Az.Ekol' company producing plastic chips, obtained from the recycling of plastic PET bottles. The total investment amount of the project is 1.5 million manats.

With annual production capacity of 1,500 tons, the enterprise plans to export high-quality plastic crumbs to foreign countries. Another resident of the Balakhani park is 'Ekokat', which will process waste motor oil. Annual production capacity of the enterprise, with 1 million manat investment is 3,000 tons. The resident was granted with 200,000 manats from the National Entrepreneurship Support Fund of the Economy Ministry thanks to which Turkey and China purchased equipment for processing. The resident began to conclude contracts for the collection and harvesting of used motor oil.

This oil for the use of motors of large vehicles and agricultural machinery will meet all standards. In the course

of the production process, along with base oil, diesel oil will also be produced, which will be directed to meet the production needs for fuel.

In addition, the secondary processing of motor or lubricating oil used in the country will prevent the release of oil that pollute the environment. ‘Chapar’ is another resident of the Park, which using waste paper will produce printing product. ‘Metak’ is also the resident of the Balakhani Park which will be engaged in the production of various plastic packaging products as a result of secondary processing of waste plastic products.

The last resident of the Park is ‘FORELLA’, that will carry out secondary recycling of sponge waste and furniture production. The state support was provided to the establishment of the enterprise with a total investment value of 3.5 million AZN. The annual production capacity of the enterprise is 3,000 sets of living room, bedroom, and kitchen furniture, as well as 100,000 chairs and 10,000 tables. The managing organization of the Balakhany Industrial Park is “Tamiz Shahar” Open Stock Company, which is under subordination of the Ministry of Economy of the Republic of Azerbaijan. Total area of the Balakhani Industrial Park is 7 hectares.

## **Agriculture**

### **Azerbaijan increases hazelnut production**

Hazelnut, one of the most popular and favorite representatives of nut family, is the second most produced hard-shelled product in the world after almond. The cultivation and processing of hazelnuts is one of the main directions providing Azerbaijan with foreign currency, if to consider that in 2016, the revenue from hazelnut exports was the highest among non-oil products of Azerbaijan.

Azerbaijan, earning \$105 million from the export of hazelnuts two years ago, expects to reach the harvest of hazelnut at 60,000 tons this year, which is 50 percent higher than in 2016, according to the Asian Fruits. So far, the country produced about 35,000 tons of hazelnut, and 90 percent of this product is exported to foreign countries.



The association of hazelnut producers and exporters reports that incomes of Azerbaijani companies from hazelnut exports in the first quarter of 2017 amounted to \$20 million, and this 3 percent more than the same period last year. Export of Azerbaijani hazelnuts in the first half of 2017 amounted to \$32.3 million.

Today, more than 25,000 family farms, uniting about a hundred thousand

people are operating in the field of hazelnuts production in the country. After President Ilham Aliyev stressed that the development of this sector is of high priority for the state, the development of the hazelnut production has been accelerated.

“We should expand the cultivated area in the near future and help the farmers,” he noted. “Hazelnut farmers are well aware that Azerbaijan holds one of the leading places in the world for hazelnut production. As a result of the measures to be taken now, we can reach the third place in the world.”

In this regard, Zagatala, one of the 13 regions engaged in production of hazelnut, increases the nut gardens. In autumn 2016, 5 hectares of hazelnut seedlings were created in the region, and 300,000 quality seeds were grown. In the spring of this year, as many as 3,158 hectares of new hazelnut gardens have been created in the region. Today, the total area of hazelnut gardens in Zagatala is 17,000 hectares. The region expects about 9,000 tons of hazelnuts this year.

Azerbaijani hazelnuts are of very high quality and are highly valued in foreign markets. Back in 2012 Azerbaijan entered top ten countries with the largest production of hazelnuts, according to the Food and Agriculture Organization.

About 25 countries, including Italy, Russia, and Germany,



most important hazelnut importing countries in the world covering approximately 35 percent of the total world import, are the main consumers of our hazelnuts. In addition, Middle Eastern countries have emerged as potential markets for Azerbaijani hazelnuts.

Currently the Association is negotiating to start exporting hazelnut to a number of countries in Europe and Asia as well as working on simplification the process of exporting this product from the country.

Meanwhile, Russia will import more Azerbaijani hazelnuts, as the national company "Azerstar" signed an agreement with two Russian companies on the export. Thus, the country will export more hazelnuts to the northern neighbor than it was last year -- \$30 million.

Moreover, Ferrero, the historic chocolate company owned by Italy's richest family, is also in talks with Azerbaijan over the cultivation of hazelnuts in the country.

## **Transport**

### **Completion of Baku-Tbilisi-Kars railway's construction is a great historic event**

“The completion of Baku-Tbilisi-Kars railway's construction is a great historic event. Baku-Tbilisi-Kars

railway project will unite large areas and strengthen cultural interaction,” said Javid Gurbanov, chairman of Azerbaijan Railways, in his interview with journalists. “The completion of the railway’s construction is Azerbaijan’s another great accomplishment.”

“The first test of Baku-Tbilisi-Kars railway has successfully finished. We have already travelled from Tbilisi to Baku by this railroad. The official opening of the BTK railway will be held in Baku in the next few days,” he said.

Gurbanov also said that one of the world’s biggest projects, the Baku-Tbilisi-Kars was initiated by Azerbaijani President Ilham Aliyev.

