



Economic News Bulletin
Embassy of the Republic of
Azerbaijan to the
Swiss Confederation and
Principality of Liechtenstein
Kramburgstrasse 10, 3006 Bern
tel: +41 31 350 50 44
fax: +41 31 350 50 41
e-mail: bern@mission.mfa.gov.az

Macroeconomics

Azerbaijan ranks 58th in Global Competitiveness Report 2019

Azerbaijan has moved up 11 spots to rank 58th in the 2019 edition of the Global Competitiveness Report published by the World Economic



Forum (WEF). According to the report, Armenia ranks 69th (61.3 points), while Georgia 74th (60.6 points). Singapore, the United States, Hong Kong (China), the Netherlands and Switzerland topped the list of 141 economies which are presented in the report. Azerbaijan has improved its position in pillars as

labor market, business dynamism, food market, infrastructure, skills, public institutions, and innovative potential. The 2019 Global Competitiveness Report maps the competitiveness landscape of 141 economies through 103 indicators organized into 12 themes.

Swiss platform presented at SMEs

SOURCE, a global platform for the development and



and implementation of quality infrastructure projects by public-private

partnerships has been presented at the Agency for the Development of Small and Medium-sized Enterprises (SMEs). The SOURCE platform, managed by the Swiss Sustainable Infrastructure Fund, is currently used in 284 infrastructure projects in 51 countries across the globe.

The platform provides online connection to the databases of major international financial institutions around the world and enables countries to effectively cooperate with investors to attract foreign direct investment. The platform also facilitates the formation of a centralized database of potential beneficiary organizations in the country as part of a public-private partnership.

In a presentation organized by the Asian Development Bank, Cédric van Riel, Program Manager of the Sustainable Infrastructure Fund, highlighted the potential of the platform and expressed readiness for comprehensive cooperation in the use of the program in Azerbaijan.

The Center for Development of Public-Private Partnership has started its activity within the SMEs. The main directions of the Center are the development, implementation and effective coordination of public-private partnership programs and projects with relevant beneficiary organizations, expanding the participation of small and medium-sized businesses in such projects, attracting investors to finance projects, as well as educating all the interested, including government agencies.

An event was held for staff members who are going to represent SMEs in the working groups of the Commission on Business Environment and International Ratings. The Center for Economic Reform Analysis and Communication informed Representatives of SMEs, who will be represented in 14 business groups, about the activities of the commissions and working groups, as well as the azranking.az portal, designed to improve the business and investment climate in the country and improve the country's rating in international rankings. It was noted

that the effective work of the working groups, offers and initiatives put forward by them are important in terms of the development of entrepreneurship in the country and further increasing its competitiveness. Proposals and opinions initiated by employees of the Agency involved in the working groups were taken during the event. The main task of the SMEs Development Agency is ensuring the succession of reforms, improving the business regulation system, and applying effective coordination, enhancing the role and competitiveness of SMEs in the country's economy, as well as the compliance of the management system in this area with modern requirements.

The share of SMEs in employment in Azerbaijan was 76 percent last year, and in recent years, comprehensive work has been carried out for the development of SMEs. In particular, inspections of business entities have been suspended and the process of obtaining licenses has been simplified. The share of SMEs in Azerbaijan's foreign trade is planned to increase to 40 percent after 2025.

Industry

Volume of industrial products and services in Baku exceed \$15.6bn

Baku is the industrial center of Azerbaijan, the country that has been

developing its economy due to series of reforms and foreign investment. The volume of industrial products and services in Baku amounted to 26.4 billion manats (\$15.6 billion) during January-August 2019.

Some 80.5 percent of the industrial products were manufactured in the



mining industry, 17.5 percent - in the processing sector, 1.4 percent - in the electrical production and production of gas and steam, 0.6 percent – in water supply, waste management and recycling sectors. The share of private sector in the industry was 83.6 percent during the reporting period. Industrial production amounted to 89.1 percent of the overall production, whereas the share of the services was 10.9 percent. Most of the manufactured products were sold to consumers. As of September 1, 2019, there were finished products worth 226.2 million manats in the warehouses of industrial enterprises, including the reserves accumulated over the previous period.

The products worth 64.5 million manats that were purchased from other enterprises and were intended for a sale were also stored in the warehouses of industrial enterprises.

Note that the industrial production in Azerbaijan increased by 1.5 percent in 2018. The share of industry in Azerbaijan's GDP in 2015 was 32.9 percent, in 2016 - 37.1 percent, in 2017 - 40.1 percent, and in 2018 - 44.2 percent.

Increasing industrial production in the country is one of the main goals to strengthen the non-oil economy in Azerbaijan. The State Program for the Development of Industry in Azerbaijan for 2015-2020, the successful industrialization policy, activities of industrial parks and districts are yielding positive results in this direction.

At present, there are 5 industrial parks in Azerbaijan - Sumgayit, Garadagh, Mingachevir, Pirallahi and Balakhani, as well as 3 industrial districts - Neftchala, Masalli and Hajigabul. In addition, work is underway to launch the Sabirabad industrial zone.

The state program envisages modernizing the industry and enhancing its structure, rising export possibilities of the non-oil sector and expanding competitive industrial goods, as well as training highly-qualified staff for new spheres.

The results expected from the state program include transformation of the non-oil industry into the main driver of the economic growth as a result of its modernization and diversification,

increase in the share of regions in industrial production, increase in the number of enterprises applying technological innovations, widening of the use of international standards in the industry, etc.

The state program is funded from the state budget, extra budgetary funds, funds of the National Fund for Entrepreneurship Support and the resources of the Azerbaijan Investment Company. There are also additional minor sources of support provided by local budgets, private investments, foreign direct investments and financial and technical assistance of the international and foreign organizations.

Azerbaijan and Switzerland enjoy high level of economic relations, but still have the potential for further expansion of the scope of economic ties.

The two countries mull the possibility of creating joint ventures for activities in industrial parks in Azerbaijan.

Sumgayit Technologies Park sets up production of new type of sandwich panels

Azerbaijan's Sumgayit Technologies Park (STP) has begun production of H-60 sandwich panels made of polyurethane.

The new high-quality product STP H-60 panel differs in the thickness of

polyurethane. Raw materials such as high-quality isocyanate, polyol, pentane and a catalyst are used in the manufacture of polyurethane sandwich panels.

STP panel differs from other similar products thanks to its superior quality, excellent thermal insulation, ease of installation and dismantling, high fire resistance and water resistance, sound insulation



and corrosion resistance. The STP also plans to expand the line of sandwich panels with H80 and H40 products. The new assortment of sandwich panels will provide construction companies with a greater selection of products for installation. Thus, they can get a more durable product without significant costs.

Until recently, sandwich panels H50, H70 and H100 were produced in the STP, used in the construction of walls and roofs.

Agriculture

New drones to be acquired for agriculture

As one of the biggest technology and innovation consumers in the world, agriculture is one of the most promising areas of application of drones.

Azerbaijani Ministry of Agriculture



will spend more than 330,000 manats to purchase drones, the Ministry told

local media. The ministry signed a corresponding contract with Idrak Texnology Transfer LLC for the purchase of drones. The number of acquired drones is not specified. Regarding the specification of the purchased equipment, drones should be equipped with a sprayer, video surveillance mode and the necessary ports and software for transferring captured files to other equipment.

As for features of these devices, the sprayer must have a minimum equivalent capacity of 10-11 liters and a minimum of 23 kg, and be capable of transporting and spraying any kind of fertilizer, herbicides, minerals and chemicals.

Moreover, taking into account that drones allow to create a cartographic base with the exact coordinates of all objects, they should be capable to work with navigation systems GPS + GLOSNASS and RTK (Real Time Kinematics). The distance between the control point of the drone and the territory of its operation should not be less than 4 km. It is vital during the calculation of exact area, distance, resource requirements, etc.

Drones, unmanned aerial vehicles (UAVs) managing with various degrees of autonomy, originated mostly in military applications, although their use is expanding in commercial, scientific, recreational, agricultural and other spheres.

As for agriculture, drones can be effectively used for planning and controlling the stages of agricultural production, as well as for chemical processing of crops and other plants. The main criterion for the introduction of drones is the economic feasibility. Drones allow to receive relevant and effective information when it is needed; in addition, the information accumulated over a long period allows to analyze the processes in dynamics.

Moreover, drones are capable of collecting planting information sufficient for accurate use of pesticides and herbicides where chemicals are needed. This promises farmers the opportunity to save on the use of chemicals, and also protects the environment.