“For the construction of the railroad on the Georgian territory Azerbaijan allocated a preferential loan and the construction was implemented with the involvement of Azerbaijani companies. The current project is of great importance both to our countries and peoples as well as to other states,” Gurbanov said.

The official opening ceremony of Baku-Tbilisi-Kars railway is expected to take place on October 28, said Javid Gurbanov. He emphasized that, if there is no technical problem, the official opening ceremony of the planned Baku-Tbilisi-Kars railway line will be held in late October.

## **Tourism**

### **Azerbaijan in Top 5 health tourism destinations**

Health tourism, a new trend and direction in the tourism industry, has become a fast growing sector in terms of travelling. The



multibillion-dollar phenomenon that is expected to grow considerably in the next decade attracts about eight million patients worldwide yearly. Whatever your reason for seeking medical procedures overseas, reports suggest this industry is bringing in between \$20 billion and \$40 billion per year.

The rise of medical tourism over the past years, has given the Azerbaijani tourism industry a wakeup call to make active efforts to revive the sector. More and more people choose sunny Azerbaijan for an amazing adventure, extraordinary holiday, and useful treatment for strengthening the health.

Azerbaijan’s nature, cuisine and lifestyle are noteworthy, as here medical tourists can combine their trip with holiday in their favorite destination in Caucasus Mountains.

The country's mild climate with the breathtaking landscape including forests, mountains, rivers and waterfalls will not leave anyone indifferent.

Azerbaijan has recently been named among Top five countries in category of "Wellness Holiday", according to results of the Internet voting of National Geographic Traveler Awards 2017.

The TourStat Analytic Agency, which published the results of the voting reported that "Chenot Palace hotel in Gabala region of Azerbaijan is in Top 5 in the nomination "Best Resort Hotel".

Israel is the leader in this category, followed by Germany, Slovenia and Switzerland. Some countries are leading in the following categories Greece - beach holiday, Cyprus – family vacation, Italy – excursion tour, Austria – ski tour, Argentina - adventure tour, Japan – exotic tourism, Georgia - gastronomy and agro tourism, and China - "discovery of the year".

Altai Krai is ahead of other regions of Russia on wellness holiday. Kamchatka is the leader for adventure recreation, Khakassia for eco-tour, and Leningrad oblast for excursion tour.

### *Medical Tourism in Azerbaijan*

The medical tourism in Azerbaijan has been noticeably improved after the adoption of the state program on development of resorts in 2009-2018. To boost the sector, there was established the Association to support the health and thermal tourism in Azerbaijan, as well as modern medical and health centers were opened in Baku, Naftalan, Nakhchivan and other regions of the country.

The fresh mountain air, pure water, organic fruits of the Azerbaijani regions and beach recreation on the Caspian Sea Shore have already known among many tourists. It would suffice to mention the world famous Istisu, Galaalti, Naftalan, Duzdag recreational resorts.

### *Therapeutic oil*

Oil-rich Azerbaijan also offers unique medical institution that treats with Naftalan crude oil, renowned for its curative properties.

For centuries the country was known as the land of healing oil exported like rare medicine via the Silk Road. Naftalan oil popularized Azerbaijan long before the oil boom that made Baku world famous in the 19th century. Along with the oil exploitation that started in Baku, industrial exploitation and processing of Naftalan oil began, making it famous in the West.

Its medicinal uses are very wide; it is used to treat over 70 illnesses and known as “a marvelous ointment treating skin diseases”.

### *Healing hot water*

Istisu or “Hot Water” located in Masalli, a beautiful and unique city is another healing water of thousands diseases. The water, coming from the bowels of the earth at a depth of 90-250 meters is rich with hydrogen sulphide, calcium, sodium, chloride, magnesium hydrocarbons, and iodine.

The marvelous Istisu spring helps people to cope with diseases such as rheumatism and its adverse effects, skin diseases, kidney and urinary tract problems, radiculitis, prostate hypertrophy, liver disease, biliary tract problems, infertility, gastro-intestinal diseases, traumatic injuries, etc.

### *Duzdag magic*

Nakhchivan, one of the oldest regions not only in Azerbaijan, but also in the world, is home to a magical salt cave - Duzdag. The area with 130 million tons of natural salt reserve is located 12 kilometers from Nakhchivan city. This Salt Mountain of Azerbaijan is known not only for clear and pure salt, but also for its healing properties. The area has huge salt deposits to have been naturally formed million years before.

With a preventive purpose, 2-3 single visits are enough and even a 10-12 hour stay in the sanatorium's chambers helps to improve ventilation of the lungs and bronchial tree, as well as heart and blood circulation and remove stress.

## **Announcement of Trade Fairs and Conventions**

### **Bakutel Baku**

Bakutel is an international exhibition and conference for telecommunications and information technologies and one of the largest events of its kind in the Caspian and Caucasus region. It offers the opportunity to introduce new equipment and high technologies into the market, begin lasting business cooperations and set in new businesses. Among visitors of Bakutel are IT and telecom managers, system administrators, web-designers, purchasing managers, representatives of universities and other educational institutions and many more.

Already for the twenty-third time the Bakutel takes place on 4 days from Tue., 05.12.2017 to Fri., 08.12.2017 in Baku.

For more information Bakutel please visit the fair's information site: [www.bakutel.az](http://www.bakutel.az)