Azerbaijan shows growth in agricultural exports

Agriculture is considered as one of major directions in the country's development, as it plays a special role in the diversification of Azerbaijan's economy.

Azerbaijan has exported \$592 million



worth agricultural production over the period of

January-August 2019, which is

20.6 percent more than the production exported during the same period of 2018. In 2018, Azerbaijan increased the export of agricultural products by 23.9% to reach \$589.6 million. The largest volume of exports fell at tomatoes, which were exported in the amount of \$177 million.

Note that the volume of agricultural production in Azerbaijan amounted to 5 billion 206.7 million manats in January-August 2019, which is 6.2 percent higher than that of the same period in 2018.

The volume of livestock production amounted to 2 billion 557 million manats, crop production - 2 billion 649.7 million manats. Growth in livestock production amounted to 3.1 percent, and in crop production – to 9.2 percent.

The country produced 332,600 tons of meat (a 3 percent increase), 1 million 386 thousand tons of milk (a 1.5 percent increase), 1 billion 242.2 million eggs (a 6.9 percent increase), 15,400 tons of wool (a 1.5 percent increase). In addition, 643.7 tons of silkworm cocoons were produced (a 25.3 percent increase) in January-August 2019.

As of September 1, 2019, 3.229 million tons of grain and legumes were collected (a 6.3 percent increase), 703,800 tons of potatoes (a 9.5 percent increase), 1 million 283,800 tons of vegetables (a 11,3 percent increase), 427,900 tons of melons (a 14.9 percent increase), 382,400 tons of fruits and berries (a 5.6 percent increase), 56,500 tons of grapes (a 49.4 percent increase), 580.8 tons of tea (a 16.4 percent decline), 31,400 tons of sunflower (a 48.7 percent increase), 3,500 tons of tobacco (a 19.4 percent decline), 19,600 tons of sugar beet (a 78.3 percent decline), 164.8 tons of cotton (a 5% increase) were produced.

It should be noted that agricultural production in Azerbaijan increased by 4.6% in 2018.

In general, agricultural production in Azerbaijan amounted to 7 billion manats (\$4.11 billion) in 2018, which is 4.6 percent higher than in 2017. The volume of production in livestock amounted to 3.8 billion manats (\$2.2 billion), and in crop production - to 3.2 billion manats (\$1.9 billion).

Transport

Russian cargo to be transported via Baku-Tbilisi-Kars railway

Russia will use Baku-Tbilisi-Kars railway for the transportation of its mining and metallurgical industry

products, Trend reported on October 7, citing ADY Express LLC.

This was announced during the 10th international



“Railway
Transportation
of Mining and
Metallurgical
Cargo”

conference held in Moscow, Russia. During the event, representatives of ADY Express LLC (a subsidiary of Azerbaijan Railways CJSC) presented their options for the transportation of these types of goods from Russia to the countries located in the south-west direction. Speaking about the capabilities of the Azerbaijan Railways and major infrastructure projects such as Baku-Tbilisi-Kars (BTK), the company representatives demonstrated the advantage of transit routes via Azerbaijan and Turkey..

It was also noted that the BTK railway is more commercially advantageous compared to traditional routes.

As part of the conference, ADY Express LLC representatives held bilateral meetings with Russian major cargo owners where ADY Express LLC received orders for the cargo delivery of the mining and metallurgical industries along the BTK railway corridor.

The transportation of these goods will begin in the near future.

Note that the cargo transit traffic through Azerbaijan reached 4.1 million tons in the first six months of 2019.

In particular, the volume of cargo transported via the International North-South Transport Corridor amounted to 131,000 tons for the reported period. This represented a 63-percent growth.

The North-South Transport Corridor which is designed to connect Northern Europe with Southeast Asia, including the railways of Azerbaijan, Iran and Russia plays a major role in it. The coverage of the transport corridor is impressive - it is multi-mode network of ship, rail, and road route for moving freight between India, Iran, Afghanistan, Armenia, Azerbaijan, Russia, Central Asia and Europe.

Meanwhile, the volume of transit goods transported via the North-West corridor amounted to 829,000 tons (an increase of 70 percent), and the volume of non-oil goods transported along the East-West corridor equaled 795,000 tons (an increase of 42.8 percent).

Currently, there are several routes from East to Europe pass through the territory of Azerbaijan. Among such projects are the International North-South Transport Corridor, which is constructed to transport goods from

India and the Persian Gulf countries to Russia, Western Europe, the Baltic and Scandinavian countries.

Moreover, being a part of the East-West Corridor, the Baku-Tbilisi-Kars railway, which is built at the initiative of Azerbaijan, allows supplying cargo to Europe. Another example is the Lapis Lazuli corridor, which runs from Afghanistan to Azerbaijan, Turkey and further to Europe.

The implementation of important infrastructure projects not only increases the economic power of Azerbaijan, but also strengthens its international image.

Offering wide range of opportunities, the Baku-Tbilisi-Kars railway improves constantly in terms of the safety, speed and competitiveness of transportation.

Tourism

Sheki Destination Management Organization to promote regional tourism in country

Rich cultural heritage, beautiful nature, as well as recent efforts to expand tourism infrastructure contribute to the development of tourism in the regions, the Chairman of the Azerbaijan State Tourism Agency, Fuad Nagiyev, said during the presentation of the



Destination Management Organization in Sheki town.

Nagiyev said that the decision to chose Sheki for Destination Management Organization has to do with Sheki's rich history and beautiful monuments such as Sheki Khans' Palace that has been included in the UNESCO World Heritage List.

He emphasized that Gakh, Zagatala and Balakan regions that will be included in the activities of the Organization are especially distinguished for their tourism potential. The organization is currently operating in Guba and Gusar regions. Nagiyev pointed out that the offices of Destination Management Organization will also be launched in Ganja and Lankaran cities.

He stressed that development of tourism in the regions is one of the main tasks of the Agency.

Pointing to the great tourism potential of the country's regions, he noted that development of tourism in the regions contributes to the welfare of the population, stimulates socio-economic development, creates new jobs and increases employment.

“The goal of the Destination Management Organization, created by the State Tourism Agency and the Azerbaijan Tourism Board, is to achieve long-term sustainable

economic development, and more effective use of region's tourism potential," said Nagiyev.

"Our joint efforts will play an important role in promotion of the county's and regions' tourism potential, attraction of more tourists, and successful development of the regions," he added.

One of the main reasons for the launch of the Organization's Sheki office is the fact that the area stretching from Balakan to Sheki is distinguished for its tourism potential, said Florian Sengstschmid, Executive Director of Azerbaijan Tourism Board, on the sidelines of the presentation.

"At the same time, this zone is located on the tourist corridor linking Azerbaijan and Georgia," he noted. Sengstschmid emphasized that new office will increase the undiscovered, unique tourism potential of the region and will play an important role in turning it into a tourism product.

"Since Baku is the capital, it is able to render service to a large number of tourists. We can achieve higher results in the tourism sector due to cooperation with the regions," he said. He added that 2.8 million tourists visited Azerbaijan last year. During the first nine months of 2019, the number of tourists increased by 10 percent compared to 2018. "This increase will continue until the end of

the year, and there will be an increase in the number of tourists visiting Azerbaijan by late 2019."

Destination Management Organizations will act as a new model of management in order to use the tourism potential of the regions more effectively, promote regional tourism and thus achieve long-term sustainable economic development. These organizations will also help to build relationships between the government, the private sector and the community at the local level, and to develop human resources and standards.

Announcements and Notifications

The largest exhibition of the Caspian region in the construction area BakuBuild is the most important professional event of the whole region in the field of construction and architecture, design and repair. Every year thousands of specialists from different countries visit the exhibition, who finds business partners here. **BakuBuild** 2018 welcomed 219 companies from 23 countries, 8 889 visitors got acquainted with the exposition.



BakuBuild
Azerbaijan

BakuBuild will be held 22 to 25 Oct 2019 in Baku, Azerbaijan. BakuBuild is a crucial professional event in the field of construction and architecture, design and reconstruction, as well as venue for discussion of key aspects of conducting construction business in Azerbaijan. Azerbaijan has remained one of the most stable and fastest-growing economies in the CIS. Furthermore, numerous infrastructure projects are currently taking place, with the country forecasted to become such metropolis as the UAE or Singapore. This presents invaluable opportunities for international industry players looking to invest in this fast-growing market. In last edition, the fair welcomed 413 companies from 25 countries, 11,562 visitors got acquainted with the exposition.